

Banking Automation **BULLETIN**



Mobile payments may accelerate migration to cashless

Global ATM shipments rebound in 2010

Challenges ahead for Latin American payments industry

ATM outsourcing deals are diverse in ever more competitive markets

Pioneering contactless payments in Spain

Country profile: Finland



Banking Automation



Will Canada spur others to adopt polymer banknotes?

Canada's announcement that it will be issuing a new polymer \$100 banknote in November 2011, and roll out a full set of polymer denominations by the end of 2013, is highly significant.

Canada becomes the largest, and first G8, country to embrace polymer notes. Although more than 30 countries have such notes (often only for lower denominations), this is the most high profile adoption since Australia in 1996.

The move to polymer has been prompted at least in part by the rapid rise in the level of counterfeiting of Canadian banknotes in the early 2000s, reaching a peak of 470 per million in 2004 – the highest level in the developed world at the time. The level has fallen back since, but still remains a concern.

Advocates of polymer notes make two main claims:

- 1) They last 2-3 times longer than traditional cotton paper notes, substantially reducing costs of printing, issuing and removing notes from circulation
- 2) They provide greater protection against counterfeiting.

The first claim is relatively unambiguous, although upfront costs are high, and there are substantial costs for merchants, banks and others that will need to modify equipment, train staff etc.

The second claim is more debateable. Countries that have fully or partially switched to polymer notes report significant falls in the proportion of counterfeit notes in circulation. This may well be because in the short term fraudsters prefer to employ their skills and equipment in countries using traditional notes, rather than reinvest for polymer. As more countries switch to polymer this will surely change.

Critics of polymer argue that notes are more likely to tear, especially when crumpled, and that the ink has a greater tendency to wear off. There is also concern that there is only one manufacturer of the BOPP substrate used for polymer notes – an Australian company called Securrency, which has been under investigation in Australia regarding allegations that the company bribed officials in several countries in order to secure banknote contracts. Relying on a single supplier is never ideal, particularly one that is surrounded by controversy.

Other countries will be watching the Canadian experience with interest – not just the financial and security implications, but also how the public responds to the change.

Dominic Hirsch, Editor

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