

# Banknotes

The Reserve Bank is responsible for producing and issuing Australia’s banknotes. It seeks to ensure that there are sufficient high-quality banknotes in circulation to meet public demand. It also conducts research and development to help Australian banknotes remain secure against counterfeiting.

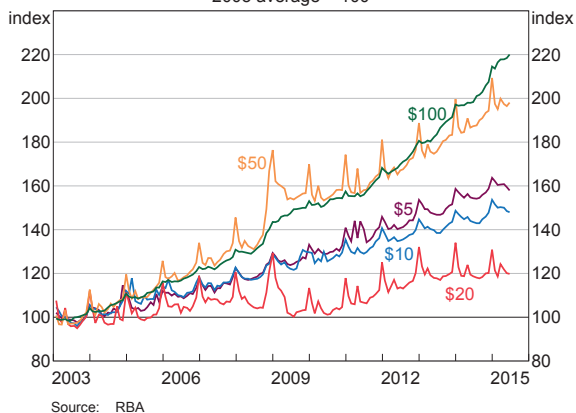
Public demand for banknotes stems from their role as a payment mechanism and store of wealth. To preserve public confidence in the capacity of banknotes to perform these roles, the Reserve Bank:

- produces and issues banknotes to meet public demand
- maintains the quality of banknotes in circulation by withdrawing old, worn banknotes and replacing them with new banknotes
- conducts research and development to ensure that Australian banknotes remain secure against counterfeiting.

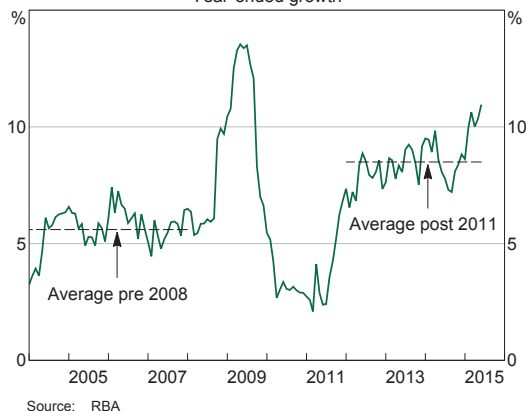
## Banknotes on Issue

At the end of June 2015 there were 1.3 billion banknotes, worth \$65.5 billion, in circulation. The value of banknotes in circulation increased by 8 per cent in 2014/15, slightly above the long-term growth rate of 6 per cent. Growth in 2014/15 was driven by high-denomination banknotes, with the value of \$100 banknotes increasing by 11 per cent and the value of \$50 banknotes increasing by 6 per cent. While the growth in \$50 banknotes was broadly in line with historical trends, growth in demand for \$100 banknotes has increased substantially since 2012. Together, the \$50 and \$100 banknotes accounted for 92 per cent of the value and 67 per cent of the number of banknotes in circulation at the end of June 2015.

**Number of Banknotes in Circulation**  
2003 average = 100



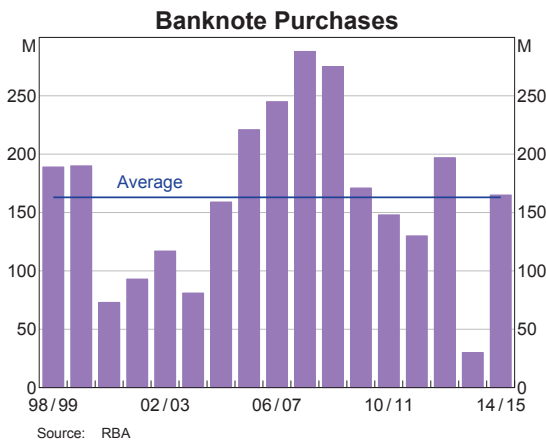
**\$100 Banknotes in Circulation**  
Year-ended growth



# 1.3 billion banknotes, worth \$65.5 billion, are in circulation

## New Banknote Purchases

The Reserve Bank purchased 166 million banknotes from Note Printing Australia Limited (NPA) in 2014/15. These comprised 21 million \$5 banknotes, 105 million \$50 banknotes and 40 million \$100 banknotes.



## Distribution

The Reserve Bank maintains banknote holdings to accommodate growth in the number of banknotes in circulation, seasonal fluctuations in demand and for contingency purposes in the event of systemic shocks and production disruptions. The Bank has established distribution agreements with a number of commercial banks that provide them with access to banknote holdings. The Reserve Bank issued banknotes worth \$10.4 billion in 2014/15, of which \$3.8 billion had previously been in circulation and \$6.6 billion were new.

The Reserve Bank aims to maintain a high quality of banknotes in circulation to ensure public confidence in Australia's banknotes. High-quality banknotes reduce machine acceptance issues and make it more difficult for counterfeits to be passed. For this reason, the Bank provides incentives to the commercial banks and the cash-in-transit companies to reissue fit banknotes into circulation and return those that are unfit to the National Note Processing and Distribution Centre (NNPDC), operated by NPA. These unfit banknotes are assessed using high-speed processing machines to confirm their authenticity and quality. In 2014/15, the NNPDC received \$2.0 billion banknotes deemed unfit for recirculation.

The Reserve Bank also provides an additional service to members of the public through its Damaged Banknotes Facility, which helps to remove unfit banknotes from circulation. Through this facility, members of the public who have unwittingly come into possession of damaged banknotes or whose banknotes are accidentally damaged can ask the Bank to examine and verify their damaged or contaminated banknotes. Subject to the claim meeting the requirements set out in the Damaged Banknotes Policy, payment is made based on the assessed value of each claim. The Bank processed 15 117 claims and made \$3.8 million in payments in 2014/15.

## Counterfeiting in Australia

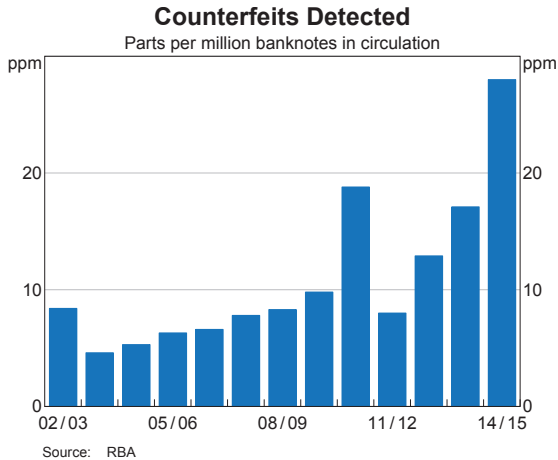
In 2014/15, around 37 000 counterfeits, with a nominal value of nearly \$2.0 million, were detected in circulation. This corresponds to around 28 counterfeits detected per million genuine banknotes in circulation, which is a 63 per cent increase compared with 2013/14.

During the year, the Reserve Bank identified a single production source of counterfeits that contributed to the increased rate of detections. Some arrests have been made in relation to this production source, and the police are continuing to investigate the matter.

## Counterfeit Banknotes in Australia 2014/15

	\$5	\$10	\$20	\$50	\$100	Total
Number	78	66	755	33 292	2 943	37 134
Nominal value (\$)	390	660	15 100	1 664 600	294 300	1 975 050
Parts per million	0.5	0.6	4.8	55.3	10.2	27.9

Source: RBA



Despite the increase during the year, this level of counterfeiting remains low by international standards.

To combat counterfeiting in Australia, the Reserve Bank has strengthened its ties with law enforcement agencies in Australia and overseas to monitor trends and identify emerging threats. As part of this arrangement, the Reserve Bank provides analytical and counterfeit examination services and prepares expert witness statements and court testimonies to assist the agencies with their investigations.

The Reserve Bank again partnered with the Australian Federal Police through the continuation of the Counterfeit Deterrence Workshop program. In April 2015, a workshop was held in Brisbane, which was attended by a number of agencies and organisations, including the Australian Federal Police, State Police, cash-in-transit companies, financial institutions, casinos, retailers and industry representative groups. Participants were provided with information on a number of banknote-related topics, which will assist them in their roles with detecting and handling counterfeits.

## Next Generation Banknote Project

While Australia has experienced low levels of counterfeiting – both in absolute terms and compared with other countries – the Reserve Bank has a continuing commitment to ensure that Australia’s counterfeiting level remains low in the future. The current series of banknotes has been in circulation for more than 20 years, and while this longevity is a direct pay-off from the investment made in developing polymer banknotes, the Bank is actively investigating ways in which it can continue to maintain banknote security. To that end, in 2012 the Bank announced the Next Generation Banknote (NGB) project to issue a new banknote series with upgraded security features.

As a part of this project, the Reserve Bank has consulted extensively with key users of banknotes, including banknote equipment manufacturers, retail organisations, financial institutions and the vision-impaired community. Advice has also been sought through a number of channels during the development process, including an advisory panel, subject-matter experts and focus groups comprising members of the public. These ongoing consultations provide an opportunity to ensure that the new banknotes will continue to meet the various needs of the community.

Importantly, the new banknotes will retain many of the key design elements of the current banknote series, including the people portrayed, size, general colour palette and denominational structure. There will, however, be design changes to accommodate the new security features.



Participants in the Reserve Bank's Counterfeit Deterrence Workshop undertaking interactive exercises, Brisbane, April 2015

Issuance of the denominations will be staged over a number of years, with the first two denominations, the \$5 and \$10, expected to be issued in 2016/17. The time and cost involved – \$18.3 million as at the end of June 2015 and an expected total cost of around \$29 million – reflects the complexity of the process of designing, testing and producing a new banknote series, and the extensive community consultation required.

# New \$5 and \$10 banknotes expected in 2016/17

## Banknote Accessibility

The Reserve Bank has engaged extensively with the vision-impaired community to seek input on accessibility options for the next generation of banknotes. Flowing from this consultation, the Bank committed to retaining the existing accessibility characteristics of Australia's banknotes – their size differentials, vibrant colours and bold, contrasting numerals – and to incorporate a new embossed tactile feature into the design. The Bank also continues to support the production of a banknote measurement device that assists people with impaired vision to differentiate banknotes.

## Banknote Infrastructure Modernisation Program

In preparation for the logistical demands arising from the introduction of the NGB series, the Reserve Bank has initiated a program to upgrade its existing

banknote infrastructure. The main objectives of the upgrade are to increase banknote storage and processing capacity, and to introduce new technologies and systems to improve banknote logistics processes and simplify distribution arrangements with cash-in-transit companies.

The upgrade will include the construction of the National Banknote Site (NBS) on the Reserve Bank's existing Craigieburn site to accommodate improved banknote storage, processing and distribution functions. The new two-storey building began construction in June 2015, and is scheduled for completion in 2017.

In addition, the Banknote Infrastructure Modernisation program will improve manual processes in the Reserve Bank's existing sites and introduce automated processes at the NBS. This will allow for more efficient workflows, a reduction in work health and safety risks and further improvements in the security associated with the handling of banknotes. In parallel, the Bank will increase its capacity to process unfit banknotes, with the commissioning of additional high-speed banknote processing machines.

## Banknote Research and Development

The Reserve Bank's research and development program is designed to ensure that Australian banknotes remain both secure against counterfeiting and functional for a wide variety of users. A core function of this work is the development of innovative new technologies that are incorporated into new security features and detection equipment for banknotes. This is accomplished through a range of collaborations with third parties, including universities, public and private companies, research institutes and other central banks. The vulnerability of current and future banknotes and security features to different forms of simulation is also assessed.



A computerised representation of the new National Banknote Site in Craigieburn, Victoria, currently under construction

The Reserve Bank contributes to several international forums concerned with banknote security, including the Central Bank Counterfeit Deterrence Group, which examines emerging threats in counterfeiting technologies, and the Reproduction Research Centre, which provides facilities to test new security features. The Bank also works closely with its partners and suppliers to introduce new technologies and features into the banknote production process.

In 2014/15, the research program focused heavily on providing technical expertise for the development of the NGB series, by conducting extensive trials and assessment of new technologies and strategies to ensure the durability of the new security features. This was conducted in conjunction with the development of new testing methodologies that will form part of the quality assurance program.

## Community Liaison

The Reserve Bank actively engages with a range of stakeholders, including users and manufacturers of banknote equipment, law enforcement agencies, retail organisations, schools and financial institutions, with the aim of increasing knowledge about banknotes in the community. A total of 70 presentations were made during 2014/15, the majority of which were delivered to visitors to the Bank's Museum of Australian Currency Notes.

An online school education resource aimed at educating primary school students about Australia's banknotes was launched in January 2015. The resource, which was developed in collaboration with the New South Wales Department of Education and Communities, provides engaging and interactive information about banknotes through history and mathematics activities aligned to the Australian curriculum. The resource can be



Children using props and online games to learn about banknote production, Australia Day 2015



Visitors to Note Issue Department learn about banknote production, September 2014

accessed through the Bank's website, where many other resources are also available for teachers and students as well as members of the public.

### Numismatic Banknote Sales

To enable the Reserve Bank to focus its resources on the NGB project, a decision was made in 2015 to discontinue numismatic banknote sales for the current polymer series. The Bank is assessing possible commemorative options to coincide with the issuance of the NGB series.

### Note Printing Australia Limited (NPA)

NPA is a wholly owned subsidiary of the Reserve Bank that produces banknotes and operates the NNPDC on behalf of the Bank. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board.

Specifically, NPA's prime function is the efficient and cost-effective production of high-quality and secure Australian banknotes, in accordance with the specifications and requirements of the Reserve Bank. The charter also permits NPA to undertake other activities, including developing and producing passports for the Department of Foreign Affairs and Trade (DFAT), producing banknotes for other issuing authorities and producing some other



security products. In recent years, these activities have included the production of banknotes for some countries in the Asia-Pacific region. In all cases, NPA dealt directly with the relevant central banks.

NPA is governed by a board of directors appointed by the Reserve Bank. As at 30 June 2015, the NPA Board comprised four Reserve Bank executives and a member of the Reserve Bank Board: Michele Bullock, Assistant Governor (Currency) as Chair; Keith Hall, Assistant Governor (Banking and Payments); Lindsay Boulton, Head of Banking Department; Michelle McPhee, Head of Risk and Compliance Department; and Heather Ridout AO, a member of the Reserve Bank Board. The NPA Board has an Audit and Risk Committee, whose membership comprises Keith Hall (Chair), Lindsay Boulton and an external member, Alan Beckett, a company director and former senior audit partner of a major accounting firm with extensive experience in the corporate sector, including manufacturing.

The NPA Board appointed NPA's Acting Chief Executive Officer, Malcolm McDowell, to the position of Chief Executive Officer on 25 February 2015. Six business units report to NPA's Chief Executive Officer: Financial Services; Manufacturing Operations; Passports Business and Support Services; Quality Management; Risk Management and Security; and Human Resources. The Chief Executive Officer and the heads of these business areas constitute NPA's Executive Committee. As at the end of June 2015, NPA employed 233 permanent staff.

In 2014/15, NPA delivered 166 million Australian banknotes to the Reserve Bank under a contract entered into in 2011. NPA also provided banknote distribution and banknote processing services to the Bank during the year. Until October 2014 those services were provided under a contract entered into in 2001. That contract was replaced with effect from 27 October 2014 with a new Distribution and Processing Agency Agreement. The aggregate

amount paid by the Bank to NPA in 2014/15 for the supply of banknotes and related services under the above contracts was \$55.2 million. The Reserve Bank Board did not take any decisions in 2014/15 in relation to any of these contracts between NPA and the Bank.

NPA delivered 152 million banknotes to other countries in 2014/15, including Singapore and Papua New Guinea. NPA also produced 2.5 million P series passports for DFAT.

The financial accounts of NPA are consolidated with those of the Reserve Bank.

NPA delivered  
**166 million**  
Australian banknotes  
and **152 million**  
foreign banknotes



NPA produced  
**2.5 million**  
passports

