

The Bank of Canada's Currency Department

The Bank of Canada's vision is to be a leading central bank—dynamic, engaged, and trusted—committed to a better Canada. As the country's sole note-issuing authority, the Bank's Currency Department embraces this vision.

In keeping with the Currency Department's primary objective of designing and issuing bank notes that Canadians can use with the highest confidence, Canada's latest *Polymer* series presents an exceptional combination of design and technology.

Canada's decision to switch from a paper to a polymer substrate was security-driven, to support confidence in bank notes by staying ahead of counterfeiting. The *Polymer* series notes contain leading-edge security features that offer a significant step-up in security, and when issued in November 2011, this series represented several world firsts. For instance, the series was the first to contain a large transparent window, the first circulating polymer note with a wide, fully-registered holographic foil stripe, and the first series to use NEOMAG, an exceptionally secure IR transparent magnetic ink, jointly developed by the Bank and SICPA.

The *Polymer* series is the result of the Currency Department's experience over the last decade. Confidence in bank notes was threatened in 2003-04 when Canada experienced record-high counterfeiting rates of its older paper notes. The foil-striped *Canadian Journey* series was the Bank's initial response, and this threat confirmed that to deter counterfeiting, security had to remain the primary focus for the next series. The high counterfeiting rates also resulted in the realization that counterfeiting is not solely addressed by robust bank note design, but requires a number of partners and stakeholders to play a role in creating an overall environment of counterfeit deterrence. This led to a broad strategic approach which addressed the role of the central bank in leading, engaging or facilitating the various stakeholders in the cash cycle.

The significant decrease in counterfeiting over the decade that followed is the result of the implementation of this strategy, and the continuous efforts by the Bank and stakeholders to address counterfeiting threats as they arise, and to minimize their impact on Canadians.

There are four main elements that comprise the Currency strategy at the Bank of Canada.

1. advancing research and development to improve bank note security;
2. promoting the acceptance of bank notes by Canadians and verification by retailers through awareness and education;
3. facilitating compliance by advocating counterfeit deterrence through law enforcement and the courts; and
4. maintaining high quality levels throughout the bank note life cycle.

Research and Development

To ensure that Canadian bank notes are secure and easy to use, technical specialists are now engaged in thinking about the next series, and are continually assessing the quality and likely evolution of polymer-

based counterfeits. This R&D work involves analyzing the performance of issued bank notes, understanding the technical requirements of users and stakeholders, assessing new bank note products and quality systems in the market, and specifying and developing new security features, bank notes and related quality systems.

Thinking even more broadly about change and considering the share of cash transaction demand trending downward, the department also conducts long-term economic research to better understand the likely evolution of the demand for bank notes relative to alternative means of payment (including e-money), the implications for central bank policy and the future impact on Currency operations. This function also provides policy advice that draws on economic research and the analysis of data on counterfeiting and confidence in bank notes, including the impact of polymer notes on deterring counterfeiting.

Awareness and Education

The introduction of polymer bank notes was a significant change for Canadians and the cash-handling industry. Throughout the series launch, communications efforts were focused primarily on awareness and promoting the acceptance of polymer notes. As Canada enters the polymer note steady-state, the primary message is taken up again—the routine verification of all notes by cash handlers. This is achieved by developing and delivering programs that teach the public, businesses and the police to recognize and transact with genuine bank notes, and to promote note authentication and counterfeit prevention.

Compliance

The compliance function is responsible for developing and sustaining important relationships within the law enforcement community in support of the strategy and promotion of counterfeit deterrence. By keeping these important stakeholders engaged, relationships with police and prosecutors will facilitate gathering and disseminating relevant information when responding to an evolving counterfeiting environment.

Quality

The Bank ensures high and consistent quality levels for new and circulating bank notes, and through an effective distribution system, ensures that Canadians have access to notes across the country. In keeping with the Currency Department strategy, a clear quality vision exists for the complete bank note supply chain to ensure that appropriate quality is maintained, each note issued meets the Bank's rigorous quality standards, and that appropriate quality levels for notes in circulation are maintained through the bank note distribution system.

The Currency Department aims to be a world leader in all aspects of the bank note lifecycle and in understanding the role of cash in a changing payment system environment. The department strives for excellence through leading-edge research and analysis, and achieves this through innovation and partnerships in all aspects of its work.