

## Education: Costly But Works

Within a 24 month period the world's two major currencies have gone through major change – if the *launch* of the euro can be called a change! Following the European's launch in January 2002, there will be a new issue US dollar later this year, so public knowledge of the features on these banknotes is critical.

This was the issue examined by Hans de Heij of the Netherlands Bank in the final paper of Sunday's half-day session. He collated research carried out separately by himself, Lisa A DiNunzio of the US Bureau of Engraving & Printing and Olivier Strube of the European Central Bank in February 2002. He acknowledged that the methodologies and public samples had been different in each case, but with enough commonality to establish some comparative data. The summary results of the BEP and the ECB research are shown in the table, ranking

security features on dollars and euros in order of public recall or awareness.

<u>US Feature</u>	<u>Euro Feature</u>
Security Thread	Watermark
43%	64%
Watermark	Hologram Stripe
42%	57%
Fine Line	Security Thread
18%	57%
OVI	OVI
17%	37%
Average	Average
30%	54%
None Recalled	None Recalled
15%	11%

Clearly, the public in the euro zone is more aware of features on the euro banknotes than the US public is of features on the dollar bills; on average, 54% of the Europeans recalled a feature

continued on page 4

## Keynote Address

Keynote speaker Peter Fisher is senior adviser to the US Secretary of the Treasury on all aspects of domestic finance. Mr Fisher also chairs the Advanced Counterfeit Deterrent Steering Committee, which advises the US Treasury on new banknote design and features. It was in this capacity that he spoke to the conference on the committee's overarching aim, which is to maintain confidence in US notes at home and abroad.

The US dollar underpins both the domestic and the global economy and confidence is maintained by 'continuous downward pressure on counterfeiting through continuous improvement' – a theme which ran throughout his address. There is now a seven-year cycle of change for the US currency; continuous

improvement is applied to design; to the adoption of new security features in the development of which the committee works increasingly closely with the private sector; and to the ever-closer relationship with third parties. Fisher spoke in particular about the partnerships forged with the digital community to counter the growth of digital technology to the counterfeiting of currency.

He also spoke about the success of confidence in the US currency to date, which is both an asset and a disadvantage, the latter in the sense that there is an assumption among the US public that their notes will be good quality. Continuous improvement will be the key to maintaining that confidence, as will education to inform the public both at home and overseas as to the impending changes in the next generation of US currency.

## Today's Highlights

The agenda for today covers a broad range of issues which go to the heart of banknote production and circulation, from improvements in quality to next-generation security features, and from counterfeiting trends to more effective means of counterfeiting deterrence. Of particular interest will be the presentations on money laundering and terrorist financing – particularly appropriate in today's climate – and on one of the unusual approaches the US Secret Service is taking to investigation and enforcement through its Canine Counterfeit Detection Program (during which we hope to see a 'live' demonstration).

The issue of banknote substrates will be firmly on the agenda with presentations on both the comparative cost-benefit ratios of printing substrates and a case study on Thailand's experience with polymer. And not to be overlooked, the physical security of banknote printing operations will also be covered with a presentation on biometric smart card site protection for central bank vaults and printing operations.

## COUNTERFEITS

### Latest Euro Counterfeiting Figures Show Sharp Increase

The ECB has released euro counterfeiting figures for the second half of 2003, which show a marked increase over the first six months following the launch of the currency.

From January to June last year, just under 22,000 counterfeit banknotes were removed from circulation - a figure which was much lower than the ECB had expected, given that the public and cashiers had little or no practical experience of the currency.

In the following six months, however, the figure increased sharply to just over 145,000 counterfeits, proof of the

fact that counterfeiters need time to hone their ability to produce notes of reasonable quality.

The €50 note remains the most popular for counterfeiters, undoubtedly because it is the preferred note of use among the public and at the same time represents good returns for the counterfeiters.

While the overall figures for 2003 of counterfeit notes removed from circulation was 167,000, according to Dr Thomas Schweikart of the ECB, who gave the presentation, this is still less than a quarter of the counterfeits detected in

the euro legacy currencies in the preceding year, and is only a fraction of the 8.2 billion euro notes in circulation.

In his presentation, Dr Schweikart also described the role of the Counterfeit Monitoring System ((CMS) in recording and storing statistical and technical counterfeit data provided by the national banks of each of the EU's member states and Europol. Interpol is playing a growing role in providing information on euro counterfeits detected outside the euro zone, and the ECB is developing cooperation with the central banks of the accession countries as well.

### New Security Fibres from Goznak

Among the new technologies presented on the first day were two new forms of security fibre from Association Goznak. In one development, profiled fibres are now available with a variety different geometric profiles (unlike conventional fibres with their rounded profiles). These profiles cannot be reproduced by printing or other techniques, making verification more reliable.

In the other development, known as *Zona*, security fibres are constructed as a chain of cylinders with variable diameter and colour, and can include the use of customised UV-fluorescent colours. While the purpose of these fibres is also to offer more reliable verification through the identification of specific geometric arrangements, it is claimed that they can be used as public verification features with the use of magnifying lenses or UV lights.

Goznak also introduced a security feature called *MVC* (moiré variable colour) - in which lines of different colours are printed and then blind embossed in a technique which results in a latent image that is optically variable and offers seamless colour change. The MVC feature can be applied through conventional printing technologies and can be enhanced with the use of thermochromic, luminescent or photochromic inks.

Goznak's presence as a sponsor here reflects its desire to be a world player in the banknote industry. The company has long been respected as an innovative banknote and security printer, but it was constrained from activities outside the Eastern bloc. In the decade since the emergence of the 'new Russia' the company has changed its management approach without losing the commitment to advanced technical development that was its hallmark.

In the last twelve months this has led to its new policy to become a true international supplier. As Sunday's paper by Dr Andrey Kuryatnikov demonstrated, Goznak has some interesting new techniques to offer. As General Director Arkady Trachuk told Currency News, it is an opportune time as more governments are opening up their banknote procurement procedures beyond their traditional suppliers.



*Anna Kortchaguina, Marketing Manager, and Arkady Trachuk, General Director, at the Goznak booth*

## BANKNOTE 2003 SPONSORS

### Louisenthal Strikes the Right Note with Durability

As one of the world's leading banknote paper manufacturers, Papierfabrik Louisenthal is a sponsor of Banknote 2003 in order to take advantage of the networking opportunities that the conference affords, and to make itself available to the customers attending as delegates, Michael Böhm told Currency News.

The durability and longevity of banknotes is a major concern to the banknote community looking for improvements in quality and efficiency, and one of Louisenthal's answers is *Stronglife*. This is a durable tear-resistant paper which can double the lifespan of banknotes and is aimed in particular at low denomination banknotes to avoid the conversion to coin.



*Michael Böhm proudly shows the Banknote 2003 commemorative award*

This development is particularly apt in Europe, given that the ECB is currently being pressed to consider the introduction of low denomination notes in place of the €1 and €2 coins.

### KBA Foresees Application-Driven Production

KBA Giori supplies over 90% of the world's banknote printing equipment. The company is sponsoring Banknote 2003 in order to observe progress within the banknote community from the perspective of suppliers and customers, and to display, amongst other products, its *CTIP* (Computer To Intaglio Plate) technology.

This technology is designed to accelerate the process of engraved features on banknotes whilst retaining their quality. It is also intended to take intaglio – one of the most traditional yet most secure features on banknotes – a stage further by adding dimension. This can be achieved by the CTIP's ability to control the depth and width of each pixel, offering a much wider dynamic

range in intaglio features.

KBA sees the immediate future of banknotes moving towards quality management as opposed to simply process control – with the whole process of banknote production becoming increasingly application rather than technology-driven.



*Is the snowman joining Mark Stevenson & Stephen Brown of KBA Giori?*

### Hologram Industries Enters Banknote Foil Business

This is the first time that French company Hologram Industries has sponsored the Banknote conference, although the company has been a sponsor at the Currency Conference for several years. According to CEO Hugues Souparis, this is part of positioning the company firmly within the banknote world – although its origination of the OVD patch on higher denomination euros surely did that!

M Souparis told Currency News that HI has focused its R&D programme on banknote needs and has several new features to offer, including a transparent foil and a combined transparent and demetallised foil. And



*Hugues Souparis serves up euros featuring the OVD patch mastered by Hologram Industries*

these foils are produced to banknote standards – bringing the company into position as a full-service OVD supplier for the currency sector.

Asked about the most significant recent developments for the company, M Souparis inevitably referred to the euro launch. For the future, he has high hopes for *DID* – *diffraction identification device* – a foil which shifts colour with a 90° rotation. Launched a year ago, he told us that several paper mills are in serious discussion with regard to using it in the stripe or thread variants.

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tage of the forum of Banknote 2003 to talk to us, tell us your news, and to tell us what you would like to see covered in this new newsletter. And to make it easy for you to find us, here we are....



*Ian Lancaster*



*Astrid Mitchell*

## Flying Start to Banknote 2003

The principle topics of Banknote 2003 are emerging trends and leading technologies. The first day of the conference got off to a flying start with a broad-ranging agenda, covering as it did new technologies from Goznak and Giesecke & Devrient (more on which in a later issue), the latest counterfeit figures from the ECB, an introduction to the Federal Reserve's Currency Technology Office, providing a useful overview to the visit there on Tuesday, and an in-depth analysis of the marriage (or trade-

off) between the quality and durability of paper-based security features in the presentation from Crane.

OVD Kinegram gave an update on the status of the kinegram technology and its use in the banknote industry. The afternoon rounded off with a fascinating comparison of three public survey studies conducted by the ECB, the US Treasury and the Dutch Central Bank demonstrating the effectiveness or otherwise of banknote security features to the ultimate judges - the general public.

### Education - from page 1

unprompted, while 30% of Americans recalled a feature unprompted. But the data appear to show that an education campaign increases this awareness significantly. De Heij's research showed that in the Netherlands, before the euro launch an average of 1.7 security features on Dutch banknotes were recalled, but after the euro launch this rose to an average 2.3 features, an increase of 35%. The ECB ran a campaign costing

€80M to educate the public, and there was a great deal of media coverage. Tom Ferguson, Director of the BEP, has told Currency News that the new issue will be backed with a \$50M education campaign. The euro launch was an extremely special event so the public were bombarded with information. But these comparative data show that public education, paid for or the result of media interest, is effective and therefore necessary.

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