

Polymer banknotes: the Chilean experience

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Within the context of a three-year evaluation programme, in September 2004 the Banco Central de Chile placed its first banknote printed on a polymer substrate in circulation. The public were informed that this was a new material that had been well received in other countries and that the central bank was keen to assess its acceptance and its behaviour in daily use in Chile.

Polymer evaluation programme

"A window to the future" was the campaign slogan for the launch of the new banknote, making reference to one of the main characteristic features of polymer banknotes, namely the transparent windows. As this was an evaluation process, the original design of the denomination chosen for the exercise was maintained; in addition, this had to be a low denomination to ensure the least possible impact on the cash cycle in Chile in the event of it being necessary to return to the paper substrate.

The denomination chosen was the 2,000 Chilean peso note which at that time accounted for approximately 8% of all banknotes in circulation in the country. As the photographs show, the design features easily recognizable by the public were respected, whilst the information campaign accompanying the launch focused on the different characteristics of the new note, and especially of the polymer substrate.

Initial acceptance of the new banknote by the general public exceeded all the central bank's expectations, possibly due in part to the lack of innovation in the designs of the country's banknotes, which had been in circulation for some 15 years on average with no significant changes. The information campaign was less intense and less costly than expected for the Banco Central de Chile, owing to the media interest and coverage received.



2000 Chilean peso polymer (left) and paper (right) banknotes.



Outcome of evaluation programme

The three-year evaluation programme was a vital source of information in the different areas of interest to the central bank, revealing all the strengths and weaknesses of the polymer notes for different sectors of the public and for professional cash handlers.

In the end the advantages outweighed the disadvantages and, as a result, the new series of Chilean banknotes currently being developed has three denominations printed on a polymer substrate and two on a cotton paper substrate.

In terms of a cost-benefit analysis, all the expectations were met. Among other advantages, the polymer banknotes were deemed to be cleaner and safer and this, together with a correct understanding of how to recognize authentic notes, makes it very easy to distinguish between an authentic note and a counterfeit.

During this time, the Banco Central de Chile has detected no counterfeit notes printed on any kind of plastic substrate. It is also important to note that most counterfeit banknotes in Chile are poor quality and are easily recognizable by duly informed users.

Plans for the future

Some changes in habits are required for handling and processing polymer banknotes and these changes must be encouraged. Accordingly, when the new Chilean banknotes are launched, the information effort will intensify. The public are entitled to demand quality banknotes in good condition, but they are also responsible, as users, for helping to keep them in this condition.

Chile currently has very few banknote processing machines in the cash cycle; this is expected to change, to move towards the levels seen in more developed countries that serve as a benchmark for the Banco Central de Chile. When processing polymer banknotes, the limited number of machines available operate below par and below the levels seen elsewhere; the machine suppliers, the Chilean financial system and the cash-in-transit companies that process banknotes have all been duly informed.

Quality and efficient banknote processing is a matter of utmost importance in terms of strategic planning for the central bank, as it is directly linked to efficiency in the cash cycle and social wellbeing, measured in terms of the quality and integrity of the banknotes in circulation. In keeping with all the above, the Banco Central de Chile also intends to completely rebuild its banknote processing capacity.

