

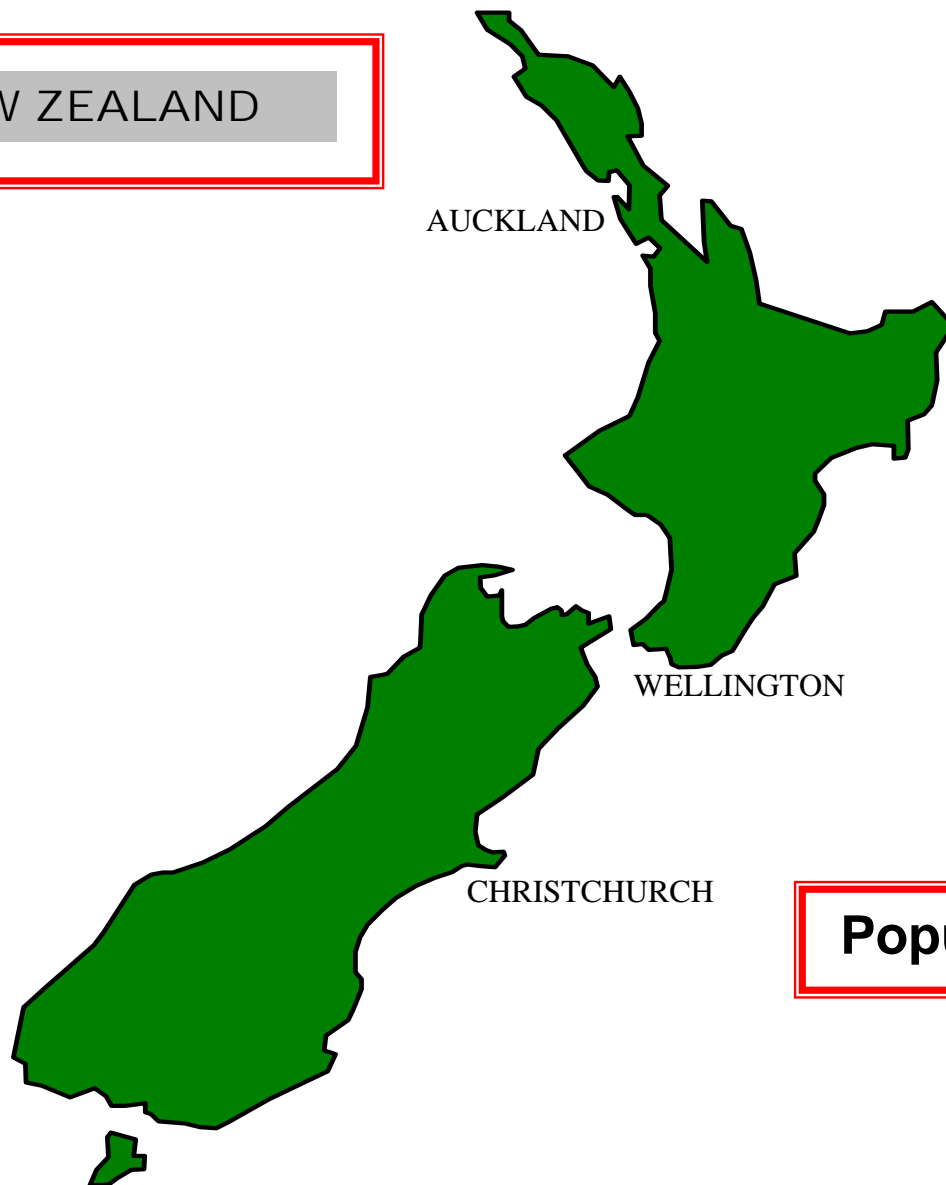
## REGIONAL POLYMER BANKNOTE SYMPOSIUM



**Hanoi, Viet Nam**  
**15-16 December 2005**

*'The modernisation of New Zealand's  
currency and cash distribution'.*

NEW ZEALAND



AUCKLAND

WELLINGTON

CHRISTCHURCH

**Population 4.1 million**

# *Modernisation of the Currency Function:*



## Phase 1-

1988- 1998 fundamental changes at the RBNZ driven by concepts of efficiency and effectiveness

- 1989 Withdrew 1 & 2 cent coins
- 1991 Introduced 1 & 2 dollar coins
- 1992 New design note series
- 1995 Attained ISO accreditation

## *Strategic Focus:*



To obtain ‘better performance’ we need to have a longer term vision for our functions and operations and be ‘open’ to innovation, which will require **change**; something that does not come naturally for Central Banks.

# *Modernisation of the Currency Function:*



## Phase 2 –

1998 – 2006 +

**A greater emphasis on a strategic as well as a business-like focus.**

- 1999 Changed note substrate to polymer.
- 2000 Wholesale distribution model.
- 2006 New note processing machine.
- 2006 Downsizing of low value coins.
- 2006 New low value coins in plated steel.
- 2006 Five cent to be withdrawn.

## *A Strategic Focus Applied to Note Issue:*

- **Polymer notes introduced.**
- **Withdrawal from retail distribution.**
- **Closed branches.**

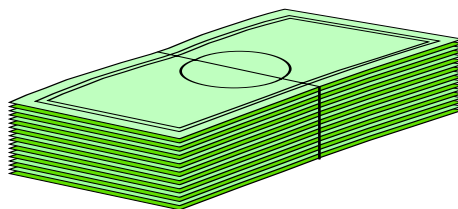
## *Decision to go Polymer:*

- **During the 1990's we closely observed the performance of polymer bank notes in Australia.**
- **In 1998, with a more strategic emphasis being placed on our business, we decided that a change to polymer fitted in well with our long-term strategy of streamlining the distribution of currency in New Zealand.**

## *Key Expectations for Polymer:*

- **Note Quality - notes retain cleanliness & structure.**
- **Reduction in counterfeiting.**
- **Improved Performance (e.g. fewer jams in ATM's).**  
**= ongoing public acceptance.**
  
- **Increased note life (lower cost of issue and less processing).**  
**= efficiencies for RBNZ.**

*Meeting key expectations: 6½ years on!*



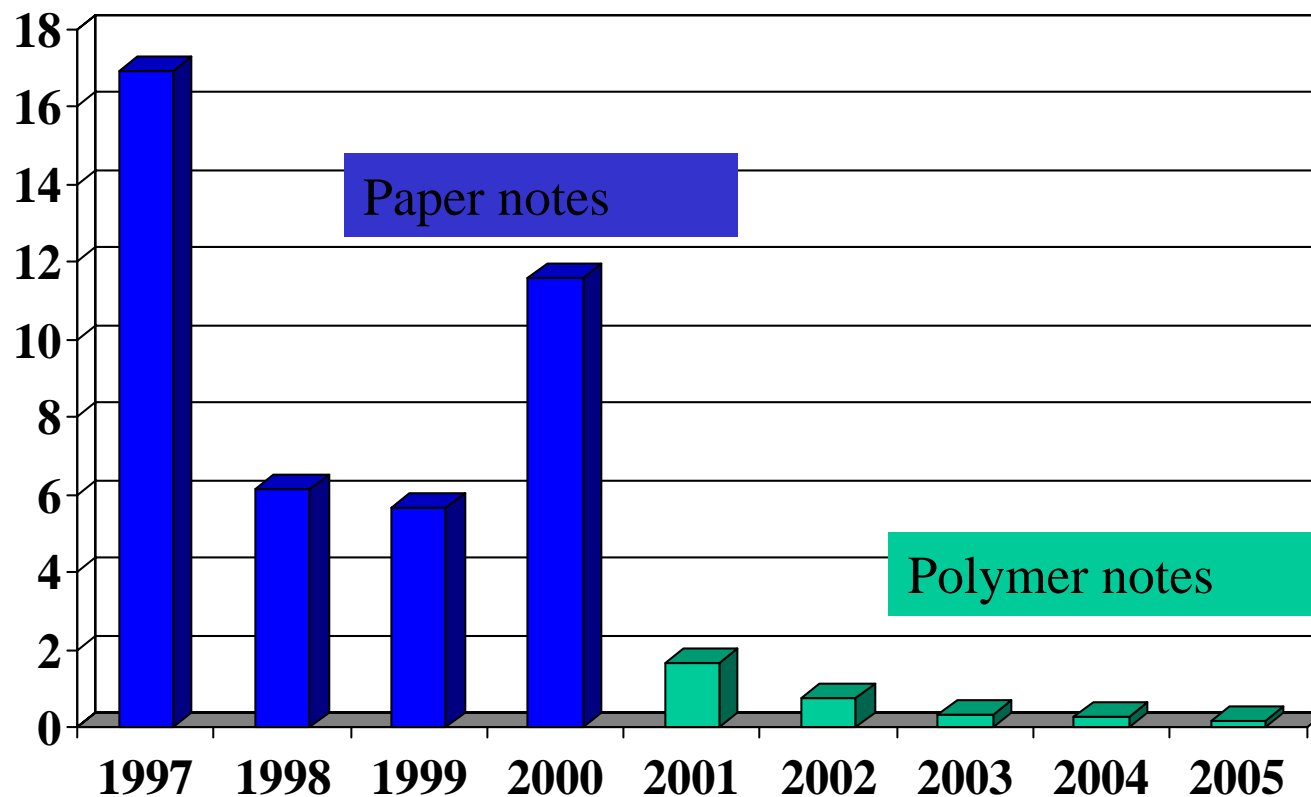
## *Public Acceptance:*

### November 2000 survey:

- **90% of public and 100% of retailers consider polymer notes cleaner than paper.**
- **74% of public and 90% of retailers prefer or strongly prefer polymer notes over paper.**
- **Continued acceptance; no major problems.**

# Counterfeits detected - June years:

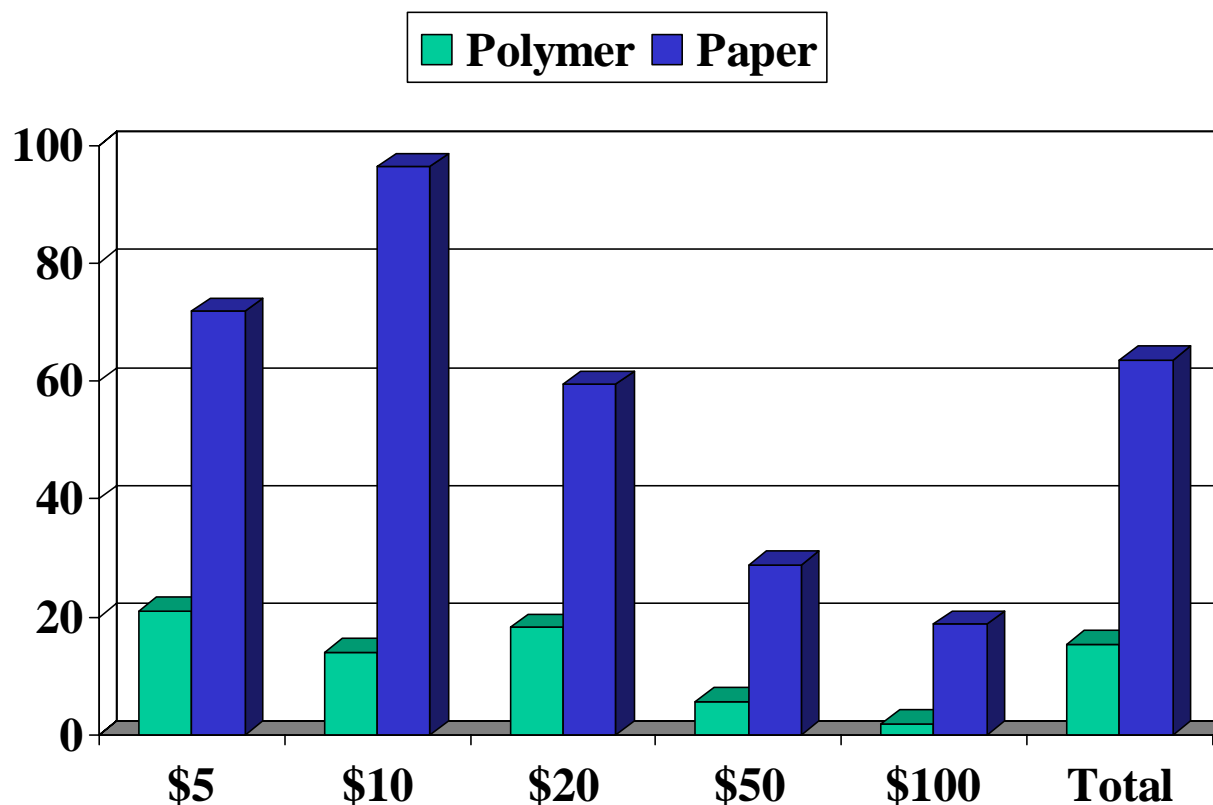
(per million notes in circulation)



## *Performance:*

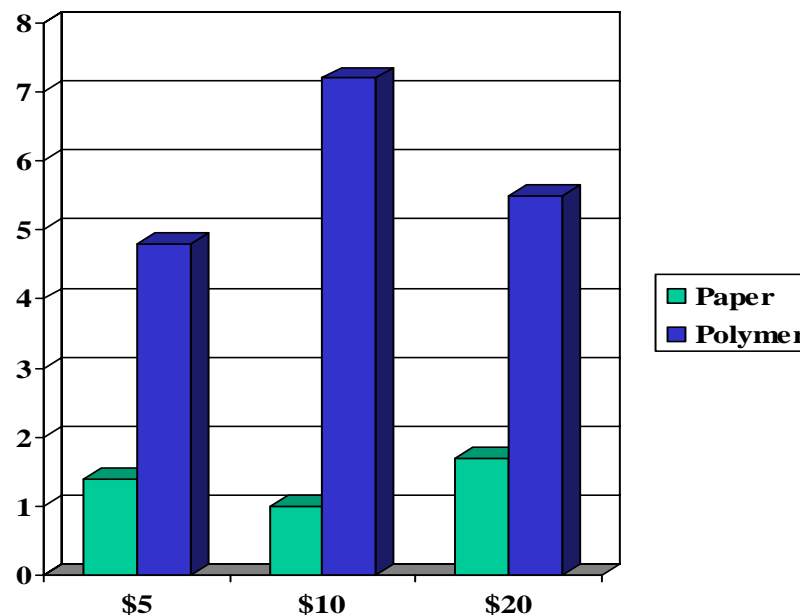
- **Polymer notes same design and size as paper notes.**
- **ATM servicing costs reduced.**
- **77% of public and 80% of retailers give a positive rating for ease of handling.**

*Replacement Of Unfits: notes destroyed as a %  
of NIC :*                      *Polymer (2005) Paper (1998)*



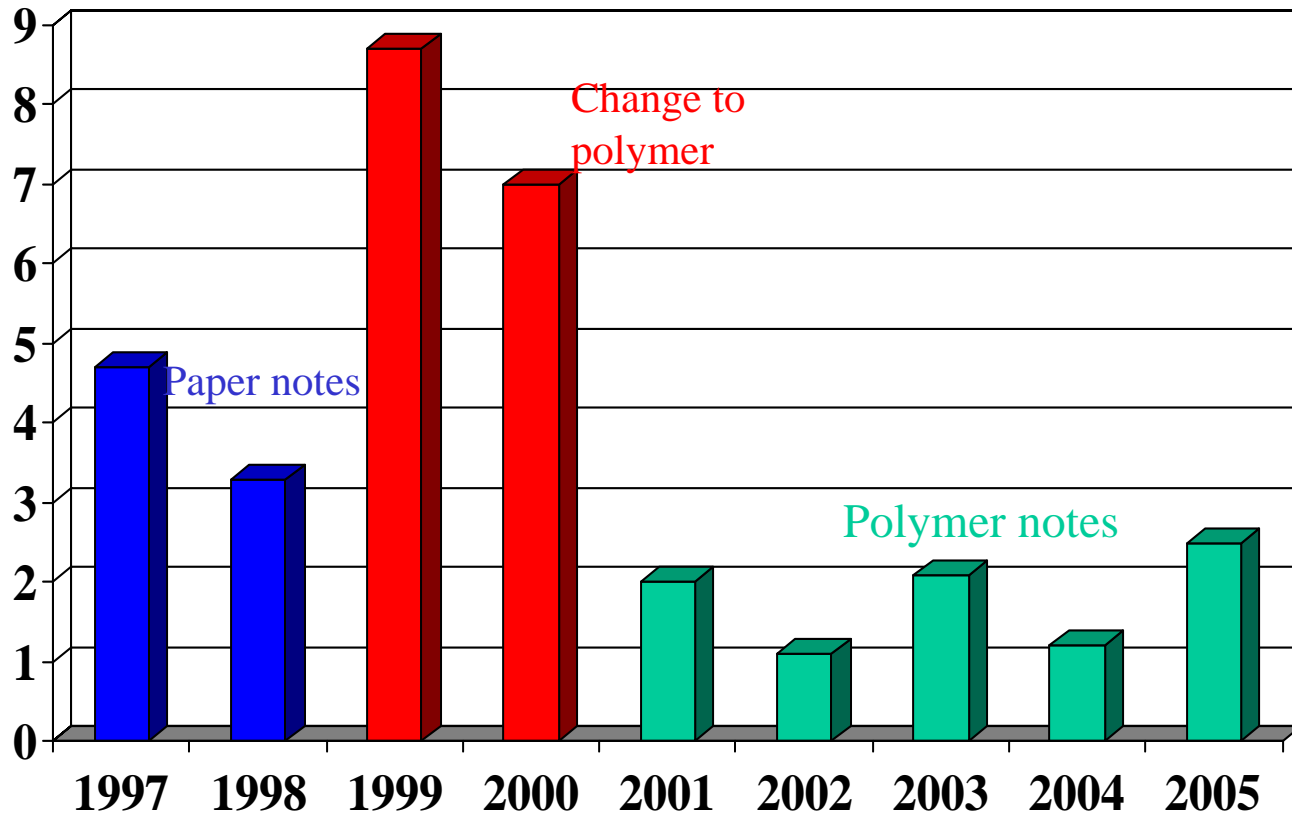
## *Note Life:*

The average life for the lower denomination polymer bank notes in New Zealand is 5.8 years compared with 1.4 years when all notes were paper.



# *Replacement Cost per note in circulation:*

*(NZ cents per note)*



# *A Strategic Focus Applied to Cash Operations:*



**In 1999 the introduction of polymer notes prompted a strategic review of our cash operations.**

**We critically examined our involvement in the cash cycle to determine if the services we were providing were really necessary to meet our key objectives.**

## ***RBNZ Retail Cash Operation - 1998***

**68 million bank notes in circulation.**

**540 million notes deposited at RBNZ.**

**544 million notes issued by RBNZ.**

**Movement of notes to and from the RBNZ on a daily basis in minimum parcels of \$5,000 face value.**

**Three operating sites and 60 staff.**

**No movement of notes between cash positive and negative banks.**

## ***RBNZ Wholesale Cash Operation – 2004/05***

**One RBNZ site in Wellington.**

**110 million notes in circulation on average.**

**59 million notes issued.**

**57 million notes repatriated. All unfit notes machine processed before destruction.**

**No functions outsourced and no agency arrangements in place.**

**Seven staff. Notes issued and deposited one day a week apart from Xmas & Easter, in minimum parcels of \$1 million.**

## *Summary: RBNZ Strategic Role in Note Issue -*

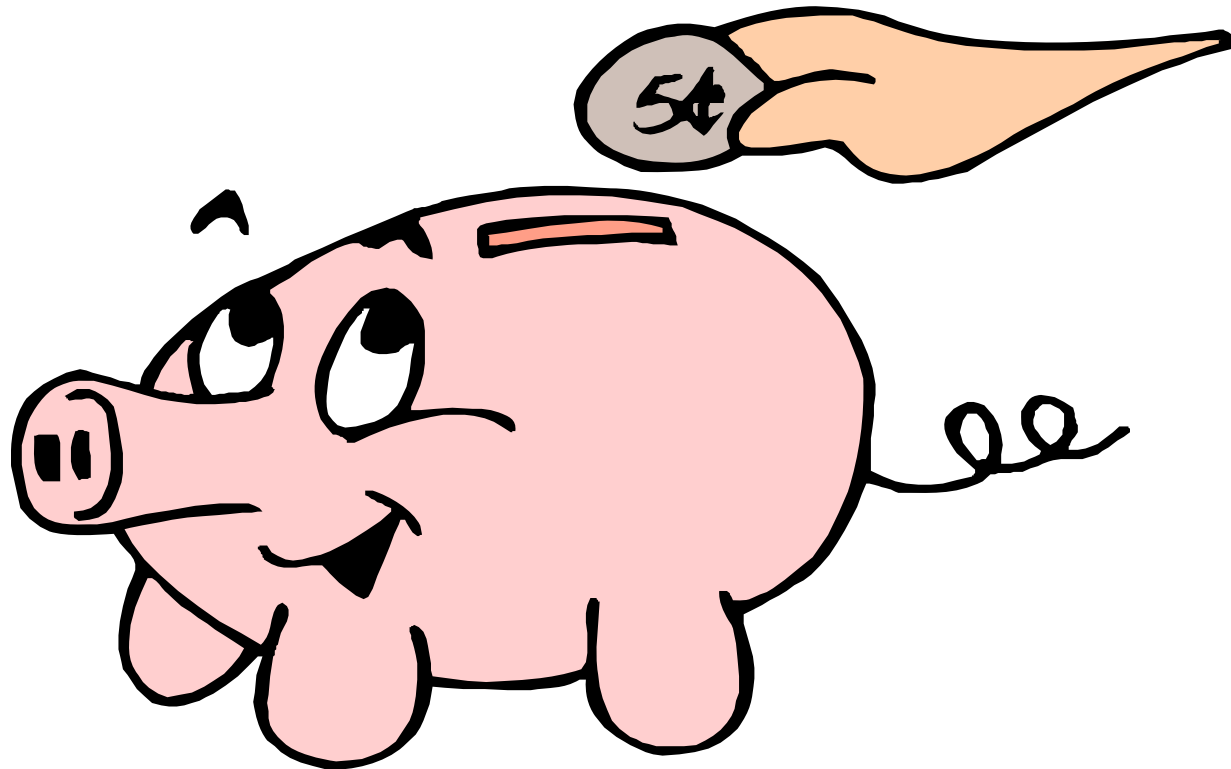
- **Maintain responsibility for ‘birth’ of note.**
- **Maintain control of ‘destruction’ of note.**
- **Provide secure storage and assistance to meet seasonal demand.**
- **Maintain a reserve supply to meet unexpected demand.**
- **Provide incentives and assistance to withdraw unfit currency.**

## *A Strategic Focus Applied to Coin Issue:*



- **Withdrawing 5 cent coin from circulation.**
- **Downsizing 10/20/50 cent coins.**
- **Changing coin material from cupro-nickel to plated steel.**

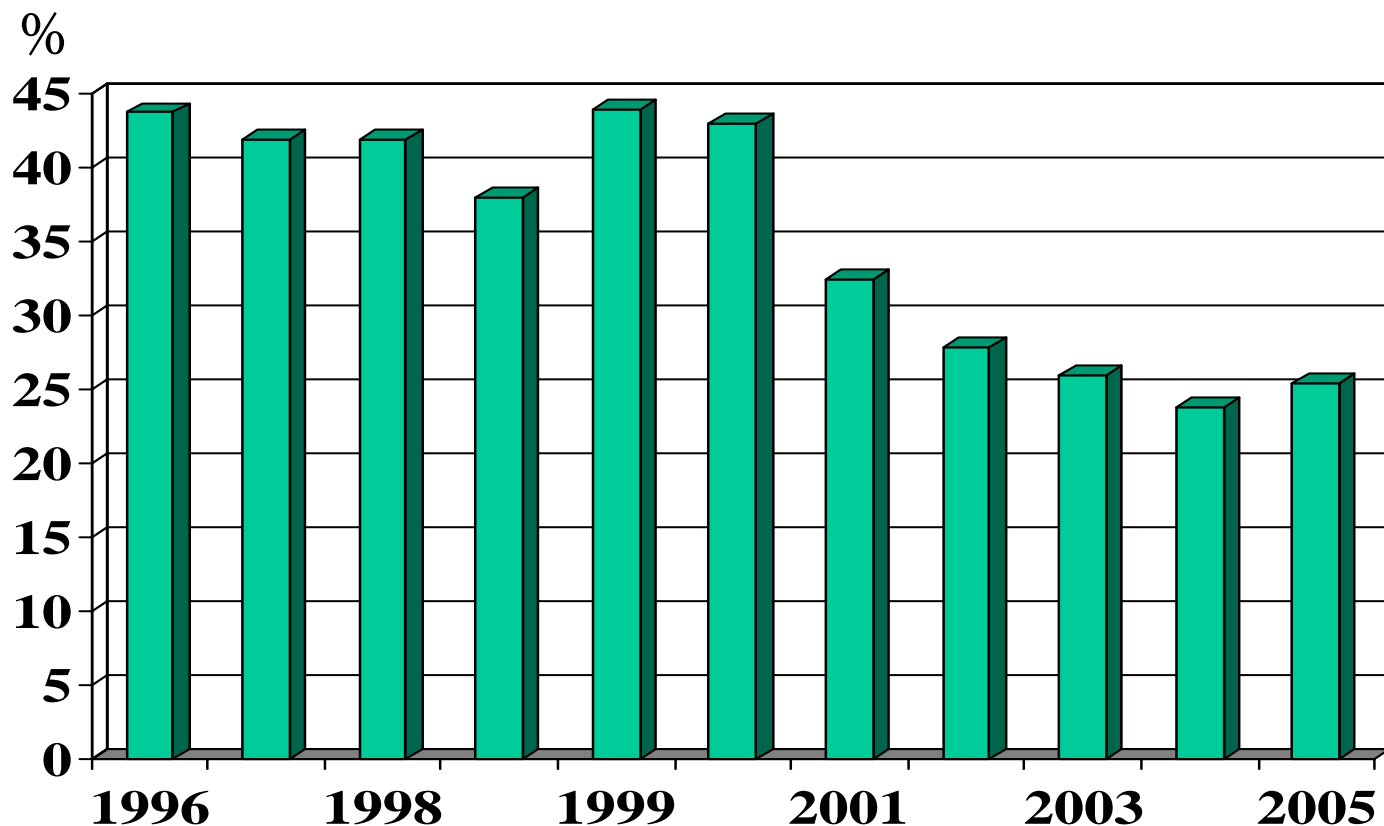
## *Central Bank Efficiency:*



## ***RBNZ Currency Functional Costs:***

- **The total cost to run the currency function has declined by 70% between 1991 and 2004, although the value of currency in circulation has risen by 130%.**
- **For bank note issue, the cost per note in circulation has fallen 90% and note operating costs by 74%.**

# *Currency Function as % of Total Bank Expenditure:*



# ***CONCLUSION:***



**The Bank continually reviews the currency that it issues and its distribution arrangements in order to ensure that it achieves its objectives efficiently and effectively.**