

Charles Bean: Polymer banknotes

Remarks by Mr Charles Bean, Deputy Governor for Monetary Policy of the Bank of England, at the Bank of England, London, 10 September 2013.

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Good morning and welcome. One of the Bank's most visible responsibilities is the issuance of banknotes. It is a long-standing responsibility that dates back to shortly after our founding in 1694 and over the past three centuries, our objective has remained the same, namely to supply good-quality, genuine banknotes that command the people's trust. Meeting that objective helps us to achieve one of our core purposes, which is to maintain confidence in the currency.

Following a three-year research programme, we are today announcing the launch of a public consultation regarding the possible introduction of polymer as the basis for the next generation of banknotes. Polymer banknotes are made from a durable, yet thin and flexible plastic film. Design features of the banknote are printed on the film, meaning these notes can look very similar to notes printed on paper. If the public reception to the proposal is supportive, then the recently announced Sir Winston Churchill £5 and Jane Austen £10 notes would be issued on polymer. This change would happen in 2016 and 2017 at the earliest.

The Bank's research programme has been wide ranging, investigating the impact of the introduction of polymer notes along several dimensions, including: security, durability, cost-effectiveness, the impact on stakeholders in the cash industry, environmental considerations, and the likely impact on noteholders. In undertaking the research, we have worked closely with external stakeholders from the cash industry and have already engaged with the public through several independently-managed focus groups. And we have consulted other countries that have undertaken research into different banknote materials, of which several have already switched to the use of polymer, including Australia and Canada.

Based on this research, we are confident that printing our banknotes on polymer would bring several benefits:

First, polymer notes are more secure. Polymer notes are harder to counterfeit and allow for the inclusion of "windows" or clear portions in the design, which considerably enhances counterfeit resilience. Such features also allow users to check whether notes are genuine quickly and easily.

Second, polymer notes are more durable and resistant to damage. As a result, polymer banknotes last at least two-and-a-half times longer than notes printed on paper. And because polymer banknotes last longer, they don't need to be replaced so frequently, meaning they are cheaper to produce.

Third, polymer banknotes repel dirt and moisture better than paper banknotes, and so stay cleaner for longer, reducing the incidence of 'tatty' notes.

Finally, polymer banknotes are more environmentally friendly than paper notes.

Given these benefits, we are confident that a switch to printing notes on polymer makes sense. But we also recognise that the public takes pride in their banknotes, and that changes to the design and format of notes are consequently of great interest. Because of this, we have decided to consult with the public before making any final decisions.

Between now and the 15 November, the Bank will therefore be running a consultation programme that will provide the public with a greater familiarity with polymer banknotes. The consultation will, in turn, provide us with a better understanding of the public's views on the proposed change and whether such a change would meet with broad public acceptance.

We will be holding around 50 events across the UK to enable the public to see and feel examples of polymer notes, and to deliver feedback to the Bank. We will hold events in 13 major shopping centres to allow shoppers to see and handle specimen notes. And we will be running over 30 discussion events with audiences including regional chambers of commerce and retailers. A market research company will separately be conducting another 36 focus groups and carrying out a face-to-face survey with 2,000 people to collect further feedback. We will also publish a range of useful material on our website including a facility for the public to provide feedback directly to us. And there will be a specific display about polymer in the Bank's museum for anyone visiting London who wishes to learn more.

In parallel with the public consultation we will conduct further outreach with the cash handling industry, to confirm our understanding of the impact on industry of a switch to polymer. Once these exercises are complete, we will analyse the feedback we have received and use it to inform our final decision, which will be announced in December.

If a final decision is made to move to polymer, we will also use the opportunity to introduce notes which are somewhat smaller than the current series. These will be easier for both the public and the cash industry to handle and will generate further financial benefits in terms of lower production and storage costs. In moving to smaller notes, we will retain the present tiering of denominations by size, which is of particular benefit to the visually impaired.

I would now like to invite any questions that you may have. I'll be joined in addressing these by the Bank's Chief Cashier and Executive Director for Banking Services Chris Salmon, and the Head of our Notes Division Victoria Cleland.