

# MINT NEWS QUARTERLY™

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## Mint Directors Conference in Seoul 2018



While two months ago Kim Jong-un and Moon Jea-in started a new chapter in the history of Korea, around 250 participants met in Seoul from 22-26 April for the 30th Mint Directors. Members of the mint industry from 36 nations were present, coming from central banks and mints, suppliers, direct marketing companies, the media and coin conventions.

The topics dealt with at the MDC show the current state of the community of the minting industry. Naturally, one issue was paramount.

### The future of coins

For years, one topic has dominated the first MDC session: what is the outlook for coins? Electronic payment transactions have become a lucrative business over the last decade. The banks have long lost their monopoly on it. Private providers have established themselves and are acting aggressively and with low blows through the media against the proven means of payment-coins and banknotes.

The war against cash has been declared.

For the minting industry and its suppliers, winning this war is existential. Thus, two questions pose themselves:

1. Does cash have a winning chance? Is it worth fighting the battle, or should we rather just give up now and use our good name to enter the virtual payment business ourselves?
2. If there is a chance of winning the battle, how can the minting industry with its considerable resources take part in this 'war' and fight for the preservation of coins?

### The surprising resilience of cash

Not in a plenary session, but in a marketing meeting, Claus Fischer presented an important talk by Helmut Stix of the Austrian National Bank. Using the example of Austria, he showed that the gloomy prophecies of the end of cash are not in line with reality. Currently, every Austrian citizen – from infant to elderly – is hoarding €3,000 in cash. That is certainly no small amount!

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## Strategic Instead of Marketing Committee

At the latest MDC conference, a decade-old institution came to an end. The Marketing Committee was abolished, because no successor for the retiring director could be found. Now the question is – under which committee should the upcoming problems of the mint industry be discussed and solved? It is all about strategy. So why don't we create a Strategic Committee?

At their founding, the MDC committees were more or less designed like a mint. On one side, there is the big division of technical operations where coins are produced. On the other side, there is the unit of sales and marketing. Thus, two sub-committees were created – the Technical Committee and the Marketing Committee.

However, technical operations and marketing are not equally weighted at any mint in the world. In technical divisions, large sums have to be invested in order to remain competitive, whereas the marketing branch, over the last few decades, has gained professionalism but lost importance.

The 'new' representatives of marketing sector have learned their trade at university and rarely think about the fact that coins are not a product like any other. Their goal is to sell their goods in the best way possible. The nature of these goods is hardly a concern.

That could be noticed time and again during the speeches at the MDC. Their basic message has been the same for years: everything is fantastic and business is going great!

Real problems have rarely been a topic. Which is not surprising: good marketing doesn't look at problems but rather focuses on strengths.

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# Are we Asking the Right Questions? MDC's Consumer Task Force

**What do our customers expect from their coins? Are they satisfied with the product? Or are there unmet expectations? Who are our customers, anyway?**

These are only some of the questions currently posed by the Consumer Task Force led by Dieter Merkle.

'Task Force' – the sub-committee's name alone implies fast, interdisciplinary action, and in fact, the Consumer Task Force has done and achieved a lot since its foundation. It was created in May 2015 and started its activities on the occasion of the MDC 2016 in Bangkok. In 2017, three meetings of the Task Force as well as two consumer surveys took place. Another survey has been done in Germany, Austria and Switzerland.

## No interest in security features

So, what are the results? There are plenty, and they provide ample food for thought.

In short, the coin industry must face the fact that it has spent years investing and researching in a field that is hardly present in the consumers' perception. Nobody appears to care about security features! Coin dealers and central bank representatives simply presume that the security of their coins is guaranteed.

The same goes for private consumers, 49% of whom feel safe when using coins. Only 6% regularly check security features! 69% of the users never do!

In the public's perception, all the elaborate details that make coins more secure play no significant role, unless the media report on some scandal. Quite a sobering realisation, when you think about all the technical expertise and high investments that have been spent on their elaboration.

## Cash remains king

On the other hand, the survey among coin users confirms the central banks' perception: coins are a major part of currency circulation. 9 out of 10 individuals indicated to have used coins during the previous two days. 71% consider it important to keep coins. This positive attitude depends a little on age (67% among young people, 81% among older people) and a lot more on income (60% among high-income persons, 83% among low-income persons).

Once again: 83% of the respondents with an income below €1,500 think it's important to have coins!



This is an unbeatable argument for everyone lobbying for cash! This result makes coins an existential social factor in our monetary system. Our society's weakest members, of all people, need coins. In a social market economy which the Western democracies claim for themselves, this should count for more than the potential to use cash for a shadow economy and crime.

## Beauty lies in the eye of the beholder

The questions posed to coin users (the public) included one about the attractiveness of our circulation coins. There is considerable backlog on this point. Only 19% of the respondents in Germany, Austria and Switzerland consider our coins very attractive. 34% find them rather unattractive.

What's interesting is that the Swiss scored slightly higher here than the Germans and the Austrians. And that despite the fact that the Swiss effigies are the oldest in the world still being minted.

Thus, attractiveness is certainly not about modern design, but about the degree of identification with one's currency. And in that respect, the euro does have slight deficits compared to a venerable currency like the Swiss franc, which probably cannot be compensated even by the best visuals.

## Focus on collectability

For those who sell coins to collectors, there is one clear priority: there must be a collector's demand for the coins, and a decent profit for the seller. Everything else is secondary, which is hardly surprising for anyone who has ever worked in the coin trade.

Sellers look for items that exhibit collectability: a combination of attractiveness, new technology, great design, a good story and – of course – the fact that a coin can in theory be used as payment, even if it has never seen the country whose name it bears.

And when it comes to collectability, coin dealers are specialists.

## For the public and the public purse

The central banks, too, have an eye on their income, but not in the sense of profit optimization. A decent profit from minting is nice to have, but as long as the figures remain in the black, central banks and governments prefer not to think about coins at all. They only do when the public demonstrates by its behaviour that some denominations are not in line with their demands (cf. the world-wide problems of smaller denominations), or when negative articles about coins are published on social media or in the daily press (see Mint News Quarterly 17/2: Mint of Finland Withdrew Commemorative Coin Series by Order of Minister of Finance).

The example of Finland shows how much government representatives fear scandals or even just negative feelings, and how drastically they react to them.

The Consumer Task Force's surveys continue. If you would like to join the committee or take part in the national and international studies, please contact Dieter Merkle.

# Mint Directors Conference *(Continued)*

In fact, most major economies are requiring more banknotes and coins each year. In Austria, there has been no decrease in currency circulation since 2007. And those numbers are exemplary: in a total of 72 economies, mean currency circulation since 2003/04 has increased on average by 17%. Other business sectors would be happy to experience such growth rates!

## Coin/note boundary

For some time now, Simon Lake has been pushing for lobbying the world's central banks at the expense of the banknote industry to raise the value boundary between coins and banknotes: Nowadays, 74 nations have banknotes with a value below 50 US cents. 46 nations use banknotes valued at less than 20 US cents, and 24 nations less than 5 US cents. Nine nations of the world even have a banknote in circulation that is worth less than one US cent. And 12 nations use no coins at all in their payment system.

Since coins are significantly superior to banknotes as regards cost structure, it would be high time for taking action and reversing the trend. Between seven and 21 African nations should replace a banknote with a coin, in Asia the number lies between 16 and 34, in the Americas between five and 20, in Europe between five and 28, depending on how you calculate the coin/banknote boundary.

Unfortunately, the central banks do not agree. Over the past 24 months, only three nations have replaced a banknote with a coin. Five nations have demonetized low value coins in the same period.

Simon Lake calls for collaboration in order to convince central banks all over the world that coins are the better option. His proposition has gained quite a number of followers.

Others, however, are critical about his fight against the paper money industry. They wonder if it wouldn't be better to join together with the influential banknote lobby for the preservation of cash. Especially those mints that are integrated in an institution that also deals with security printing, who want to avoid any internal dispute.

It is in fact a strategic question whether a common position of the MDC can or perhaps cannot be found on this topic.

## Cash logistics

In his presentation, Ron Delnevo, representative of the ATM industry which would also suffer significantly from the disappearance of cash, demonstrated the impact of deploying and removing ATMs on cashless payments. Especially nations where long distances have to be bridged in order to restock ATMs experience a decrease in numbers. Private banks are less and less willing to cover the costs of logistics needed to provide the citizens with cash.

Therefore, intelligent alternatives are needed to secure the public's cash supply.

## Old and new MDC guidelines

The MDC's objective is to make its members' lives easier, to answer basic questions in a joint effort, and to share the results with everybody.

For this purpose, the Technical Committee has compiled over the last few years several (digital) handbooks which are exclusively distributed to mints and the supply industry. To be able to use them, you need to sign a declaration guaranteeing the confidentiality of the information.

The following handbooks are available:

- The Coin Design Handbook – to be ordered at [lz@vending-europe.eu](mailto:lz@vending-europe.eu)
- Protection of Coins Against Fraud and Counterfeiting – to be ordered at [manfred.matzinger-leopold@austrian-mint.at](mailto:manfred.matzinger-leopold@austrian-mint.at)
- Security Features of Coins – also to be ordered at [manfred.matzinger-leopold@austrian-mint.at](mailto:manfred.matzinger-leopold@austrian-mint.at)
- Quality Assurance for Circulation Coins – to be ordered at [dieter.merkle@schulergroup.com](mailto:dieter.merkle@schulergroup.com)

## New benchmarking guideline

The newest addition is a guideline on benchmarking in the minting industry. It seeks to introduce uniform standards for the self-assessment of mints all over the world.

In a first step, KPIs (Key Performance Indicators) are identified, ie. data that can be used to express a mint's performance in figures. Dr Manfred Matzinger-Leopold is responsible for this part of the book.

Günther Waadt then covers the best practices regarding materials, tool design and striking.

Patrick Gimmi provides the external vision – how does the supply industry view mints and blank producers? Which criteria influence the evaluation, apart from the hard figures?

Dr Peter Huber, in turn, switches this view around. His part is about things the mint industry can learn from the comparison with other industries.

A print version of the benchmarking book was distributed to the participating mints at the MDC. For a digital version, contact [peter.huber@mintbw.de](mailto:peter.huber@mintbw.de).

## Coin blanks burnishing

Large mints and blank producers are currently working together with Spaleck on a coin blanks burnishing guideline. Since different treatments of the blanks can heavily impact the striking process, the industry is looking for a common standard.

## Sub-committees' work

Over the last few years, the Technical Committee has been split into numerous sub-committees who, together with the supply industry, are looking for solutions to specific problems.

Here are some of the most important results of the ongoing research:

**Coining with computer simulation** – the Japan Mint has been looking for some time now into the possibilities of computer analysis when it comes to predicting the ideal characteristics of a die without trial strikes, for optimal die life and flawless striking.

In experiments with coins of its own as well as from foreign mints, the Japan Mint has proven that the die life can be doubled by decreasing the die curvature.

## End to the ugly tarnishing of silver coins

– one sub-committee of the Technical Committee is currently working on the comparison and evaluation of existing methods for preventing the tarnishing of precious metals. Siemowit Kalukiewicz presented the current state of research, which is far from being finished.

**Automation of die polishing** – traditionally, polishing proof dies for coining is an elaborate process, involving lots of manual labour. The United States Mint, likely producing higher circulations of commemorative coins than any other mint in the world, has fully automated this process.

It is the focus of a study seeking to find out if the new process can be applied at other mints.

Until now, it has only been tried for a Japanese die. So far, the results are not comparable to those of manual polishing. This is probably not due to the method itself, but to the fact that foreign mints' raw dies do not have the exact same characteristics as US dies. Thus, an adaptation to a larger sample size would be necessary in order to achieve clear results.

The study is being continued.

## Laser machining, CNC milling and electrochemical machining in die manufacturing: a comparison

– is there nowadays a method which can replace the conventional hydraulic hobbing of dies? A new sub-committee has been created specifically for answering this question. It includes four mints and three industry partners:

ACSYS, with its Piranha PICO and Orca PICO, represents the laser technology. Lang with its IMPALA stands for CNC milling, and PEMtec with the PEM 800 for electrochemical machining.

The first comprehensive results are available. They are too extensive to be presented here in detail, which is why, at this point, we only summarise the conclusions:

- Each of these methods can be used to produce tooling and dies;
- Which one is best depends on a number of factors;
- A lot of further research work is needed in order to optimise the methods.

Therefore, it would be useful to continue the study to collect more data and especially to estimate the final cost. A combination of methods is likely to be most effective.

**Sustainability** – a large sub-committee featuring 12 mints – including the Mint of Finland, the Münze Österreich, the Royal Canadian Mint, China Banknote Printing and Minting and the United States Mint – addresses issues of environmental sustainability.

Currently, the research is at the point of identifying the resource consumption during the production of blanks and coins. At the MDC in Bangkok two years ago, the committee had to admit, slightly embarrassed, that it had been unable to determine the amount of water used for the production of a certain number of coins. The question regarding energy, however, could be answered in 2018: to produce one million coins, from blanks to striking, between 1,000 and 2,500 kWh are needed.

Furthermore, three different methods of wastewater treatment were compared:

- Physical-chemical treatment (South Africa)
- Physical-chemical treatment with filtration (Mexico)
- Vacuum Distillation (Münze Österreich)

The most environmentally-friendly method was vacuum distillation, where 97% of the water is recycled – compared to 0% with the physical-chemical method, and 39% with the physical-chemical treatment plus filtration. However, acquisition costs of this system are very high, and the energy consumption is increased significantly.

**New alloy for blanks** – Poongsan is currently working on a cost-effective alternative silver-coloured copper alloy for coin blanks. It is supposed to be at least 25% cheaper than cupronickel, but still has a similar electrical conductivity and is tarnish-resistant.

Poongsan has reported on this research project several times before. On the occasion of the MDC in Korea, Cheol Min Park was happy to announce that the breakthrough had been reached. A new material has been found which is 24,2% cheaper than cupronickel, while presenting a similar colour and conductivity at 5.64% ICAS.

For Poongsan, the next step will be to test the material's minting suitability for mass production.

More detailed summaries can be found on the website [www.coinsweekly.com](http://www.coinsweekly.com).

The MDC's new website [www.mintindustry.com](http://www.mintindustry.com) provides the PowerPoints of its members' presentations. The next MDC will take place in South Africa in April 2020.

## Monea Expands Coin Blank Production in Kremnica



**As one of the world's oldest active mints, Kremnica in Slovakia has a long tradition in the production of coins and coin blanks. Monea has upgraded the blank factory there, and took up the fully integrated production, with all production steps in-house, this March.**

At the heart of the expansion is a modern galvanizing plant, thanks to which the factory in Kremnica is now able to offer the entire range of coin blank products.

'Before the integration of electro plating we used to have to send our material all the way to Germany in some cases in order to have the surfaces coated. Now, we have everything united under one roof', says Managing Director Thomas Köninger.

He is proud of his new site, with around 3,500 m<sup>2</sup> of production and storage space: 'In Kremnica, we have low costs as well as a highly motivated, optimally qualified team that, from now on, will produce coin blanks with the latest technology. This combination makes us flexible and customer-oriented, as it allows us to provide the best quality at a competitive price. And all that without burdening the environment with wastewater.'

Less than a year ago, the company management decided to maintain the location of Kremnica, and to integrate a state-of-the-art electro plating capacity. Less than 12 months went by from that decision to implementing the electro plating process.

Securing all the necessary authorisations in such a short period of time would not have been possible if the management had not decided early on on a basic principle. This is that the site – which comprises blanking, surface treatment and galvanizing – was to run on a completely closed water circuit. Only the used water from the dishwasher machine and the toilets joins the communal wastewater disposal system. Everything else is being cleaned with modern H<sub>2</sub>O vacuum evaporators and reused. Thomas Köninger explains: 'I have children, so I am constantly aware of my responsibility for the future of our environment.'

The new production site with its state-of-the-art machines produces coin blanks from stainless steel, aluminum, copper-based non-ferrous metals like Nordic Gold, CuNi25 and aluminum-bronze. Bimetal is also an option. Copper, brass and nickel are used for galvanizing in single- or multi-layer procedures.

Currently, in the first stage of the new blank production, Monea can cut and mill up to 8,000 tons of blanks a year. Space for expansions remains available.

The site's address is Monea Coin Technology sro, CSA 232/99, SK 967 01 Kremnica, Slovakia. For questions, please contact Thomas Köninger at [koeninger@monea.sk](mailto:koeninger@monea.sk).

# International Coin Design Competition

The Japan Mint is holding the International Coin Design Competition (ICDC) 2018, with the objective of encouraging creativity and enhancing the artistry of coin designs. The hope is that this competition will lead to the discovery of many excellent works, looking forward to the artists' creative, artistic and beautiful coin designs.



There are two categories – a general one and one for students only. The prizes range from 500,000 to 100,000 yen in the general category and 50,000 in the student category. In addition there is a Jury's Special Award (50,000 yen) open to participants in both categories.

The entry period ends on 31 August for the general category, and on 14 September for the student category.

All details regarding the competition are available from the Japan Mint at [www.mint.go.jp/enjoy-eng/competition-eng/event\\_ent2018.html](http://www.mint.go.jp/enjoy-eng/competition-eng/event_ent2018.html)

Below are the winners of the 2017 International Coin Design Competition:

## General

### Most Excellent Work

Anastasiya Sachenok Mikhaylovna (Kazakhstan): *Communication of generation*

### Excellent Work

Grazyna Jolanta Lindau (Switzerland): *Cut-out art*

### Fine Works

Swapnali Chandrakant Koyande (India): *Ajanta – The Mysterious Beauty*

Dmitry Fedorov (Russia): *Fortuna – Imperatrix Mundi*

Maria Anna Frisone (Italy): *Once upon a time... right to imagination*

## Student

### Future Designer

Yuri Kitamura (Japan): *Japan Auspicious*

### Jury's Special Award

Kanta Satou (Japan): *The Wild Goose*

Sandra Deiana (Italy): *Nuragic Sardinia*

# Sandra Hanington to Resign as CEO of Royal Canadian Mint

**Sandra Hanington is resigning as CEO of the Royal Canadian Mint, having announced unexpectedly on 22 May that she is prematurely terminating her five-year contract.**

A press release by the Royal Canadian Mint reads as follows:

'CEO and President Sandra L Hanington announced today she is leaving the Royal Canadian Mint, effective July 1, 2018.

'After considerable thought and reflection, I am confident the timing of my decision is right for the corporation and for me,' Hanington said.

The decision comes on the heels of the Mint winning its largest foreign single denomination circulation coining contract, making a C\$93.2 million dividend payment to the federal government as well as great success commemorating Canada 150.

'This experience has been tremendous but also highly demanding. As I move on to the next stage of my career, I hope to attain that elusive balance so many seek in their professional and personal lives,' said Hanington.

On the recommendation of the Mint's Board of Directors, the Minister of Finance has confirmed CFO and Vice-President of Finance and Administration Jennifer Camelon will serve as Interim President and CEO until the federal government appoints a permanent replacement through an open and transparent selection process.'

The Canadian press further reports on Phyllis Clark joining the board – according to officials, the simultaneous personnel changes are pure coincidence. Clark will replace Susan Dujmovic who, in August 2017, resigned prematurely after having held her position for only two of the originally agreed-upon five years.

Holding a position of responsibility at the Royal Canadian Mint doesn't seem to be an easy job these days. Over the last few years, the Mint has faced numerous problems. In February 2015, Sandra Hanington was announced as new CEO. Just a few months later, the Mint became the target of a tabloid smear campaign because of the expenses policy of her predecessors.

Another matter weighing on her mind must have been the return of many 20, 50 and 100 dollar commemorative coins which unsatisfied Canadians gave back to the Mint for the respective nominal value after the price of silver had fallen. The resulting costs drastically lowered the Mint's 2016 profits.

And not to forget the two thefts, putting the Royal Canadian Mint in the news in 2016 and 2018.

On top of that, add the unpleasant legal battle with the Royal Australian Mint about a patent for a colour printing method for circulation coins, which started in 2017 and has entered the second round. Another issue a potential successor of Sandra Hanington will inherit.

# Prabir De Retires, Founds Mintmatrix



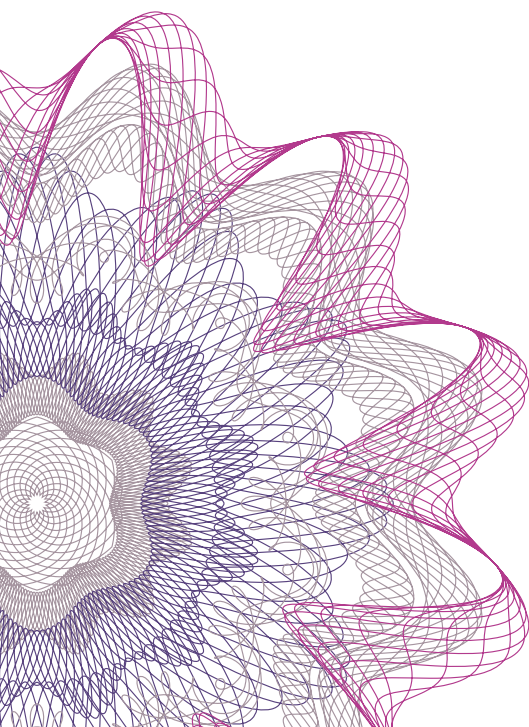
**After 30 years of service, Dr Prabir De retired from the Royal Australian Mint on 30 May. He has decided to offer his services to mints and central banks of the world through his own company – Mintmatrix.**

Dr De is the consummate minting industry expert. He has an exceptional grasp of technical, operational, management and business imperatives from his three decades in roles spanning the entire minting industry spectrum. He also has the rare ability to provide holistic solutions to address complex and inter-related industry issues such as:

- Introducing new series of coins

- Coin/note boundary and supply chain
- Seigniorage recognition
- Establishing and expanding numismatic business through global coin dealer networks
- Optimising opportunities through bullion
- Negotiating and managing high profile commemorative coin projects
- Refurbishment and machinery purchases
- Reviewing mints to suggest future directions
- Technical advice to build new mints
- Mentoring and capability development

Depending on the chosen scope, Dr De can offer one, all or a package of some of the above services. He can be contacted at [prabir.de@mintmatrix.com.au](mailto:prabir.de@mintmatrix.com.au) or on his mobile: +61-419-213-866.



# MDC Awards 2018



On the occasion of the MDC in Seoul the MDC Awards were conferred. There are prizes for the most beautiful coins as well as for the most technologically advanced coins. The packaging is also reviewed by an expert jury.

And the winners are:

Most beautiful gold coin: Australia

Most beautiful silver coin: Austria

Most beautiful circulating coin: Spain

Most beautiful coin, other: Spain

Most technologically advanced gold coin: Poland

Most technologically advanced silver coin: Poland

Most technologically advanced circulating coin: Canada

Most technologically advanced coin, other: Poland

Most creative packaging: Australia

Best national set: Singapore

Best package to encourage new collectors: Austria

Masters' Choice: Australia

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## Strategic Committee *(Continued)*

That is why the really acute questions of our trade have hardly been dealt with in the Marketing Committee. And it is exemplary that the new Customer Task Force is not led by a marketing representative, but a technician.

Thus, we need something new. We need a committee that not only notices problems, but discusses them at the highest level. We need a Strategic Committee, a committee where representatives of all areas brainstorm about how we can jointly meet the challenges we are all facing today.

Under the heading of 'Strategy', all topics could be summarised that do not fit into the technical unit. And the big word 'Strategy' should also make it easier to recruit high-ranking members and to acquire funding.

There is no lack of strategic questions:

- How can we make circulation coins a lifestyle object?
- How can we compensate the worldwide demise of smaller denominations?

- How can we turn investors and speculators, who only buy coins because they expect a profit, into collectors?
- How do we create a prospering secondary market?
- How can small mints without large marketing units keep up with the market leaders?
- How do we deal with the challenge of leading a commercial enterprise which is subject to moral standards that apply to national institutions?

There are many problems waiting to be solved. So let's create a Strategic Committee.

And then, let's find out which strategic problems stop being problems once we start working together.

Ursula Kampmann, Editor