

# MINT NEWS QUARTERLY™

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## With or Against the Paper Money Industry?



**The markets are tightening. Over the last few years, in the course of inflation, more and more nations have abolished their smallest denominations, but without at the same time raising the boundary between coins and bills. This brings to the fore a fundamental question: how to increase the amount of coins to be minted? By raising the coin-note boundary? Or by lobbying against the decrease of cash in general?**

On the occasion of the latest Mint Directors Conference in Seoul, in April, Simon Lake from the British Royal Mint provided hard figures, based on a study about how many countries continue with the production of an economically unjustifiable banknote, for which a coin could be produced with significantly lower lifetime costs.

The results are encouraging for all the providers of high-tech coins whose security features are up to speed with those of bills. If countries were to follow the *D-Metric*® model for setting the coin-note boundary, and all those banknotes that should be replaced with coins actually were replaced, then there would be a lot of work for numerous mints.

Here are the numbers: 74 nations issue banknotes with a value below 50 US cents. 46 nations use bills worth less than 5 US cents. Nine nations have banknotes with a nominal value below (!) one single US cent.

And that is only the tip of the iceberg. Simon Lake claims that, in Africa alone, between seven and 21 nations should replace a banknote with a coin. In Asia, the number lies between 16 and 34, in the Americas between five and 20, and in Europe between five and 28, depending on how the optimal coin-note boundary is defined.

Thus, the logical consequence is simple: the central banks need to be convinced. But what would happen then? How would the banknote industry react to pressure from the coin industry? How would those mints react that have close structural ties to banknote production? Or, even more general: is the cash industry willing and able to afford a dispute within its own ranks?

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## South African Mint to Host MDC 2020

The South African Mint has announced that the biennial Mint Directors Conference will return to South Africa in 2020. The upcoming event will mark the 31st of its kind and will be held in Cape Town and Pretoria, in April 2020.

'The conference is a fantastic opportunity for the South African Mint to showcase its innovation and manufacturing capabilities and promote the country', said Tumi Tsehlo, Managing Director, South African Mint. 'The MDC 2020 will add further to our reputation as a world class producer of circulation and commemorative coins. It is the premier event for attracting international interest.'

'South Africa has an impressive track record in hosting global events', he added. 'We first hosted the Mint Directors' Conference 20 years ago, in 1998, and since then South Africa has built a reputation for itself as a destination for global events and conferences, including the spectacular World Cup 2010. We are confident that in 2020, the minting industry will have a similarly enjoyable experience and we look forward to showcasing the developments of our young democracy.'

The MDC 2020 in South Africa has pledged to be the most environmentally-friendly MDC conference yet. The South African Mint has appointed Reconnaissance International Ltd (RI), a global leader in currency conferences and co-publisher of a number of banknote and coin publications, to manage the event which will be paperless, using digital technology at every touchpoint.

# The ICA – a Voice for Cash, a Voice for Mints?

Both during the last MDC in South Korea and during the last Technical Forum in Berlin, Dieter Merkle from Schuler presented the International Currency Association (ICA), in his capacity as a Board member of this new organisation. He outlined its general activities and introduced its Cash Matters campaign ([www.cashmatters.org](http://www.cashmatters.org)), which promotes cash as an integral part of the payment landscape now and in future.

While all players from the banknote supplier and security printing industries are represented in the ICA, Schuler remains the only coin-related company involved. We asked the ICA Chairman, Dr Wolfram Seidemann, whether it would make sense for mints and their supplying industry to join this association.

**Q:** *Could you summarize in three sentences what the International Currency Association, stands for?*

**A:** The International Currency Association (ICA) brings together participants in the international currency market, with the explicit aim of supporting and promoting the role of cash within the broader payment eco-system.

The ICA is behind a global pro-cash campaign, 'Cash Matters', communicating the continuing benefits of currency in a changing payments landscape and promoting cash as an integral part of modern life, with all its attendant benefits of reliability, security, privacy, freedom of choice and financial inclusion.

As the efficiency of cash and the cash cycle is a major topic for the currency industry, the ICA provides its members with information on standardisation and best practices as well as on political and technical developments affecting the industry. The association also supplies platforms for knowledge exchange, such as expert committees and its future conference.

**Q:** *In your mission statements you emphasise that you ensure innovation as well as the best commercial and technical practices. What is the major criterion that distinguishes you from the Mint Directors Conference?*

**A:** The MDC focuses on coins. The ICA takes a more holistic approach – cash comprises both banknotes and coins, and both are essential parts of the currency system. Along with the MDC, there are other organisations and events that focus on one part or aspect of the cash cycle – be this banknotes or coins, technology, design, standards, digitisation, equipment, transport etc., or which are regional.

All of these play an important role, but the ICA, by contrast, is the only organisation that encompasses all parts of the cash cycle and all stakeholders on a global level. And the ICA is the only organisation that, through its Cash Matters advocacy campaign, seeks to reach out to the wider public, rather than its own constituency of members.

**Q:** *From which part of the industry are the members now coming? Are there any mints or coin related companies among them? How many?*

**A:** The ICA is a young organisation and was only created two years ago, in April 2016. It has been a very exciting period for the cash industry and the ICA has experienced strong growth in membership in a short space of time. It now has 23 active members and 7 associate members and has achieved one of its primary goals – to become representative of the whole currency industry. Our members are global and come from all parts of the cash cycle – from manufacturers of inks and security features, to substrates to manufacturers of hardware for notes and coins.

The coin side of the industry is represented so far by Schuler, but several mints have expressed interest so we are hoping for some of those to join too. And among the associate members (i.e. associations), there are several that deal with coins as well as banknotes, mainly on the CIT side of the industry.

A full list of members can be viewed on the website [www.currencyassociation.org/Search-Member-Directory.aspx](http://www.currencyassociation.org/Search-Member-Directory.aspx)

**Q:** *I understand that you deem it to be very useful for a mint to participate in the ICA. What would be the advantages?*

**A:** For the ICA, cash is cash. No distinction between fighting for banknotes or for coins. If you listen to Visa or Mastercard, openly declaring a war on cash, we have no time for skirmishes, for talking about coins or banknotes. We have a battle on our hands, and all players in the cash cycle must stand together.

Currency systems rely on coins just as on banknotes. And whilst the coin and banknote producers have seen each other as competitors for a long time, in the bigger scheme of things their interests are now the same since a move away from cash will be damaging to both, not to mention to society as a whole.

We need the mints on our side in the fight pro cash.

**Q:** *What does it cost?*

**A:** Our membership levels are based on varying levels. Those organisations with an annual turnover over €10m will pay more than those with an annual turnover of under €10m. Annual fees for associate members are €1,000.

**Q:** *There used to be a problem for state mints to join international associations. Is there any possibility – such as 'special member' – that could solve this problem?*

**A:** We welcome all mints, private and state-owned. It's a question of whether such mints are allowed by their governments to be part of a pro-cash movement. Incidentally, two of the current members – Goznak and Note Printing Australia (NPA) – are both government-owned banknote printers (and, in the case of Goznak, minting as well). NPA's CEO Malcolm McDowell is even a member of the ICA Board. So, state ownership does not preclude membership as far as the ICA is concerned.

The ICA has two membership categories and is open to legally-incorporated companies and businesses that are suppliers of currency, or suppliers of products, technologies and equipment used in the design, production, handling and circulation of currency. Trade or industry associations or other organisations and institutions such as universities, foundations and NGOs can be co-opted as associate members.

It is worth noting that central banks and issuing authorities cannot become members, because by law/statute they have to be impartial as regards payments, whereas the ICA's mission is explicit in favour of cash. By definition, therefore, issuers cannot be members. Whether the same applies or not to mints depends on the country.

**Q:** *You developed the advocacy campaign Cash Matters an ICA movement. Why is this campaign important for mints and the coin related industry?*

**A:** Coins are coming under attack, particularly in the eurozone, but elsewhere in the world too. The 'Cash Matters' campaign, which was launched in May 2017, works to give all those a voice who see cash as an integral and inclusive part of the payment landscape, now and in the future.

The goal of Cash Matters is twofold – to offer authoritative and accessible facts, figures, and news for consumers, journalists and industry experts alike, and to give pro-cash movements and petitions a platform. Mints and the coin industry are part of that cash 'umbrella'. Cash Matters especially has built close ties with many mints and is hugely interested in mints joining the ICA.

**Q:** We all have seen the website and the spot on Youtube ([www.youtube.com/watch?v=koOHT\\_pw4Zg](http://www.youtube.com/watch?v=koOHT_pw4Zg)). Which other channels do you use to spread your message?

**A:** Cash Matters uses a number of channels beside its website, including social media (Twitter, LinkedIn, Facebook, Instagram). Through Cash Matters, the ICA has also commissioned two white papers. The first one critically assessed claims that limiting cash payments will limit criminal and terrorist financing – ‘Keeping Cash’. The movement used the paper as a door opener in Brussels, lobbying successfully at the European Commission on shelving potential cash payment limitations in Europe.

We are also in the process of producing a second white paper – ‘Cash as a Public Good’ – which will highlight the role of cash as a complementary tool in the payments landscape, and outline recommendations for policy makers and researchers on key issues and proposals for maintaining cash infrastructures and access.

**Q:** Are conferences a channel for you as well?

**A:** The ICA is present at a significant number of global conferences with members introducing the ICA, or through panels it organised such as ‘The Future of Payments Landscape’ discussion held at the 2017 Currency Conference in Kuala Lumpur 2017. The ICA will also be conducting a global conference of its own in order to demonstrate innovation, maximise shared learning and provide a cost-effective solution for the currency industry and its customers. The ICA’s first such conference will be held in autumn 2020.



In May 2018 Wolfram Seidemann was elected new chairman of the ICA. He has been CEO of G+D Currency Technology since September 2016.

## International Coin Conference in Moscow

The 2018 COINS International Coin Conference and Exhibition will take place 2-3 November in Moscow. The two day conference is the only one of its kind in Russia. The increasing number of participants in the past couple of years has proven that Russia has become an important coin market: several hundred delegates from more than 17 countries have attended the conference in recent years.



The organisers have developed an interesting program of presentations, numismatic seminars, and room for exhibitions offering the possibility to discuss questions and issues regarding both the domestic and international market for commemorative and investment coins, the differences between countries in terms of innovations and technologies, as well as marketing and advertising.

COINS 2018 offers an opportunity to both get the word out about your own company as well as get in touch with new business partners from Russia and other countries. The organisers, among others the Water Mark Publishing House, also use this conference to acknowledge the most beautiful commemorative coins in the award ceremony of the international contest ‘Coin Constellation’.

More information can be found at [www.coinconference.com](http://www.coinconference.com).

## Confusion about Silver Krugerrand

**Degussa, a big Germany-based trade company of precious metals, announced the first-time issue of a silver 2018 Krugerrand via all numismatic media outlets, which caused general confusion.**

Numerous customers had already purchased a silver Krugerrand in 2017, albeit it was not a bullion coin but the South African commemorative coin distributed with a very high mintage of 100,000 pieces to mark the anniversary of the Krugerrand.

These coins share the general design of the bullion Krugerrand, the only difference being a logo in the coin’s field.

Letters to the editor arrived en masse voicing customers’ fears of having fallen for a trick of a privately minted coin in 2017. The misunderstanding was resolved quickly, but it highlights the danger of designing collectors’ products and bullion products too similarly without sufficiently explaining the differences.

## Monnaie de Paris Uses Fairmined-Certified Gold

In May, the Monnaie de Paris issued its first commemorative €50 coin using gold, which had been certified by the organization Fairmined. Fairmined describes itself on its website as ‘an assurance label that certifies gold from empowered responsible artisanal and small-scale mining organisations who meet world leading standards for responsible practices.’

The gold used for this coin, which commemorates the peace following the First World War, originates from small mines in Columbia and Peru. Alfredo Gonzalez, one of the miners employed there, was invited to the first strike at the Monnaie de Paris.



# CoinsWeekly Named Best Online News Site

CoinsWeekly was named the Best Online Numismatic News Site by the Numismatic Literary Guild (NLG). For several years now, the NLG has honored remarkable achievements in the field of numismatic reporting.

In 2018, the competition was opened to international media outlets for the first time. And for the first time, web-based and print media were considered of equal value. CoinsWeekly won the award at the first go.



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## With or Against *(Continued)*

First, a truism: coins and bills depend on one another. Without coins, there would be no bills, and bills cannot exist without coins as the necessary change for everyday transactions. The nowadays commonplace D-Metric model by Payne and Morgan from 1982 provides a relatively neutral basis for calculating the optimal denomination structure and defining the transition point between coins and banknotes.

Putting the theory into practice is where it gets problematic because, in theory, the optimal denomination structure would have to be recalculated on a regular basis, since it shifts slightly every year, due to 'healthy inflation' which is considered good for a thriving economy. Since many central banks have not adapted their denomination structure for decades, cash is suffering from a reforms backlog.

The biggest victims are currently the mints. No need to start listing in how many countries the smallest denominations have been abolished over the last ten years because the public had no desire to use them anymore. However, from that process, which has been more or less the same in every country, we can draw an interesting conclusion that could even apply to the banknote industry.

In a first stage, the reforms backlog actually had positive consequences for mintage: the smallest denominations were not valuable enough anymore for the users to make an effort to bring them back into circulation. A large percentage of issued coins were lost after a few transactions and had to be constantly replaced. Therefore, in short term, the demand for the smallest denominations grew and provided work for the mints.

But then, in a second stage, the costs for the production of those unpopular denominations became so high that the central bank decided to abolish them. And in doing so, many mints were hit hard.

Even worse was the fact that some ministers of finance wondered whether their country actually needed such an expensive institution as a mint after all.

The sales and privatisations of numerous established mints throughout Europe speak for themselves.

Applied to the banknote industry, this means that those responsible need to ask themselves if it is really a good idea for them in the long term to be producing overly expensive bills for small denominations.

At the moment, in this first stage, business may be booming, but as soon as the price-performance ratio worsens, many central banks will start wondering about their banknotes as well, and whether it is necessary to have that many. And at that point, further questions might follow...

The Swedish banks have shown how a systematic shortage of cash can re-educate an entire population within a few years towards using digital means of payment.

Thus, it is doubtful if the battle for preserving cash is a battle where one has to choose between fighting it together with the paper money industry, and fighting against the paper money industry to raise the coin-note boundary.

It could be beneficial for both cash production branches to work out a guideline for central banks that neutrally defines the value where a coin actually starts making sense, and where a sensible boundary between coins and banknotes lies.

Maybe not only the famous D-Metric should be considered for that, but more importantly the production costs, calculated for a reasonable time period and taking into account the average yearly inflation.

A guideline jointly published by the coin and banknote industries would gain a lot of reputation. The first congress of the International Currency Association in 2020 would be a wonderful occasion for establishing a working group to that aim.

For today's yearly turnover may be important. But it is even more important to build a strong basis for cash to survive.

## Germany's Success of Polymer

**The German government has decided to strike another collection series of polymer ring coins. They will bear a face value of €10 and will be dedicated to the theme 'Air Moves'. Issuance is scheduled for 2019 and 2021. Germany thus draws on the great success of the €5 collectors' coins 'Planet Earth' and 'Climate Zones of the Earth'.**

This series raises the annual number of collectors' coins distributed via the Official

Sales Agency for Collector's Coins of the Federal Republic of Germany (VfS) to nine coins: three denominations in gold (€20, €50 and €100), five denominations in silver (€20 each), two denominations in silver polymer ring (€5 and €10), and two €2 circulating commemorative coins.

In comparison, ten years ago, Germany distributed one denomination in gold (€100), five denominations in silver (€10 each), and one €2 circulating commemorative coin.