

Changes to the implementation timeframe for the Code of Conduct for the Authentication of Machine-Dispensed Banknotes

The Review Group for the Authentication of Machine Dispensed Banknotes (RG), on behalf of Code Sponsors¹, are currently undertaking a review of the implementation of The Code of Conduct for the Authentication of Machine Dispensed Banknotes (The Code)² and a report will be published in Spring 2015. Ahead of the Review's publication, the sponsors agreed to provide an earlier check-point for the application of the Code to ATMs with 150-500 transactions per month, in particular considering the interaction of the Code with the introduction of polymer. We are today announcing changes stemming from that check-point.

Public confidence in the use of cash will be undermined if people receive, or believe they might receive, counterfeit notes. This is likely to be accentuated if the notes are dispensed by machines, as the customer is uncertain from whom to seek recourse and it is hard for both the customer and the machine operator to verify that the note was dispensed by a particular machine. As increasing numbers of notes are recycled outside the wholesale cash sector, where any counterfeits are routinely removed from circulation, the risk of a significant impact from machine dispensed counterfeits is growing. The Code addresses that risk by setting out standards for the authentication of notes dispensed by machines, which account for more than three-quarters of public cash acquisition.

The Code, which was introduced in July 2013 following industry consultation, requires Bank of England banknotes which are dispensed to customers by a machine (for example by an ATM or, as a change item, by a self-service checkout) to have been authenticated by a banknote authentication machine which has passed the Bank of England's *Framework for the Testing of Automatic Banknote Handling Machines*³. This can be achieved through either sourcing authenticated notes from a Member of the Note Circulation Scheme, one of the Northern Ireland Issuing Banks or the Agency Note Store⁴, or through the local authentication of notes using a banknote authenticator. The Code requirements are designed to ensure that the public can trust that the banknotes that they receive are genuine, regardless of where they receive them.

RG have reviewed the Code timeframe for ATMs achieving 150-500 cash transactions per month, which were due to be compliant by September 2015. Following discussion with some of the key players, RG have taken into account the emerging evidence on the readiness of banknote

¹ The Code is sponsored by the Strategic Cash Group, the Bank of England, Payments Council, the British Retail Consortium and LINK.

² See http://www.paymentscouncil.org.uk/what_do_we_do/cash/cash_recycling_code/

³ See <http://www.bankofengland.co.uk/banknotes/Pages/retailers/framework.aspx>

⁴ The NCS members are G4S Cash Centres (UK) Ltd, Post Office Ltd, Royal Bank of Scotland plc and Vaultex UK Ltd. The Northern Ireland Issuing Banks are Bank of Ireland, Ulster Bank, Danske Bank and First Trust Bank. The Agency Note Store provides additional authenticated Bank of England Banknotes to the Northern Ireland Issuing Banks to meet increases in demand and to replace unfit notes.

authenticator machines for the introduction of polymer banknotes and balanced this with the need for timely implementation of the Code to provide the protections outlined above.

RG recognised that the operators of merchant-fill ATMs have particular concerns about buying machines now without a guarantee that they would work for polymer. There would therefore be an advantage to them in aligning the application of the Code to the introduction of polymer notes. The sponsors have therefore endorsed modifications to the Code timeframe as follows:

- the compliance deadline for non-merchant-fill ATMs achieving 150-500 cash transactions per month will be moved by six months, from September 2015 to end March 2016; and
- the compliance deadline for merchant-fill ATMs achieving 150-500 cash transactions per month will be aligned with the deadline for all ATMs achieving fewer than 150 cash transactions per month. This deadline will be confirmed in the Review in the Spring, but will be no earlier than the current September 2016 deadline.

With these changes to the timetable reflecting industry feedback, the sponsors see no impediment to the revised deadlines being met and expect that the Code will be implemented in a timely fashion.

In summary, the new implementation timetable is (changes in *italics*):

	By end of
Newly installed ATMs, or renewed contracts at existing ATM sites	Already in place
Self-service checkouts	Already in place
Existing ATMs achieving 500 or more cash transactions per month	Already in place
Existing <i>non-merchant-fill</i> ATMs achieving 150 or more cash transactions per month	<i>March 2016</i>
All ATMs	<i>Subject to review (but no earlier than September 2016)</i>

The definition of merchant-fill is: “where the cash loaded into the ATM comes directly from the merchant and is not processed by the ATM operator before being loaded into the ATM”.

The Code will be updated and published alongside the Review Report in April 2015.