Code of Conduct for the Authentication of Machine-Dispensed Banknotes

An update on Code compliance – as at March 2017

ACBI

The Association of Commercial Banknote Issuers

BANK OF ENGLAND

BRC

Cash Services

LINK

Payments UK

Code of Conduct for the Authentication of Machine Dispensed Banknotes

An update on Code compliance

The Code of Conduct for the Authentication of Machine-Dispensed banknotes ('the Code') was launched in July 2013, and most recently updated in March 2017.

The March 2017 update extended the Code to include Scottish and Northern Ireland (S&NI) banknotes following the publication of the Association for Commercial Banknote Issuers (ACBI) Machine Testing Framework, and a successful public consultation[1].

To help maintain confidence in the currency, the Code requires Bank of England and S&NI banknotes which are dispensed through Customer-Operated Cash Dispensers to be either processed by the wholesale sector[2], or authenticated by a Machine which has passed the relevant Framework for the Testing of Automatic Banknote Handling Machines ('Framework')[3]. The Code does not cover banknotes dispensed by hand, for example notes returned as change/cashback at staffed tills or paid out over a staffed bank branch counter.

The Code adopted a staggered implementation timetable, seeking full compliance for all self-service checkouts (SCOTs) and ATMs dispensing Bank of England banknotes by March 2017, and Scottish and Northern Ireland banknotes by March 2019.

A progress review was published in 2016, and this document provides an update on compliance levels for end March 2017 for Bank of England banknotes.

Current levels of compliance with the Code

	Percentage of note-dispensing SCOTs		Percentage of ATMs dispensing Bank of England notes	
	2017	2016	2017	2016
Fully compliant with the Code	94	71	85	79
Non-compliant with the Code, or only partially compliant[4]	6	29	15	21

94% of all SCOTs which dispense Bank of England notes (as change or cashback) are compliant with the Code, and 85% of ATMs which dispense Bank of England banknotes are compliant also. Further details can be found on page 2 of this report.

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[1] https://websites.godaddy.com/blob/8b92596e-7991-4fb0-98e3-a3c40b33e9e7/downloads/1bhsduuf9_615273.pdf?cdd85dd0
[2] Including notes provided directly by the Bank of England (e.g. new notes) and not processed any further by wholesalers.
[3] www.bankofengland.co.uk/banknotes/Pages/retailers/framework.aspx or http://www.acbi.org.uk/machine_testing_framework.php. Where the Organisation is using a Machine not listed on the Framework, the Organisation should approach the manufacturer to ensure the Machine is put forward for testing.
[4] Some SCOTS are compliant for some denominations of notes, but non-compliant for others due to a different source of the different denominations.

Compliance levels – Retailers

Banknote-dispensing SCOTs in the UK are operated primarily by nine large retailers[5]. In 2017 all nine retailers reported their compliance to the Code. The number of cash-dispensing SCOTs has increased by 3% since 2016.

The following table sets out compliance figures based on this self-certification.

	Number of SCOTs[6]		Percentage total of SCOTs	
	2017	2016	2017	2016
Fully compliant	34,800	25,600	94	71
Non-compliant	700	8,800	2	25
Partially compliant	1,500	1,500	4	4
Total	**37,000**	**35,900**	**100**	**100**

Compliance has risen to 94% in 2017, with only 2% of banknote-dispensing SCOTs reported as non-compliant, compared to 25% in 2016. This is an extremely positive result for the Code in its effectiveness to help minimise the risk of a counterfeit note being recirculated through a SCOT, and thus helping maintain confidence in the UK currency. Code Sponsors will continue to work with retailers to maintain, and improve, this level.

Compliance levels – ATM operators

	Number of ATMs[6]		Percentage of ATMs dispensing Bank of England notes	
	2017	2016	2017	2016
Fully compliant	58,000	51,500	85	79
Non-compliant	10,200	14,000	15	21
Total	**68,200**	**65,500**	**100**	**100**

The above reporting levels are for end-March 2017, and cover only machines which dispense Bank of England banknotes. The majority of ATMs are on the LINK network, with a small number of non-LINK ATMs in financial institutions included.

We see a continued increase in compliance with the Code for ATM operators. Areas of non-compliance are focused in lower volume machines (classified as ATMs achieving 150 or more cash transactions per month). Code sponsors will continue to work with ATM operators to maintain, and improve, this level.

Next steps

Code sponsors are working closely with relevant organisations to support achievement of higher compliance levels and Code compliance levels will be reported to Code Sponsors on at least an annual basis.

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[5] In 2016 11 large retailers operated SCOTs. Since then, two retailers have opted to remove the functionality to accept/dispense cash from their self-service machines.
[6] Rounding has been applied.