

Code of Conduct for the Authentication of Machine-Dispensed Banknotes

An update on Code compliance – as at March 2018

ACBI

**The Association of Commercial
Banknote Issuers**



BANK OF ENGLAND



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 December 2017.

To help maintain confidence in the currency, the Code requires banknotes which are dispensed through Customer-Operated Cash Dispensers to have been either processed by the wholesale sector¹, or authenticated by a Machine which has passed the relevant Framework for the Testing of Automatic Banknote Handling Machines ('Framework')². 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. This deadline has now passed without reaching 100% compliance. To address this, Code Sponsors commissioned a survey to seek feedback on the reasons. The results of this survey and the actions undertaken by Code sponsors to enhance compliance can be found at <https://cashservices.org.uk/local-cash-recycling> (see 'Feedback' document).

Full compliance for Scottish and Northern Ireland (S&NI) banknotes is due by March 2019. Early indications suggest good progress towards meeting this target.

This document provides an update on compliance levels for end March 2018.

Overall levels of compliance with the Code³

	Percentage of note-dispensing SCOTs		Percentage of ATMs	
	2018	2017	2018	2017
Fully compliant with the Code	94	94	87	85
Non-compliant with the Code	6	6	13	15

94% of reported SCOTs which dispense Bank of England notes (as change or cashback) are compliant with the Code, and 87% of ATMs are compliant. Further details can be found on page 3 of this report.

Compliance levels – Retailers

Banknote-dispensing SCOTs in the UK are operated primarily by nine large retailers. In 2018, eight of these retailers reported their compliance to the Code, with the ninth unable to agree the compliance status of their SCOTs with Sponsors. The number of reported cash-dispensing SCOTs increased by 5.5% since 2017, despite one retailer's SCOTs not being included this year.

¹ Including notes provided directly by the Bank of England or other issuers (e.g. new notes) and not processed any further by wholesalers.

² 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.

³ Reporting is as at end-March in the relevant year.

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

	Number of SCOTs ⁴		Percentage total of SCOTs	
	2018	2017	2018	2017
Fully compliant	36,700	34,800	94	94
Non-compliant	2,300	700	6	2
Partially compliant⁵	0	1,500	0	4
Total	39,000	37,000	100	100

Compliance stayed at 94% in 2018, with 6% of banknote-dispensing SCOTs reported as non-compliant. One retailer with non-compliant SCOTs in some of its network rolled out more SCOTs in this part of their network, increasing the overall percentage of non-compliant SCOTs.

A continuation of 94% compliance across all banknote-dispensing SCOTs is a positive result for the Code's effectiveness in helping to minimise the risk of a counterfeit note being recirculated through a SCOT, and thus helping to maintain confidence in the UK currency. Code Sponsors will continue to work with retailers to maintain, and improve, this level of reported compliance, and with the non-reporting retailer to agree the relevance of the Code to their SCOTs.

Compliance levels – ATM operators⁶

	Number of ATMs ⁴		Percentage of ATMs	
	2018	2017	2018	2017
Fully compliant	57,400	58,000	87	85
Non-compliant and over-due	7,400	10,200	11	15
Non-compliant and due March 2019	1,100	-	2	-
Total	65,900	68,200	100	100

By end March 2017, all ATMs dispensing Bank of England notes were due to be compliant: therefore any ATMs dispensing Bank of England notes which were not compliant at the reporting date are categorised as 'Non-compliant and over-due'. ATMs dispensing only S&NI notes are due to be compliant by end March 2019: any of these ATMs which are already compliant are included in 'Fully compliant' above, whereas those not yet compliant are in the 'Non-compliant and due March 2019' category.

We have seen a continued increase in compliance with the Code for ATM operators. The number of ATMs has decreased in the last year, and a number of those which were previously non-compliant are now no longer operating. Alongside this, operators have continued to roll-out compliant methods of filling their ATMs, ensuring that the remaining estates become increasingly compliant. Areas of non-compliance are focused in lower volume machines (classified as ATMs achieving 150 or fewer cash transactions per month). However, there is still work to do to achieve full industry compliance and Code sponsors will continue to work with ATM operators to maintain, and improve, this level.

⁴ Rounding has been applied.

⁵ Some SCOTs can be partially compliant due to differing sources for different denominations of notes, with the source of at least one denomination being non-compliant.

⁶ The majority of ATMs are on the LINK network, with the small number of financial institutions' non-LINK ATMs included in the data.

Next steps

Code sponsors are increasing their communication and education programme to help increase Code compliance levels by reaching out to those outside the 'core' industry who are filling machines (for example convenience stores or pub staff). Further details can be found in 'Feedback on the Code of Conduct for the Authentication of Machine-Dispensed Banknotes' at <https://cashservices.org.uk/local-cash-recycling>.

Code compliance levels will be reported to Code Sponsors on at least an annual basis.