



# PRESS KIT

Euro banknotes and coins

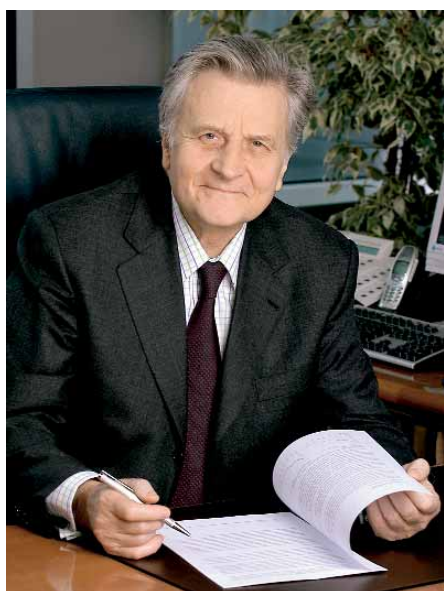


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## Foreword



New Year's Day 2008 will be an historic day for the European Union. On this date, Cyprus and Malta will join Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovenia and Spain in the euro area and will adopt the euro as their currency.

This press kit has been prepared by the European Central Bank to provide the media – and the Cypriot and Maltese media in particular – with comprehensive information about the euro banknotes and coins. The euro will become part of everyday life in Cyprus and Malta at the beginning of next year, and the European Central Bank, the Central Bank of Cyprus and the Central Bank of Malta have a common interest in ensuring that the public is well informed ahead of the changeover. The media's access to authoritative information and images makes them a major partner in the process of acquainting the public with the euro banknotes and coins and their security features.

This press kit provides you with information on the euro changeover in Cyprus and Malta and on the euro banknotes and coins and their security features. We hope it will serve as a useful point of reference for your reporting.

I wish you every success in informing the general public about the euro and its banknotes and coins. The knowledge and information you pass on will make a very significant contribution to increasing awareness of the single currency. This is particularly true for the media covering Cyprus and Malta, where your reporting will pave the way for the citizens of those islands to adopt the euro, our money.

Frankfurt am Main, September 2007

A handwritten signature in blue ink, which appears to be 'J. Trichet', written over a horizontal line.

Jean-Claude Trichet  
President of the European Central Bank





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# Introduction

The European Central Bank (ECB), the Central Bank of Cyprus and the Central Bank of Malta have produced this press kit containing information about the cash changeover and the euro banknotes. This press kit is accompanied by a CD-ROM, which you will be provided with once you have signed a disclaimer. This CD-ROM contains a PowerPoint presentation and a flash application on the security features of the euro banknotes. It also contains high-resolution images of euro banknotes, as well as images of Cypriot and Maltese

citizens in cash-handling situations. These images may be used for publication, but only for reporting in connection with the public information campaigns related to the euro. You will be asked to sign a disclaimer to ensure the appropriate use of the enclosed images. Furthermore, the rules on the reproduction of euro banknotes must be complied with.<sup>1</sup>

Should you need further information, please do not hesitate to contact the Central Bank of Cyprus, the Central Bank of Malta or the European Central

Bank. The European Central Bank will be happy to provide you with publications on the history, role and functions of the European Central Bank, the Eurosystem and the European System of Central Banks, on the monetary policy of the Eurosystem, and on banking supervision in the euro area and the European Union. You can also request publications produced for the euro cash changeover in Cyprus and Malta, which contain information on euro banknotes and coins and their security features.<sup>2</sup>

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<sup>1</sup> To see the rules on reproduction of euro banknotes, visit [www.ecb.int/bc/reproduction/html/index.en.html](http://www.ecb.int/bc/reproduction/html/index.en.html)

<sup>2</sup> Please visit [www.ecb.int/bc/euro/material/html/index.en.html](http://www.ecb.int/bc/euro/material/html/index.en.html)

## Euro cash changeover in Cyprus and Malta

Following the approval by the Council of the European Union on 10 July 2007, the euro will become legal tender in the Republic of Cyprus and the Republic of Malta as of 1 January 2008. On this date all Cyprus pound and Maltese lira balances in bank accounts will be converted into euro automatically and free of charge. Furthermore, as of this date only euro will be used in electronic payments.

The dual circulation period will last from 1 to 31 January 2008. During this period it will be possible to pay with either Cyprus pound (CYP) or euro banknotes and coins in Cyprus, and with either Maltese lira (MTL) or euro banknotes and coins in Malta. As of 1 February 2008 only euro banknotes and coins will be accepted for cash payments in Cyprus and Malta.

Cypriot banks and cooperative credit societies will exchange Cyprus pound banknotes and coins for euro banknotes and coins at the irrevocably fixed

conversion rate of €1 = CYP 0.585274 until 30 June 2008. This service will be free of charge for exchanged amounts of at least up to CYP 1,000 per person and transaction in the case of banknotes and CYP 50 per person and transaction in the case of coins. For higher amounts Cypriot banks and cooperative credit societies will be allowed to charge a fee.

Maltese banks will exchange Maltese lira banknotes and coins at the irrevocably fixed conversion rate of €1 = MTL 0.429300 until 31 March 2008. This service will be free of charge for bank customers. Non-customers will be able to change a maximum amount of MTL 250 per person.

Thereafter, it will be possible, at the Central Bank of Cyprus, to exchange Cyprus pound banknotes and coins until 31 December 2017 and 31 December 2009 respectively, while in Malta it will be possible, at the Central Bank of Malta, to exchange Maltese lira banknotes

and coins until 31 January 2018 and 1 February 2010 respectively. An overview of the deadlines for the exchange of Cyprus pound and Maltese lira banknotes and coins is provided below.

### Dual display of prices

In Cyprus, the dual display of prices became obligatory on 1 September 2007 and will last until 30 September 2008, i.e. a total period of 13 months.

In Malta, businesses were invited to display prices in both currencies on a voluntary basis from January 2007. Once the irrevocably fixed conversion rate was established on 10 July 2007, it became obligatory for all businesses to display prices in both euro and Maltese lira. The dual display of prices will last until 30 June 2008. Businesses in Malta will then be given three months, i.e. until 30 September 2008, to make the transition to displaying prices in euro only.

### Introduction of the euro in Cyprus

Key changeover dates	Date
“Sub-frontloading” of coins to companies	22 October 2007
“Sub-frontloading” of banknotes to companies	19 November 2007
Sale of euro coin starter kits to the public	3 December 2007
Account conversions and introduction of the euro banknotes and coins	1 January 2008
Last day on which Cyprus pound banknotes and coins will be legal tender	31 January 2008
Exchange of Cyprus pound banknotes and coins at banks and cooperative credit societies	until 30 June 2008
Deadline for exchange of Cyprus pound coins at the Central Bank of Cyprus	31 December 2009
Deadline for exchange of Cyprus pound banknotes at the Central Bank of Cyprus	31 December 2017

### Irrevocable conversion rate

€1 = CYP 0.585274

### Introduction of the euro in Malta

Key changeover dates	Date
“Sub-frontloading” to companies	1 December 2007
Sale of euro coin starter kits to companies	1 December 2007
Sale of euro coin mini kits to the public	10 December 2007
Account conversions and introduction of the euro banknotes and coins	1 January 2008
Last day on which Maltese lira banknotes and coins will be legal tender	31 January 2008
Exchange of Maltese lira banknotes and coins at credit institutions	until 31 March 2008
Deadline for exchange of Maltese lira coins at the Central Bank of Malta	1 February 2010
Deadline for exchange of Maltese lira banknotes at the Central Bank of Malta	31 January 2018

### Irrevocable conversion rate

€1 = MTL 0.429300



## Euro cash changeover in 2002 and subsequent developments



The euro came into existence with the irrevocable fixing of exchange rates on 1 January 1999.<sup>3</sup> However, it was initially the currency of the financial and foreign exchange markets. In the eyes of many people, the euro only arrived with the introduction of euro banknotes and coins. This huge logistical undertaking took place in the run-up to 1 January 2002, when the euro banknotes and coins were introduced. Altogether some 15 billion banknotes were produced, enough to cover 15,000 football pitches, while around 52 billion coins, the equivalent of 10,000 truckloads, were minted. These volumes were required both to meet initial demand and to provide stocks for the national central banks of the euro area. Banks, shops, security carriers and the cash-operated machine industry were all well prepared: the successful adaptation of their businesses contributed significantly to the smooth introduction of the new banknotes and coins.

### Did you know that ...

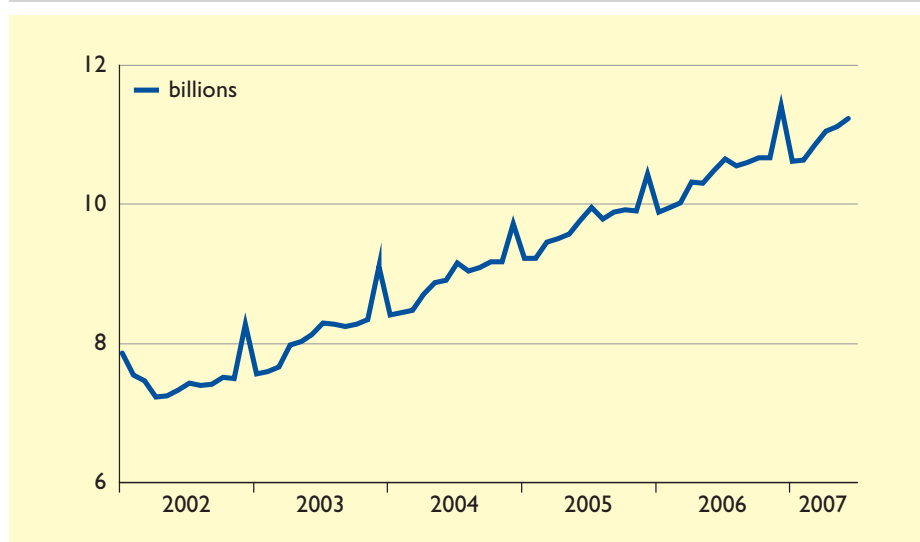
... by mid-January 2002 over 90% of all cash transactions were being carried out in euro, although two months had been foreseen for the transition? This is why most of the future members of the euro area might well opt for a shorter dual circulation period.

So did the swift acceptance of euro banknotes and coins by the then 300 million or so citizens of the euro area. Since their introduction the number of banknotes in circulation has grown steadily. At the end of 2006 some 11 billion banknotes, worth roughly €600 billion, were in circulation (compared with close to 8 billion banknotes, worth €221 billion, at the beginning of 2002). Euro banknotes and coins are legal tender throughout the euro area, regardless of where they were produced. They freely cross borders in Europe as a result of tourism and business transactions. The euro has

also become a popular currency worldwide. It is estimated that, in value terms, some 15% of euro banknotes in circulation are held by individuals and businesses outside the euro area, which are using the euro either as a store of value or as a parallel currency.

On 1 January 2007 Slovenia joined the euro area and became its 13th member country. The euro changeover in Slovenia has also been a great success. On 1 January 2008 Cyprus and Malta will likewise join the euro area and introduce the euro.

### Total number of euro banknotes in circulation between January 2002 and June 2007



<sup>3</sup> For more detailed information, please see [www.ecb.int/press/pr/date/1998/html/pr981231\\_2.en.html](http://www.ecb.int/press/pr/date/1998/html/pr981231_2.en.html) and [www.ecb.int/press/pr/date/2001/html/pr010102.en.html](http://www.ecb.int/press/pr/date/2001/html/pr010102.en.html)



## What do euro banknotes look like?

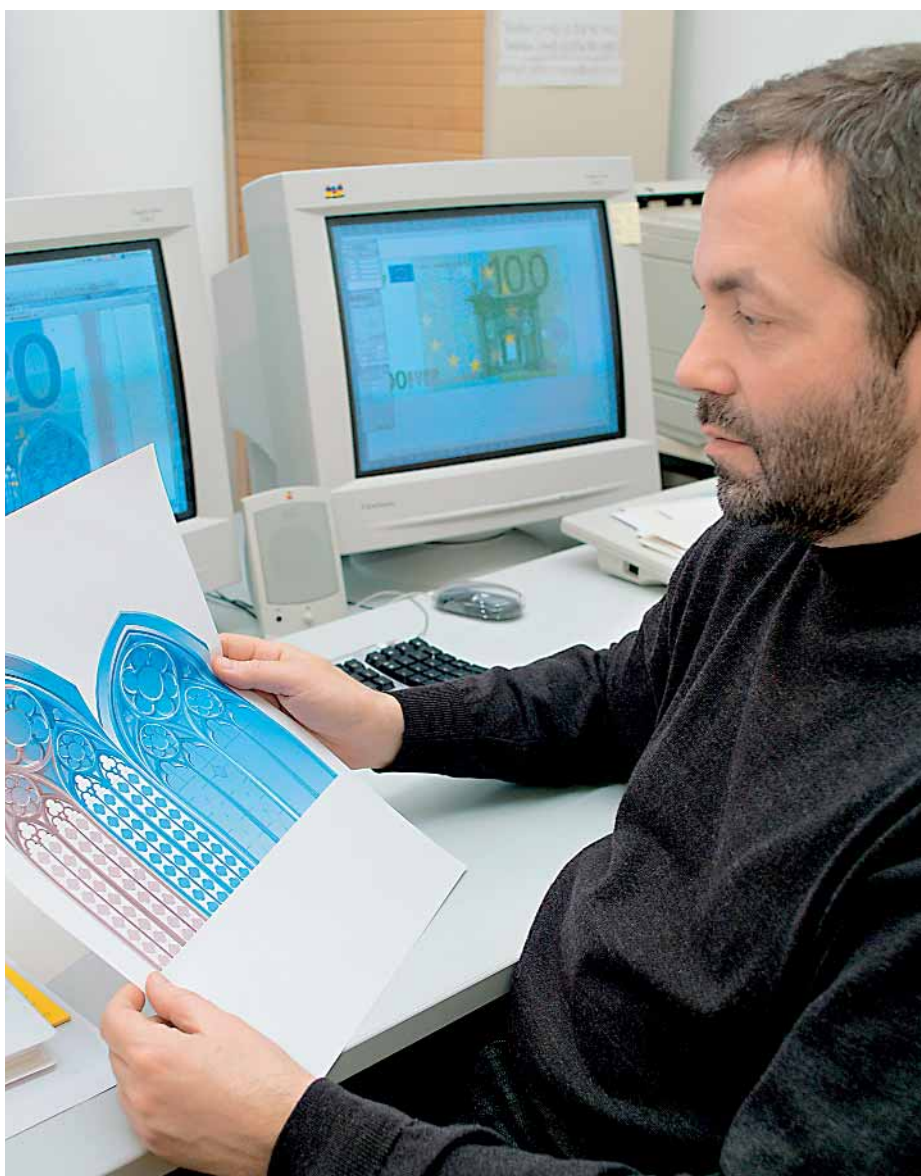
### Design competition and public survey

The conceptual phase of the creation of the euro banknotes began in February 1996, when the European Monetary Institute (EMI), the forerunner of the ECB, launched a design competition.

A total of 44 design proposals were submitted,<sup>4</sup> and in September 1996 a jury of independent experts in marketing, advertising, design and art judged the designs. The jury drew up two shortlists: one of five design series on the “Ages and styles of Europe” theme and another of five design series on a “Modern/abstract” theme. A European market and opinion research organisation was then commissioned to carry out a survey of public acceptance of the shortlisted designs. Around 2,000 individuals participated throughout Europe.<sup>5</sup> Taking account of the advice given by the jury and the results of the public consultation, the EMI Council selected, in December 1996, the series submitted by Robert Kalina, a banknote designer at the Oesterreichische Nationalbank.

His design was inspired by the theme “Ages and styles of Europe” and depicted the architectural styles of seven periods in Europe’s cultural history. These styles are shown on the seven euro banknotes:

- Classical for the €5
- Romanesque for the €10
- Gothic for the €20
- Renaissance for the €50
- Baroque and rococo for the €100
- Iron and glass architecture for the €200
- Modern 20th century architecture for the €500



<sup>4</sup> To see the design proposals, visit [www.ecb.int/bc/pdf/banknotes/euro\\_catalogue.pdf](http://www.ecb.int/bc/pdf/banknotes/euro_catalogue.pdf)

<sup>5</sup> To see the results of the survey, visit [www.ecb.int/bc/history/issue/html/index.en.html](http://www.ecb.int/bc/history/issue/html/index.en.html)

## What do euro banknotes look like?

On the front of the banknotes, windows and doorways symbolise the European spirit of openness and cooperation. The 12 stars of the European Union represent the dynamism and harmony of the European nations.

To complement these designs, the reverse of each banknote features a bridge. The bridges symbolise the close cooperation and communication between Europe and the rest of the world. The images are based on the typical architectural style of each period, rather than on specific structures. These designs, and the following features, are presented in more detail in the euro banknote pictures opposite:

- the name of the currency – euro – in both the Latin (EURO) and the Greek (ΕΥΡΩ) alphabets;
- the initials of the European Central Bank in five linguistic variants – BCE, ECB, EZB, EKT and EKP – covering the then 11 official languages of the European Union;
- the symbol © indicating copyright protection;
- the signature of the President of the European Central Bank;
- the flag of the European Union.

### The euro banknotes



Size: 120 x 62 mm  
Colour: Grey



Size: 127 x 67 mm  
Colour: Red



Size: 133 x 72 mm  
Colour: Blue



Size: 140 x 77 mm  
Colour: Orange



Size: 147 x 82 mm  
Colour: Green



Size: 153 x 82 mm  
Colour: Yellow-brown



Size: 160 x 82 mm  
Colour: Purple

# What do euro coins look like?



The coins range from €2 to 1 cent and each one has a European side and a national side. The European sides of the coins were designed by Luc Luycx of the Royal Belgian Mint and they show either the EU before its enlargement in May 2004 or a geographical image of Europe. The national sides vary from country to country. Despite these differences, you can use any euro coin anywhere in the euro area. You can find an overview with a comprehensive description of all national sides of the euro coins on the ECB's website.<sup>6</sup>



€2



€1



50 CENT



20 CENT



10 CENT



5 CENT



2 CENT



1 CENT



The €2 and €1 coins depict a cross-shaped idol dating back to the Chalcolithic period (3000 BC).



The 50, 20 and 10 cent coins depict the Kyrenia ship (fourth century BC).

The 5, 2 and 1 cent coins feature a mouflon, a wild sheep characteristic of Cyprus.



The €2 and €1 coins show the eight-pointed Maltese cross.



The 50, 20 and 10 cent coins feature the emblem of Malta.

The 5, 2 and 1 cent coins depict the altar at the prehistoric temple of Innajdra.

<sup>6</sup> www.euro.ecb.int



# Production of euro banknotes

## From cotton fields to paper mills

Perhaps symbolic of the euro's status as a major international currency, the raw material for the banknotes comes from different regions of the world. Cotton grown in the American South, in Africa or on the steppes of Central Asia is the basic ingredient in euro banknote "paper", which is in fact made from pure cotton fibres. The fibres cannot be used by the textile industry, as they are too short for weaving, so they are bought by paper mills, which turn them into cotton paper. This is what gives euro banknotes their special "feel" and crispness, as well as durability. They are more robust and better withstand a certain amount of rough treatment than most other types of paper. The cotton fibres are bleached in water at high pressure and high temperature.

The paper pulp is then fed into a paper machine. Security paper forms the substrate or basis for producing banknotes, and certain security features, such as watermarks or embedded threads, are integrated into the paper itself. The watermark, for example, is obtained by varying the paper thickness during the paper-making process; some parts become more transparent or lighter than the surrounding paper, while other parts become darker.

### Did you know that ...

... the euro banknotes in Cyprus and Malta will come from the Eurosystem's banknote stocks?

... Cyprus' euro coins will be produced by the Mint of Finland and Malta's euro coins by Monnaie de Paris?

## Turning banknote paper into banknotes

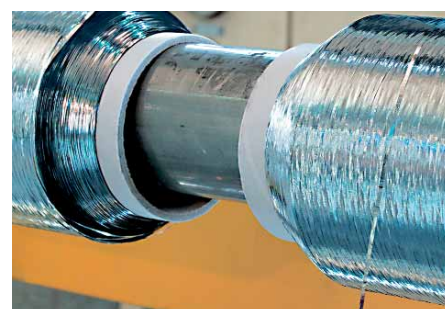
Banknote paper is distributed to the 14 high-security printing works in Europe that produce euro banknotes. There are two main processes: offset and intaglio printing. Different types of plates and special inks have to be used for these processes. Each plate is generally used to print over half a million sheets, and these, in turn, are cut into around 25 million banknotes. Approximately 40,000 sheets can be produced in an eight-hour shift, i.e. around 2 million banknotes. Both sides of a banknote can be printed simultaneously using offset printing machines. Intaglio printing also contributes to the special "feel" of euro banknotes: users can check they are genuine by running their fingers across the large numerals or the windows and doorways on the front.

In order to print in relief, intaglio plates with special inks are applied to the paper with a force of some 30 tonnes. In addition to these traditional banknote printing techniques, a hot stamping process is used to apply a hologram foil. A colour-changing number on the back of the higher-value denominations is applied by silk screen printing. Each banknote receives a unique serial number consisting of one letter and 11 digits.

Many additional features are included to help the public, as well as professional cash handlers and central banks, to determine if a banknote is genuine or counterfeit.

## Extensive testing prior to circulation

To ensure the consistent quality of euro banknotes, the ECB has devised a common quality management system for all the banknote printing works. Throughout the production process, hundreds of manual and automated tests are performed to ensure that the banknotes meet the ECB's standards. For example, the banknotes are subjected to tearing, soiling and even washing machine tests to measure their resistance.





# Euro banknote security features

**WATERMARK**

Hold the banknote against the light and a shadow-like image and the value numeral become visible.

**FEEL OF THE PAPER**

It should be crisp and firm. Run your finger across it and you will feel that the ink is thicker in some parts.

**SECURITY THREAD**

Hold the banknote against the light and a dark line running through the banknote becomes visible.

**HOLOGRAM**

Tilt the banknote. It shows the value of the banknote and the euro symbol (€).

Tilt the banknote. It shows the value of the banknote and a window or doorway.

**COLOUR-CHANGING NUMBER**

Tilt a €50, €100, €200 or €500 banknote. On the back, the number changes colour from purple to olive green or brown.

# Euro banknote distribution

## Ready for distribution

Once the quality specifications have been met and the banknote sheets cut up, the individual banknotes are packaged per denomination and stored in secure areas at the printing works prior to distribution. They are first taken from the printing works to the national central banks, which place them in their vaults. The Central Bank of Cyprus and the Central Bank of Malta will cover their initial requirements in terms of euro banknotes by drawing on the stocks of the Eurosystem. In the years to come the Central Bank of Cyprus and the Central Bank of Malta will “pay back” these banknotes.

To ensure a smooth and rapid changeover to the euro, the Central Bank of Cyprus will begin pre-distributing euro banknotes to commercial banks on 19 November 2007, with coins distributed from 22 October 2007. The Central Bank of Malta will start pre-distributing euro banknotes to commercial banks in the first week of November 2007, with coins distributed as early as late September 2007. Some of this cash will be passed

on to retailers and other companies (“sub-frontloading”).

In addition, euro coin starter kits will be made available to the public. The Central Bank of Cyprus, together with commercial banks and cooperative credit societies, will start selling euro coin starter kits to the public on 3 December 2007. Euro coin mini kits will be available for purchase by the public from Maltese credit institutions and other authorised distributors from 10 December 2007.



Did you know that ...

... the Central Bank of Cyprus will acquire 79 million euro banknotes to replace the Cyprus pound? If these banknotes were placed end to end, they would cover the distance from Cyprus to London three times.

... 395 million euro coins will initially be minted for Cyprus? Around 100 goods containers will be used for their transportation from the Mint of Finland.



Did you know that ...

... the Central Bank of Malta will acquire 80 million euro banknotes to replace the Maltese lira? Placed end to end, they would cover the distance from Malta to Las Vegas.

... 200 million euro-denominated coins will initially be minted for Malta by Monnaie de Paris? These will weigh around 950 tonnes, which is equivalent to three and a half times the typical operating weight of an Airbus A380.

# Organisation of banknote production / Stock and circulation management

## Organisation of banknote production

Prior to the introduction of euro cash, each central bank was responsible for producing its own national banknotes. Since 2002, banknote production has been reorganised in a “pooling scenario”. Under this arrangement, each central bank is responsible for producing a limited number of denominations. But it does so to meet the need for those particular denominations throughout the euro area. This division of labour enables the Eurosystem to benefit from economies of scale. It also helps in the efficient operation of the Quality Management System, as there are fewer production sites for each denomination than there would be without any pooling.<sup>7</sup> Each year the ECB and the national central banks forecast the likely overall banknote demand, taking into account the estimated growth in circulation and the replacement of “unfit” banknotes, i.e. worn or dirty banknotes which no longer meet the set quality standards. The banknote production shares are then allocated to the NCBs according to a key. In 2007 6.3 billion banknotes will be produced. Only printing works which are both quality and security-accredited by the ECB can contribute to this output.

## Stock and circulation management

The NCBs ensure a smooth and efficient supply of euro banknotes. Potential demand from the market for any denomination can be met at any time and in the desired quantity, since the NCBs hold banknote stocks. They hold these stocks for three reasons: firstly, to replace “unfit” banknotes; secondly, to accommodate increases in demand, such as seasonal fluctuations (e.g. the increased use of cash around Christmas); and thirdly, to meet any unexpected demand. A Eurosystem database, administered by the ECB, makes it possible to monitor changes in circulation figures and stocks. The migration of banknotes between different countries leads to imbalances in the NCBs’ stocks. If one NCB is about to run short of a specific banknote denomination, another NCB with a surplus of that denomination transports the required number of banknotes by road and/or air in a matter of days. This flexibility has brought efficiency gains, as it allows NCBs to hold smaller stocks.

When the banknotes leave the printing works they are of identical quality. But their quality deteriorates during circulation: €5 banknotes, for example, become worn and crumpled more quickly than €50 banknotes, as they are

generally treated with less care and pass from hand to hand more often. A €5 banknote lasts, on average, 15 months before being withdrawn from circulation and destroyed, while a €50 banknote circulates for 3.5 years. NCBs use high-speed sorting machines to process banknotes deposited by commercial banks and security carriers.

These machines can check the genuineness and condition of a banknote in a fraction of a second. Banknotes which are no longer fit for circulation because they are dirty or limp, or have fragments missing, etc. are immediately shredded. Only clean banknotes are reissued. If banknotes deteriorate in quality during circulation, for example through wear or soiling, they could become more difficult to use, for example in vending machines. The resulting lack of public trust in the banknotes could lead to them becoming less widely used as a means of payment. Also, security features on clean banknotes are easier to check than those on soiled banknotes. To this extent, common minimum sorting standards contribute to the integrity of the euro. In cases where banknotes do not often return to the NCBs, maintaining the quality level of banknotes in circulation is a challenging task. In particular, €5 banknotes, which typically pass from consumers to retailers and back again, instead of being deposited, have a relatively low return frequency. Some NCBs have therefore created incentives for the more frequent depositing of €5 banknotes or have temporarily issued only freshly printed banknotes. The ECB monitors the quality of banknotes in circulation through annual sample surveys. Over the longer term, the Eurosystem is working on projects which aim to enhance the durability of euro banknotes.



<sup>7</sup> For further information on the production scenario, see [www.ecb.int/bc/faqbc/printing/html/index.en.html](http://www.ecb.int/bc/faqbc/printing/html/index.en.html)



# Banknote recycling framework

The cash cycle can be shortened if banks recirculate (“recycle”) banknotes which they receive from their customers. This avoids the transportation of banknotes back to the central bank and their withdrawal again by that bank. Back in 2002 the ECB established terms of reference for the operation of stand-alone, customer-operated machines that can receive, process and dispense banknotes, so-called “cash-recycling machines”. Only

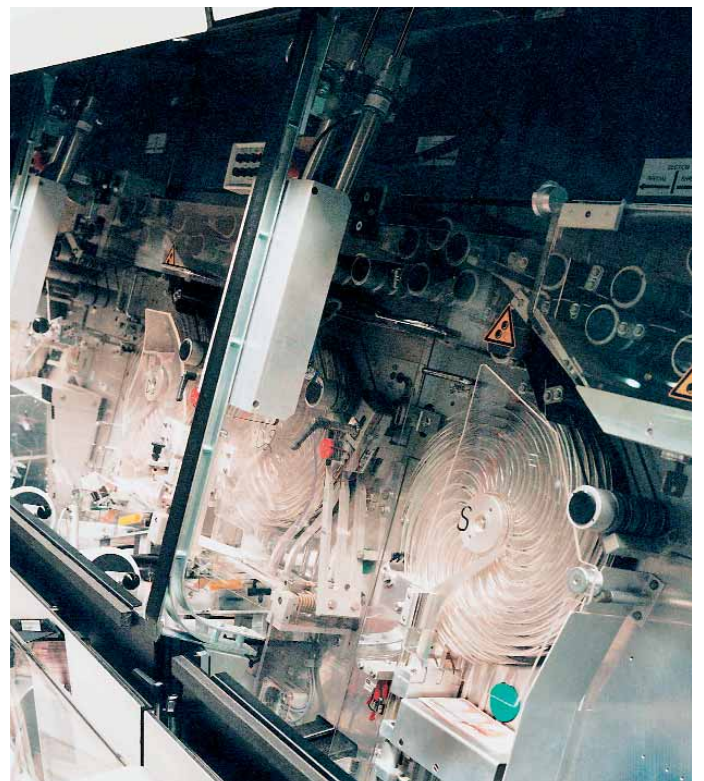
cash-recycling machines which can detect banknote counterfeits and sort banknotes according to their quality should be used by banks and other professional cash handlers.

The terms of reference have meanwhile been extended to all forms of banknote recycling. These machines must be able to detect counterfeit banknotes and to physically separate banknotes which are fit for circulation from those which are not. Only fit banknotes will be disbursed, while unfit banknotes have to be forwarded to the national central bank. Counterfeits are reported to the local police.

On its website, the ECB has published a list of those cash-handling and cash-recycling machines which have qualified for banknote recycling.<sup>8</sup> Prior to being admitted to the euro area market, each machine has to pass a standardised test at an NCB showing that it can reliably detect and segregate counterfeits and unfit banknotes. The tests need to be repeated annually to ensure that each machine is performing properly. After a transitional period, all banks and other professional cash handlers in the euro area will need to either comply with the regulations for banknote recycling or, alternatively, use their NCBs for banknote deposits/withdrawals.

Did you know that ...

... banks can only reissue banknotes via their cash dispensers if the notes have been checked by machines which detect counterfeits and unfit banknotes?



<sup>8</sup> <http://www.ecb.int/bc/cashhand/recycling/tested/html/index.en.html>



## Counterfeits

Euro banknotes can be used for international payments. This makes them attractive for counterfeiters. Still, the probability of encountering a counterfeit is very low. In the first half of 2007 some 265,000 counterfeit euro banknotes were withdrawn from circulation. This is a very small proportion of the 11 billion or so banknotes currently in circulation.

! Did you know that ...

... the ECB works closely with Europol and Interpol to deter euro banknote counterfeiting?

... the ECB has established the Counterfeit Analysis Centre to categorise euro banknote counterfeits wherever they appear worldwide?

Virtually all euro counterfeits can be easily distinguished from genuine euro banknotes by simply checking several security features; no special devices are needed. This method has proved effective, as counterfeiters concentrate on specific security features, but do not imitate all of these features.

Since the introduction of euro banknotes and coins, the ECB and the NCBs have been monitoring the counterfeit situation very closely. The ECB's Counterfeit Analysis Centre coordinates the work of the national analysis centres in each EU Member State, which are either located at the NCBs or attached to national police forces. All analysis centres have access to a comprehensive technical, statistical and geographical database

on counterfeits, the Counterfeit Monitoring System. This system is located at the ECB and provides real-time information, such as information on the techniques used by counterfeiters to imitate security features. This knowledge is taken into account in the development of the next generation of euro banknotes, due to be introduced gradually in a few years' time.

The ECB cooperates closely with the European Commission (which is responsible for providing information about counterfeit euro coins), as well as national police forces, Europol and Interpol, all of which compare data from the Counterfeit Monitoring System with their own crime record data in order to tackle crime.





## Annex – Institutional framework

The European Central Bank (ECB) is the organisation responsible for the conduct of monetary policy and the performance of other central banking functions for the euro. It carries out these tasks together with the national central banks (NCBs) of those EU Member States – 15 as of 1 January 2008 – having adopted the euro. Collectively, the ECB and those NCBs are known as the “Eurosystem”. The ECB lies at the heart of the Eurosystem and the European System of Central Banks (ESCB).

The chapter of the EC Treaty (the Treaty establishing the European Community, part of the EU Treaty) concerned with Economic and Monetary Union (EMU) deals with the coordination of the economic policies of the 27 Member States of the EU and with the monetary policy of those Member States that have adopted the euro and thus make up the “euro area”. The EC Treaty entrusts the ESCB as a whole with the performance of the central banking functions for the euro.

The ESCB comprises the ECB and the national central banks of all 27 Member States. The ESCB Statute, which is annexed to the EC Treaty as a protocol and forms an integral part of it, defines more specifically the relative roles and functions of the ECB and the national central banks.

The ESCB includes the national central banks of those EU Member States that have not yet adopted the euro, whether as a result of their special statutes (in the case of Denmark and the United Kingdom) or because they have a derogation in so far as they do not fulfil the criteria for adoption of the euro. Of course, these national central banks are not involved in the core activities of

EMU, such as the conduct of monetary policy for the euro area. The core central banking functions for the euro area are thus performed within the ESCB by the Eurosystem. Neither the ESCB nor the Eurosystem has legal personality. The Eurosystem is governed by the decision-making bodies of the ECB, namely the Governing Council and the Executive Board.

What distinguishes the euro and the ECB from a national currency and a national central bank is their supranational status. Unlike comparable central banks, such as the US Federal Reserve System or the Bank of Japan, which are the monetary authorities of their respective countries, the ECB is an authority determining monetary policy for the euro area, which will as of 1 January 2008 consist of 15 independent Member States.

The EC Treaty also provides for secondary Community legislation on EMU matters with a view to dealing with all of those aspects of EMU that are not governed in an exhaustive manner by the EC Treaty, for example matters relating to the issuing of euro banknotes and coins.

The following legal acts of the Council of the European Union and of the ECB (which is itself invested with regulatory powers under the EC Treaty and the ESCB Statute) form the core of the Community law governing the single currency:

- Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro, as amended by Council Regulation (EC) No 2595/2000 of 27 November 2000;

- Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended by Council Regulation (EC) No 2596/2000 of 27 November 2000, Council Regulation (EC) No 2169/2005 of 21 December 2005, Council Regulation (EC) No 1647/2006 of 7 November 2006, Council Regulation (EC) No 835/2007 of 10 July 2007 and Council Regulation (EC) No 836/2007 of 10 July 2007;
- Council Regulation (EC) No 2866/98 of 31 December 1998 on the conversion rates between the euro and the currencies of the Member States adopting the euro, as amended by Council Regulation (EC) No 1478/2000 of 19 June 2000 and Council Regulation (EC) No 1086/2006 of 11 July 2006;
- Council Regulation (EC) No 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting, the provisions of which were extended to the Member States not participating in the euro area by Council Regulation (EC) No 1339/2001 of the same date;
- ECB Decision of 20 March 2003 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes (ECB/2003/4);
- ECB Decision of 6 December 2001 on the issue of euro banknotes (ECB/2001/15), as amended by ECB Decision ECB/2003/23 of 18 December 2003, ECB Decision ECB/2004/9 of 22 April 2004 and ECB Decision ECB/2006/25 of 15 December 2006;
- ECB Decision of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS) (ECB/2001/11).

