

New Banknotes Planned to Deter Counterfeiting

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- ☐ The Bank of Korea (BOK) is drawing up a plan to issue new banknotes with enhanced counterfeiting features (10,000-won note, 5,000-won note, and 1,000-won note), based on the conclusion that counterfeiting preventive measures were urgently needed, as forged banknotes in circulation have recently been on the sharp rise.
- ☐ The size of the new banknotes will be reduced. The new notes will adopt high-tech anti-counterfeiting features, and they will have a greatly changed, more modern design.
 - However, the figures portrayed on the current banknotes are expected to stay on the new banknotes.
- ☐ Issue procedure of new notes : When the BOK resolves on the basic design of the new banknotes, the government approves the issue of the new notes, the Monetary Policy Committee of the Bank of Korea passes a resolution to issue them, and Korea Minting and Security Printing Corporation undertakes their actual production.
- ☐ New banknote issue schedule : The BOK is planning to issue new 5,000-won notes in the first half of 2006, since they are the most widely-forged notes. The BOK also expects to issue the new 10,000-won notes and the 1,000-won notes sometime in the first half of 2007.

※ Please refer to "Attachment" for details.

(Attachment)

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I . Necessity

- The number of forged notes found in Korea between 1998 and 2004 rose by 50% every year.
- The forged notes marked a four-fold growth in volume terms in the first quarter of 2005 from a year earlier. Forged 5,000-won notes, in particular, reported volume growth as high as eighteen-fold.
- The enhanced capacity of digital reprographic devices such as scanners, has brought about the circulation of sophisticated forged notes, which are very difficult to detect with the naked eye.

Number of Forged Banknotes Detected

(Notes)

Year	1998	1999	2000	2001	2002	2003	2004	1Q	1Q 2005
Total	365	1,377 (277.3)	1,142 (-17.1)	1,547 (35.5)	3,016 (95.0)	3,896 (29.2)	4,353 (11.7)	744 (-30.6)	3,153 (323.8)
5,000-won notes	52	16	71	235	931	437	987	140	2,508 (1691.4)

Figures in parentheses represent year-on-year growth (%).

□ Changes in design, such as size and color, are needed.

— The BOK banknotes have seen little change for over 20 years, since their current basic designs were first introduced in 1983.

○ The size of the current banknotes is too large to keep and carry conveniently. Their design is also outdated.

— Countries generally introduce new banknotes every six to seven years in an effort to deter counterfeiting.

○ About 45 countries around the world, including the United States, Japan, and Canada, have issued 100 types of new banknotes with enhanced security features since 2002.

⇒ The issue of new series of current three denominations of banknotes (10,000-won notes, 5,000-won notes, and 1,000-won notes) is needed to deter counterfeiting.

II. Major Features of the New Banknotes

□ High-tech anti-counterfeiting features, such as Holograms¹⁾, Color Shifting Ink²⁾, and intaglio latent images³⁾, are employed on the new banknotes to deter counterfeiting with scanners and color printers.

— However, some of these high-tech anti-counterfeiting features are not adopted for the new 1,000-won notes.

※Terms : 1) A thin special film whose pattern and color change depending on the angle from which it is viewed.

2) A special ink, allowing color change to occur depending on the angle, is applied across a wide part of the note (Currently, the ink is used for braille dots, but this is not effective enough).

3) An intaglio printing method showing latent lettering and patterns when we tilt the note to look at it.

□ The size of new banknotes is reduced to the average for those of OECD countries.

□ In terms of design, the new notes are intended to express artistic sophistication by using bright and vivid color, and computer graphics.

— In consideration of the fact that the color of the current 1,000-won notes is similar to that of the current 5,000-won notes, thus, making it difficult to distinguish the 1,000-won notes from the 5,000-won notes at night, a plan to change the background color of the 1,000-won notes is under discussion.

— The quality of the banknote sheets is improved to extend the life cycle of banknotes in circulation and improve their feel.

☐ The portraits of the figures on the current banknotes^{*} are kept on the new banknotes.

* 10,000-won notes - King Sejong the Great, 5,000-won notes - Lee I (Yulgok), 1,000-won notes - Lee Hwang (Toegye)

III. Issue Procedure of New Banknotes

1. Issue Timing of New Notes

- ☐ The BOK is planning to issue the new banknotes step by step, in view of urgent need for counterfeiting prevention.
 - The BOK expects to issue the new 5,000-won notes in the first half of 2006.
 - The early release of the new 5,000-won notes is attributable to the urgent need for anti-counterfeiting steps, as well as to the fact that modification and replacement of CDs and ATMs are not required for these notes, which are not commonly used on them.
 - Another contributory factor is the short run-up preparation time, before issue, since the volume of the newly issued 5,000-won notes is low (0.18 billion notes in circulation).
 - The BOK expects to issue the new 10,000-won notes and the new 1,000-won notes in the first half of 2007.
 - This is because a long run-in time is needed to prepare the issue of new banknotes (about 3 billion notes in circulation), as well as to modify and replace CDs and ATMs.
- ☐ The existing notes, circulating along with the new notes, will continue in use and be freely exchangeable for new notes.

2. Issue Procedure of the New Banknotes

- ☐ In accordance with the Bank Of Korea Act (Article 49), the BOK will issue the new banknotes, after the government approves their issue and its Monetary Policy Committee passes a resolution on their issue.
- ☐ Currently, the BOK is preparing the designs of new banknotes and is planning to unveil their basic designs to the public after its Monetary Policy Committee passes a resolution on their issue.
- ☐ The BOK is planning to manufacture new banknotes after carrying out the following processes: ① preparing the tentative design plans of new notes in cooperation with Korea Minting and Security Printing Corporation (KOMSCO) → ② holding of advisory meetings by the Currency Design Advisory Committee → ③ reporting the design of new notes to the Monetary Policy Committee → ④ winning government approval → ⑤ passing of a resolution on the issue of new notes by the Monetary Policy Committee.
- ☐ The BOK expects to set the first issue dates for the new banknotes and announce them to the public, once large-scale production of the new notes starts.