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To be clear about the banknote changeover: What banknote denominations can be used for purchases in 2017?

The Magyar Nemzeti Bank started the replacement of forint banknotes in circulation in 2014. As a result, it will put renewed, more up-to date banknotes in circulation. The objective the central bank is out to achieve is that only new banknotes should remain in cash circulation subsequent to the end of the issuance programme - expectedly from 2019 onwards - therefore old banknotes issued from 1997 are withdrawn gradually.

Following the release of new 10,000 and 20,000 forint banknotes, 2017 will bring the most changes for households in the banknote replacement programme. In the first phase renewed 2000 and 5000 banknotes will appear in circulation from 1 March. Following their fast mass adoption on the market the old versions of these denominations will be withdrawn until the deadline of 31 July. The MNB expects to issue the renewed 1000 forint denomination through a decree, however, this banknote will only be seen during cash purchases next year when the automation-intensive cash circulation environment has been prepared. Eventually, 2017 will end by the withdrawal of the old 20,000 forint banknotes on 31 December.

WHY IS THE BANKNOTE REPLACEMENT IS NECESSARY?

The key aspect supporting the modernisation of forint banknotes was the prevention of them becoming technically and technologically obsolete. Compared to the experience in previous decades user needs tend to be more complex and on a higher level in the new millennium from a technological perspective. Central banks issuing banknotes faced a new set of challenges due to the practice that the banknotes are handled, identified and selected by machines - and this was becoming more and more widespread. We need to keep up with the technological development that characterises our age, by lending banknotes a capacity to ensure the seamless operation of cash circulation for all participants concerned, be it the households, a cashier or the ATM handling banknotes.

The **banknote series currently in circulation** that were issued between 1997 and 2001, and the security features and the so-called elements identifiable by machines on them have reached and overstepped **a limit which rendered their adaptation to the aforementioned complex technological and environmental challenges difficult, thus their modernisation has become inevitable.**

Another big leap took place in the last decade and a half affecting colour copying machines (photocopiers, printers) that are also widely used by counterfeiters. This encourages central banks to consider the improvement of the protection against counterfeiting as an “all-time important” aspect besides technological modernisation **irrespective of the current situation concerning the extent of counterfeiting.** Accordingly, compared to the old banknote series issued from 1997 the security elements featured by renewed banknotes offer significantly more complex protection against possible counterfeiting.

HOW FAR ALONG IS CURRENTLY THE ISSUANCE OF RENEWED BANKNOTES?

There is always a two-step process to the issuance of renewed banknote denominations. As a formal legal measure, first the MNB Decree on the issuance of the new denomination is announced, thus the new denomination becomes legal tender. However, these banknotes are not put into circulation at this time, as the MNB first provides the time necessary for the professional participants of the cash supply chain (credit institutions, the post office, CIT companies merchants and operators of banknote acceptors) to prepare for the handling of new banknotes. It must be ensured that banknote machines are able to validate whether the new banknotes are real and fit for circulation. Following the successful preparation of few months we may encounter new banknotes during our everyday purchases.

The renewed forint banknotes started appearing in cash circulation **in 2014, when the new 10,000 forint banknote was issued**. According to the data collected at the end of 2016 the new versions account for as much as 80% of the 10,000 forint banknotes in circulation, this means 128 million pieces of new banknotes.

*It should be noted that **the old 10,000 forint banknotes** – along with the new versions – **can be used in cash circulation without disruption: the MNB will make a decision with regards their withdrawal at a later date.***

The next step of the banknote replacement was **the issuance of the renewed 20,000 forint banknotes**, that were put in circulation in December 2015. In the case of this denomination steady progress is made regarding the replacement of old banknotes with new ones, and as a result, the new version of banknotes accounted for the 85% of the 20,000 forint banknotes in circulation at the end of 2016. *The MNB has already announced the date of withdrawal of the old denomination versions of 20 000 forint banknotes. **According to this old 20,000 forint banknotes may be used in cash circulation until 31 December 2017.***

The legal issuance of the **new 2000 and 5000 forint bank notes** took place in 2016. Currently the preparation of the cash handling segment is underway to use the new banknotes. ***These two renewed denominations will be seen in circulation from 1 March 2017.***

The front and the back of the 2000 and 5000 banknotes that enter into circulation from 1 March 2017



The 2000 and 5000 forint banknotes together account for only 13% of all banknotes, and, moreover they typically take part in daily cash transactions intensively and they are exchanged between participants very quickly. Consequently, the mass adoption of new denominations on the market can be expected in two to three months following their issuance, and thus after the relatively short simultaneous use of old and new versions, ***old 2000 and 5000 forint banknotes will be withdrawn until the date of withdrawal on 31 July 2017.***

The issuance of renewed 1000 and 500 forint banknotes, as well as the withdrawal of old denomination versions still in circulation will mark the completion of the banknote replacement. The central bank will make a decision and an announcement concerning that.

WHY MUST OLD DENOMINATIONS BE WITHDRAWN? WHAT DOES THE WITHDRAWAL ENTAIL?

The banknote series in circulation that was issued between 1997 and 2001 has currently 17 denomination versions in circulation due to smaller improvements made during the last decade that are not necessarily visible to an average person. If denominations introduced in the “New forint banknotes” series and the versions of the old banknote series remained in use together, a total of 23 versions, 4 versions per denomination on average, would have to be identified and known during daily payment transactions. This carries significant risks both in terms of the operation of banknote machines and the reliable identification of denominations by the population. Consequently, **the MNB** - considering the experiences of foreign central bank practices - primarily **decided to withdraw old denomination versions to make banknote denominations easily and clearly identifiable and usable for the machines as well as for the population.**

However, the withdrawal of the old versions of banknotes is not only necessary to ensure the reliable operation of banknote machines. To let the upgraded security features against counterfeiting on the banknotes produce their “benign” effect it is also reasonable to withdraw the less advanced old denominations that provide a target for counterfeiters.

It should be noted that the withdrawal of a given banknote denomination from cash circulation does not mean the devaluation of the banknotes we might happen to have! The withdrawal only means that following the date of withdrawal the affected denomination version is not considered to be legal tender, thus its acceptance during payments in cash circulation is no longer required.

After the date of withdrawal credit institutions and the post office will exchange the withdrawn banknotes to legal tender without territorial restrictions and free of charge for three years. During these three years clients at credit institutions also have the opportunity to make a deposit to their bank account or use an investment service with the currency they still have.

The withdrawn currencies may be exchanged at the central bank for 20 years following the date of withdrawal – also free of charge and without restrictions.

In the case of old 20,000 forint banknotes – although they are not required to do so before the date of withdrawal on 31 December 2017 – **most credit institutions and the post office currently does the exchange**, and old banknotes may be used to make payments to bank accounts.

The old version of 2000 and 5000 forint banknotes may be replaced in credit institutions and post offices from 1 March 2017, when the renewed 2000 and 5000 forint banknotes appear in circulation. It should be noted that **before the date of withdrawal** - i.e. when the old banknotes are also treated as legal tender and can be used during purchases - **credit institutions and the post office may charge a fee for the exchange or require the use of other services (e.g. having a bank account)**. Therefore, we recommend that the exchange requests be submitted **primarily to the account-holding credit institution** before the date of withdrawal of the banknote denominations.

The MNB's retail cash office continuously exchanges the old 20,000 forint banknotes free of charge and without restrictions and also the old 2000 and 5000 forint denominations from 1 March 2017.

WHICH BANKNOTE DENOMINATIONS CAN BE USED FOR PURCHASES? FROM WHAT DATE AND UNTIL WHEN?

Denomination	Usage of denomination in cash circulation
	The newly issued denomination may be used in cash circulation without restrictions
	A denomination to be withdrawn may be used in cash circulation until 31 December 2017
	The MNB will make an announcement concerning the withdrawal of an old denomination used in cash circulation without restriction at a later date
	The newly issued denomination may be used in cash circulation without restrictions
	The newly issued denomination may be used in cash circulation from 1 March 2017
	A denomination to be withdrawn may be used in cash circulation until 31 July 2017
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