

A central banker's thoughts about payments

At the last Security Printers Conference in Seville, Javier Alonso of the Banco de España not only welcomed the participants, he also gave an interesting insight into Spain's payment culture.



Javier Alonso

At Intergraf's Security Printers 2016 conference in Seville last autumn, Javier Alonso, Deputy Governor of the Banco de España, graciously welcomed the conference participants to Seville. It is the custom for the central bank of the host country to do this, but Mr Alonso also used this opportunity to share his thoughts on the phenomenon of money with the audience, and especially its use as "means of payment".

He said that in recent years a lot of attention has been directed towards new, electronic payment methods and other financial technology, thus questioning the future of cash. Without doubt, some initiatives will become reality. But it will take time and will require a change in the mentality of the users.

In Spain, besides cash, the most frequently used form of payment by number of transactions, is cards: 2.9 billion transactions between credit and debit cards in 2015 with a total amount of €125 billion, and an average transaction of € 43. Direct debit accounted for 1.1 billion transactions with a total amount of € 306 billion and a transaction average of € 263. Credit transfers, including all transfers between bank customers (but excluding interbank operations), reached 461 million transactions of € 5.8 trillion in total.

Banco de España has accurate figures for these transactions, but no figures for the number of cash transactions or the amounts involved, although a survey of the BdE indicates that 70 per cent of citizens say that cash is their usual means of payment, however for amounts lower than card payments.

Mr Alonso thought that there is probably still room for growth in the use of cards, but that new innovative modes of payments are appearing which could influence the use of cards as well as the use of cash. He cited an example of an instant payment initiative of the Spanish financial system, Bizum, which started to operate during the week the conference was held. It is based on mobile phones and allows transfers between bank accounts to be made in less than 10 seconds. Systems such as these can change most forms of payments, but their success depends on acceptance and familiarity by the public. Convenience is a strong motive for changing habits, but we will have to wait and see how this situation develops. Mr Alonso was, however, convinced that in spite of new payment methods, cash will remain an important part of the payments industry for many years.

Banco de España backed this conviction with action: it entered the business of printing banknotes. Following a change in legislation, FNMT (Fabrica Nacional de Moneda e Timbre) created the new company IMBISA - Imprentade Billetes SA - of which BdE subsequently bought an 80 per cent stake. FNMT transferred its banknote production unit to IMBISA and now the company is the in-house printing works of BdE in accordance with the Eurosystem Production and Procurement Guideline.

Mr Alonso added that if cash will continue to be used, central banks, banks and other stakeholders have to find appropriate ways to optimise the use of cash. To make it as efficient as possible, sharing best practices and expertise with the aim of improving the overall functioning of the cash cycle is necessary. To maintain trust in banknotes, the fight against counterfeiters will also need to continue vigorously. To this end he advocated for the importance of collaboration between central banks, security printers, security feature manufacturers and law enforcement authorities in order to develop proper technologies and regulations to stay one step ahead of counterfeiters. ■

NEWS

Oberthur Fiduciaire has entered into exclusive negotiations with Arjowiggins Security to acquire their banknote paper production plant at Apeldoorn in Holland, historically known as VHP or van Houtum & Palm .

The VHP plant is qualified to manufacture paper for the Euro; has an annual production capacity of around 6,500 tonnes and employs about 130 people.

UAE's first banknote printing plant opened in Dubai

On March 11, UAE's first banknote printing plant was opened at the Khalifa Industrial Zone in Abu Dhabi. The plant's operators, Oumolat Security Printing, aim to provide printing services for central banks across the Middle East.

Oumolat said it "aspires to become the premium choice of central banks for any banknote related matters, including production, consultancy, planning of security upgrades to existing banknote designs, provision of conceptual design ideas and conceiving of new security features and concepts".