

## **Why New Banknotes?**

**By** CBSI Press

A lot of people may ask why the Central banks issue new bank notes. It's really that simple. Advances in technology have provided counterfeiters with better methods for imitating genuine banknotes. For this reason Central banks must develop more advanced security features. In addition, the Central Bank is also conscious of the need to introduce notes that are durable to ensure added life expectancy of notes in circulation.

A number of neighboring countries have issued new and more secure banknotes. Although banknote counterfeiting is minimal in Solomon Islands we do not want our banknotes to become the least secure relative to our neighboring countries. If we do, we run the risk of developing a counterfeiting problem.

### **Commemorative Notes.**

Commemorative notes are produced by central banks to commemorate or mark an important event or occasion. The commemorative nature of the note however, makes this denomination a collectible note or a memorabilia where individuals/firms etc can use the note as a gift to their friends or visitors or retiring colleagues and so forth.

People must note that there is also an element of rarity in this banknote issue as the Bank usually only ordered a limited number of notes. This means that once the stock is all issued into circulation then that would be it, as it is a one off production meant to celebrate the event it was commemorated to.

### **Is there a possibility in the future that we might move into a cashless society?**

Besides Sweden, most countries in the world still use cash as a payments instrument. But the trend in the use of cash as a payment instrument, is slowly declining as modern technology makes it possible for people to have more and more choices in making payments at less cost. For instance, the use of payment cards like credit, debit and direct debits have increased in many developed countries. While that is the case, suppliers of banknotes have also reported that the volume of cash produced has also increased globally. So it might take a while before we start to see a reduction in the use of cash in payments in Solomon Islands. However, cash will still be around until we see improvements in our physical infrastructures, especially our communication infrastructure. Generally, instead of a cashless society, I think we will witness less cash in our society in the foreseeable future.

### **If we are to move into a cashless society, how will this affect our banknote positively and negatively?**

Our cash orders are mainly demand driven. Hence, as less and less cash is used in our communities, the demand for cash will decrease and, subsequently CBSI will reduce the volume of cash ordered to meet public demand. On a positive note, this means that we will save our foreign reserves. On the negative side, we will basically rely on modern technology to transact payments. If we are moving into this trend, then the bank will need to be well informed and updated in developments relating to payments generally to ensure that the country's payments system is safe and efficient. This is where our legal framework is a necessary prerequisite in the introduction of payments reforms.

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