Improving the efficiency of the handling of cash: recirculation

Europeans Payments Council (EPC) has created a ‘Recirculation paper’ in order to:

- Promote private recirculation (increased efficiency)
- Decrease costs and risks by less transport

Today, both the usage of cash and the ways in which it circulates and recirculates still differ between Eurozone countries. Whilst convergence of these should become a policy objective, payment service providers and other participants in the cash value chain pursue two main, complementary strategies:

• Shortening, and thus optimising, the cash cycle;
• Continuing reducing manual handling and any redundant processes.

Recirculation: process to put again in circulation banknotes received from the public (consumers, retailers or others) without handing over these banknotes to a national central bank.

Possible areas where recirculation of banknotes takes place

1. Payment service providers (PSPs) order banknotes from central banks and distribute them
2. People spend them in shops, markets or other place
3. National central banks (NCBs)
4. Cash is in turn deposited by retailers and others at their banks
5. PSPs send banknotes back to their central bank or recirculate after checking them

Regulatory framework

At European level, recirculation is defined by following pieces of legislation or quasi-legislation:

- EU Regulation 1380/2001 amended by EU Regulation 46/2009
- ECB Recirculation framework (Decision ECB/2010/14 of 16 September 2010 on “the authenticity and fitness checking and recirculation of euro banknotes”).

Examples of Specific national dispositions

The Netherlands

- The Dutch National Bank and the Dutch banks use the following procedures: gingerizing and depositing of the same denominations of the same bank notes in the cash centre of a bank from which the bank doesn’t need them to a bank that needs them (‘trading’);
- Enhance effectiveness by using the same cash centres.

France

- In France, private operators are allowed to sort and recirculate banknotes and coins if they bilaterally sign agreements with Banque de France for processing and / or distribution. They are then subject to obligations, such as the use of positively tested machines (as tested under the ECB framework) and the periodic reporting of statistical data.

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