



FROM THE OFFICE OF PUBLIC AFFAIRS

February 2, 2003
KD-3822

Keynote Address

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Banknote 2003 Conference Washington, DC
February 2, 2003

The Objective for U.S. Currency Design is Continuous Improvement

The overarching goal for U.S. currency design is to maintain confidence in our notes, both at home and abroad. To achieve this goal, we want to apply continuous downward pressure on the penetration of counterfeit notes. Our strategy to do this is continuous improvement: continuous improvement in design features and in aggressive law enforcement.

A constraint that we face as we introduce these improvements is consumer acceptance. We must surmount the fact that our citizens here in the United States have been accustomed to continuity in currency design over many years and only recently have had to adapt to changes in the physical appearance of our currency. However, we are now beginning a process of continuous cycles of design change so that, at a minimum, significant changes will be introduced every seven or eight years. While this will require extensive foreign and domestic marketing campaigns to educate consumers, banks and law enforcement officials, continuous improvement is our most effective defense against counterfeiting.

The design of our notes must help maintain confidence in U.S. currency as a stable and accepted medium of exchange and store of value around the world. This goal demands our attention because use of the dollar underpins our domestic economy and, due to its widespread foreign use, the global economy as well. Of course, its use abroad offers seignorage benefits to U.S. taxpayers. We focus our efforts on the specific objective of continuous downward pressure on counterfeiting. The cost of preventing counterfeiting is minor compared with the risk of a loss of confidence in U.S. currency.

Today's confidence in the currency rests on a legacy of success in suppressing counterfeiting based on fixed design features. In 1928, the United States introduced a currency design that lasted nearly seventy years. Its security was based on traditional features such as high-quality distinctive rag paper and fine line intaglio printing. At its start, the currency circulated almost exclusively within the borders of the United States.



Threats to its integrity originated almost exclusively within our borders. Effective law and design enforcement kept counterfeiting at bay and customer acceptance high.

The currency environment changed and our strategy had to evolve as well. U.S. dollars are now used globally, with 60 percent of circulating Federal Reserve notes held abroad. While our customer base has grown worldwide, computer technology has transformed the nature of methods used in counterfeiting.

In 1996, the United States introduced a major redesign of banknotes. These design changes were needed to combat the emergence of color copiers and other emerging technologies to replicate notes. The new design incorporated a number of security features, and succeeded in raising the difficulty of producing a high quality counterfeit note. But as the quality and sophistication of printers has since improved, so did the quality of the counterfeited notes.

Our strategy today is continuous improvement: continuous design change, continuous development of security features, and continuous cooperation with the digital imaging industry, foreign banks, and law enforcement. Success will demand educating consumers to know and accept these changes. This is a particular challenge for domestic use, because Americans are not yet used to a shifting currency.

One example of the fruits of cooperation is the recent digital counterfeit deterrence system introduced by the Central Bank Counterfeit Deterrent Group. I applaud everyone involved in this endeavor. You are building a record of achievement in our cooperation with central banks and the private sector. As the word "continuous" implies, this success is just the first step. While so many people have helped us get this far, I would like, in particular, to thank and recognize the efforts of Tom Ferguson, of the Bureau of Engraving and Printing, Marsha Reidhill, at the Federal Reserve Board, Tony Chapa, of the United States Secret Service, and John Moore, from the Federal Reserve Bank of San Francisco.

We are also working with an international group of major banknote producers to minimize the threat posed by digital devices and computers. As a matter of policy, we do not identify individual firms, but we thank you for your collaboration.

In 2003, we begin the roll-out of the next generation of currency. The most dramatic change that you will notice is color. The color symbolizes a more sophisticated note and captures attention. We know from experience that security features are effective deterrents only if the public knows about and uses them to authenticate currency. For many years,



Americans have taken our currency for granted. We have tended not to notice its appearance and we have also been confident that we won't receive counterfeit currency. In other areas of the world, people's first instinct is to check a note before accepting it. Foreign users of our currency are keenly aware of its features and cash handling professionals are adept at detecting counterfeits.

With the advent of new reprographic technology, it is critical that we educate our own citizens to look, feel and assess their currency before acceptance.

Introducing a new U.S. design will require us to educate people worldwide to take greater cognizance of security features and the importance of scrutinizing a note one receives. The introduction of the 1996 series showed that an integrated worldwide public information campaign can succeed in informing, educating and training the users of U.S. currency about a redesign. We used a variety of media from printed materials to public service announcements to paid advertising, and we mobilized support including the United States Information Agency and U.S. embassies around the globe. In the end, we achieved the goal of extremely high awareness of the new currency.

It takes several years from a new design concept to issuance of currency. We plan years ahead. As I mentioned, we now anticipate that we will be introducing refinements in currency design at least every seven to eight years. Also beyond design, there is the quality of production. The United States is looking towards innovations such as producing 50 subject sheets and acquiring more computer aided equipment.

How can the United States keep up with the pace of continuous improvement? Our best bet is to find ways of spurring private sector innovation. We need to provide avenues for the private sector to bring new ideas into the industry and encourage them to participate in developing anti-counterfeiting solutions. We must reach out beyond the traditional players and welcome new ideas and technologies. A partnership of government and industry is the only prudent way to achieving our objective: continuous downward pressure on counterfeiters' penetration rates through continuous improvement in our currency's design.

Thank you for this opportunity to speak to you today as you begin your conference on the essential mission of protecting of the world's currencies.