

# STATES OF JERSEY



## **DRAFT CURRENCY NOTES (VARIATION OF MAXIMUM DENOMINATION No. 2) (JERSEY) REGULATIONS 201- (P.131/2011): COMMENTS**

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**Presented to the States on 31st October 2011  
by the Corporate Services Scrutiny Panel**

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**STATES GREFFE**

## COMMENTS

The Minister for Treasury and Resources intends to issue a commemorative £100 note to celebrate Her Majesty's Diamond Jubilee.

The press release issued on 2nd August 2011 quotes the Minister as saying: *"I am hopeful that, as well as forming an integral and useful part of our currency, these new notes will become collector's pieces in their own right"*. The press release concludes that: *"The Treasury estimates that the cost of issuing a £100 commemorative note will be met by the income generated."*

The Corporate Services Scrutiny Panel has 2 fundamental concerns.

Firstly, the Panel questions the principle of printing large denomination notes.

The use of Automated Teller Machines (known as "ATMs") and credit or debit cards means that there is less necessity to carry large amounts of cash. In addition, the most used denomination of notes in general use appears to be a maximum of £20<sup>1</sup>. £50 notes exist, but these do not appear to be as common in everyday use.

The major currencies (\$US and the Euro) are reducing the emphasis on issuing high value notes, partly because of the use of ATMs and plastic, and also because of the fact that the biggest market is in money laundering and criminal activities. It seems that the US no longer issues a \$1000 bill, for example.<sup>2</sup>

We believe that such a high denomination is out of the reach of most members of the public. Furthermore, we question whether people would be able to afford to put £100 away in a non-income-producing asset. In the current economic climate it is unlikely that there will be a large local market for such notes. It is recognised, however, that this note may be of interest to some collectors.

Following our concerns, we wrote a letter to the Minister for Treasury and Resources to question him about his intentions and therefore raised the following points -

- If the public are to be included, then we would consider a more generally circulated currency note no higher than £20, which would be more inclusive. We believe that £100 is out of the reach of most locals and tourists. The Minister agreed that the issue to inclusivity is important, and informed the Panel that a series of Jersey coins would also be available to the public. Taking this into account, we are unsure why it is still necessary to issue a £100 note when there are other means of celebrating the Diamond Jubilee.
- We also note that the highest denomination note in the UK is £50; a point which the Minister believes will make it likely that the £100 note would be even more collectable.

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<sup>1</sup> Payments Council, "The Future for Cash in the UK – the initial report of the strategic cash group", (March 2010)

<sup>2</sup> US Department of the Treasury

- We noted that the Business Case for the £100 note states: “*the highest denomination Note is £50 and the amount in circulation (£12.6 million – 18% in circulation) does not indicate that there is a great demand for a £100 Note*”. The Minister explained that the note is not intended principally for circulation, but as a collectable. Furthermore, it is intended that the number of notes to be produced is 100,000, which is the minimum order from the notes providers. We believe that this number is not a feasible figure if there is no great demand for a £100 note in the first instance.

These points are not consistent with one of the original statements of the note forming an integral and useful part of our currency.

We further question the timetable of the delivery of the notes. If the proposition is accepted by the States Assembly, it would appear to be very tight for the notes to be produced on a sufficient timescale to properly celebrate the Queen’s Diamond Jubilee.

The second fundamental concern of the Panel is that of cost.

We are in economically constrained times, with interest rates at an all-time low, and present forecasts indicate very little likelihood of an increase in rates in the near future. Information received from the Treasury and Resources Department explains that the gross costs of this exercise are estimated to be approximately £256,000.

The financial and manpower implications in the report accompanying the proposition states that: “*it is estimated that the issuing of a £100 commemorative note would be broadly neutral (i.e. break even) in terms of the Currency Fund Income and Expenditure account*”<sup>3</sup>. This is based on the assumption that there will be a minimum take-up of 5,000 notes, mainly by collectors. This will generate £500,000, which will then generate a return of 3.5% (£17,500 per annum). We have analysed the figures we received from the Department and have calculated that, to achieve a break even position, it will take over 30 years.

Accordingly, the Panel is concerned as to the message this sends out to the Island community at a time of economic uncertainty, increased unemployment and the need to be focussing and prioritising expenditure. If £256,000 is available to be spent promoting the Island, are there better ways of achieving this?

There is no doubt that Her Majesty the Queen’s Diamond Jubilee is a cause for celebration and it is indeed an opportunity to promote our Island. The Panel only questions, however, whether such a high denomination is necessary, when there are other, more inclusive, options available to the Minister.

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<sup>3</sup> P.131/2011 – “Draft Currency Notes (Variation of Maximum Denomination No. 2) (Jersey) Regulations 201-”