

ABOLITION OF THE 10 AND 20 HALIER COINS IN THE SLOVAK REPUBLIC

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As the currency issuing bank, the National Bank of Slovakia has the legal right to issue banknotes and coins and regulate the circulation of cash. According to Article 17c paragraph 1 of Act no.566/1992 Zb. on the National Bank of Slovakia as amended by Act of the National Council of the Slovak Republic no.149/2001 Z. z., the National Bank of Slovakia can declare the banknotes and coins it has issued invalid, withdraw them from circulation and replace them by other banknotes and coins, in order to rationalise the structure of cash circulation.

In 2001, the National Bank of Slovakia already began to intensively concern itself with solving the ever deepening difference between the cost of minting halier coins and the value of their real monetary balance.¹

The total cost of producing a coin with the nominal value of 10 haliers was 29 haliers in 2002, while the value of the real monetary balance of this coin was 4 haliers. The total cost of producing a coin with the nominal value of 20 haliers in 2002 was 34 haliers, while the value of its real monetary balance was 8 haliers.

The high quantity of 10 and 20 halier coins in circulation² was a result of the fact that the majority of these coins were „coins for only one use“, meaning that they participated in circulation only once. The National Bank of Slovakia issued 10 and 20 halier coins into circulation and they remained there according to the records, but they did not really participate in circulation. This meant that they did not return to the National Bank of Slovakia and so they could not be issued again.

The proportion between the number of 10 and 20 halier coins put into circulation and the number received from circulation had a long-term level of 2 : 1.

These facts only confirmed that the 10 and 20 halier coins were practically „lost“ in circulation.

From the three functions of money, the 10 and 20 halier coins already fulfilled only the function of accounting units. They had already ceased to fulfill the remaining two functions of a circulating medium and a store of value as a result of the change in the

structure of prices and the growing importance of cashless payments.

The National Bank of Slovakia carried out an information campaign in the media to present its aim of rationalizing the cash in circulation by abolishing the 10 and 20 halier coins. It organized working meetings with the participation of other participants in cash circulation, the Association of Banks, some commercial banks, Slovnaft a.s., Shell Slovakia s.r.o., Prima, Zdroj, COOP Jednota Slovakia, the Association of Industrial Unions, Association of Slovak Consumers and the Slovak Union of Consumer Cooperatives.

After considering the results of the information campaign, the legal conditions for abolishing the halier coins, the expected impact on inflation, taxation and the state budget, as well as with regard for the future approximation of the Slovak currency to the united European currency the euro, the National Bank of Slovakia decided to end the validity of the 10 and 20 halier coins in cash form by 31st December 2003.

The National Bank of Slovakia originally submitted for discussion a proposal to abolish all the halier coins (10, 20 and 50 haliers) with the view that the 50 halier coin appears to be necessary from the point of view of cash circulation. The representatives of some of the organizations participating in the process also supported this view. They argued that the 50 halier coin still showed its viability, and its abolition would inevitably raise the level of prices.

After thorough analyses, the National Bank of Slovakia emphasized that the existence of the 50 halier coin is also justified from the point of view of the future transition to the euro. The introduction of the common European currency very probably awaits us on 1st January 2009. We still cannot precisely determine the future exchange rate of the Slovak crown to

¹ The value of the real balance of a coin in any year is defined as its nominal value divided by the coefficient of inflation from 31st December 1992 to the relevant year.

² In 2003 there were 59 10 halier and 51 20 halier coins to each inhabitant.



the euro, but for the most exact expression of the euro in Slovak crowns, it will be advantageous for the lowest value coins in the two currencies to approximately correspond in value.

One of the most important legal preconditions, which had to be solved before the abolition of the 10 and 20 halier coins, was the rounding of prices and also the rounding of the taxes included in the prices. This problem was solved by several tax Acts, and especially by Act of the National Council of the Slovak Republic no.18/1996 Z.z. on prices as amended by later legal norms, which regulated the method of rounding the final sum according to mathematical rules to the nearest valid coin in the case of cash payment.

What to do with the invalid coins?

From 1st January 2004 to 31st December 2004 citizens could exchange invalid 10 and 20 halier coins without charge at the National Bank of Slovakia, banks and branches of foreign banks. From 1st January 2005 to 31st December 2008, invalid 10 and 20 halier coins can be exchanged only in the National Bank of Slovakia. After this deadline their exchange will not be possible.

After processing³ the National Bank of Slovakia put the invalid 10 and 20 halier coins into special large capacity packages and prepared them for demonetization.

At the beginning of 2004, the National Bank of Slovakia selected in a narrow competition the company, which would demonetize the invalid 10 and 20 halier coins by melting. The result after such metallurgy processing is an aluminium alloy, which is cast into ingots.⁴ The company doing the demonetization also buys the ingots. We expect that the last melting will be done in 2009.

Up to 31st January 2005 47.89 million 10 halier and 52.68 million 20 halier coins were returned from circulation to the National Bank of Slovakia. This represents 15.06% of the 10 halier coins in circulation before 31st December 2003 and 19.19%

³ Processing means their checking for authenticity, fitness eligibility and quantity.

⁴ A block of cast metal intended for further processing.

The quantity of 10 halier coins returned to the NBS from circulation

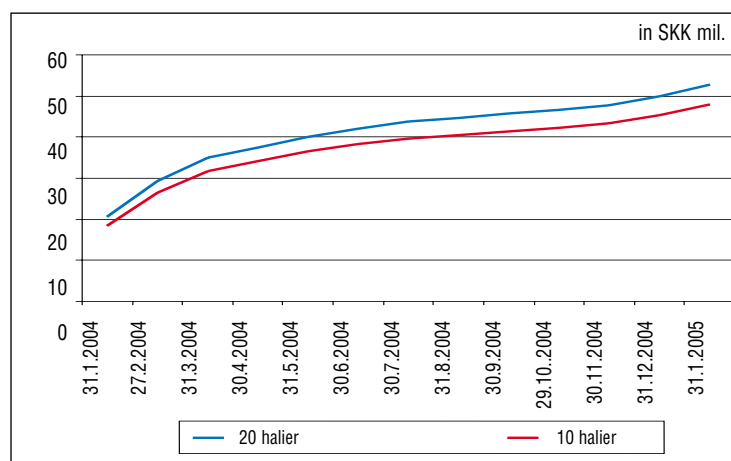
Date	Cumulative total		% of returned coins in relation to their total number before 31st December 2003
	in mil. pieces	in tons	
30. 1. 2004	18.47	13.30	5.81
27. 2. 2004	26.58	19.13	8.36
31. 3. 2004	31.85	22.93	10.02
30. 4. 2004	34.19	24.62	10.75
31. 5. 2004	36.50	26.28	11.48
30. 6. 2004	38.27	27.55	12.03
30. 7. 2004	39.72	28.60	12.49
31. 8. 2004	40.57	29.21	12.75
30. 9. 2004	41.40	29.81	13.02
29. 10. 2004	42.36	30.50	13.32
30. 11. 2004	43.35	31.21	13.63
31. 12. 2004	45.26	32.59	14.23
31. 1. 2005	47.89	34.48	15.06

The quantity of 20 halier coins returned to the NBS from circulation

Date	Cumulative total		% of returned coins in relation to their total number before 31st December 2003
	in mil. pieces	in tons	
30. 1. 2004	20.52	19.49	7.47
27. 2. 2004	29.30	27.83	10.67
31. 3. 2004	35.08	33.33	12.78
30. 4. 2004	37.54	35.66	13.67
31. 5. 2004	40.06	38.06	14.59
30. 6. 2004	42.08	39.97	15.32
30. 7. 2004	43.69	41.51	15.91
31. 8. 2004	44.70	42.46	16.28
30. 9. 2004	45.75	43.46	16.66
29. 10. 2004	46.72	44.38	17.02
30. 11. 2004	47.77	45.38	17.40
31. 12. 2004	49.85	47.36	18.16
31. 1. 2005	52.68	50.05	19.19

Note: The tables do not include the quantity of coins in the stocks of the NBS on 31st December 2003.

The quantity of 10 and 20 halier coins returned from circulation





of the 20 halier coins. This also fulfilled the estimates of the National Bank of Slovakia on the quantity, which would return to the NBS.

In conclusion, we can state that the abolition of the 10 and 20 halier coins means rationalization of the cash circulation in the area of cost and for all the par-

ticipants. Freeing of space in vaults is also an important benefit for the National Bank of Slovakia. It will be very necessary during the introduction the euro. In the end, the absence of the 10 and 20 halier coins in circulation will mean faster service time for clients and customers during cash payments.