

Information on the prevalence of counterfeiting in Canada and its impact on victims and society

1. The Bank of Canada's role in the economic welfare of Canada

- The Bank of Canada (the Bank) is Canada's central bank. It is a Crown corporation that operates with considerable autonomy.
- One of the Bank's fundamental purposes, as set forth in the preamble to the *Bank of Canada Act*, is "to promote the economic and financial welfare of Canada."
- The Bank promotes the economic and financial welfare of Canada through its activities in four main areas: monetary policy, currency (including bank notes), financial system stability, and funds management.
- The Bank conducts monetary policy to foster confidence in the value of money. The goal of monetary policy is to contribute to solid economic performance and raise living standards for Canadians by keeping inflation low, stable, and predictable.
- The Bank is also responsible for promoting the safety and efficiency of the financial system, maintaining low and stable inflation, and efficiently managing government funds and the public debt.
- The Bank is not a commercial bank and does not provide regular banking services to the public.

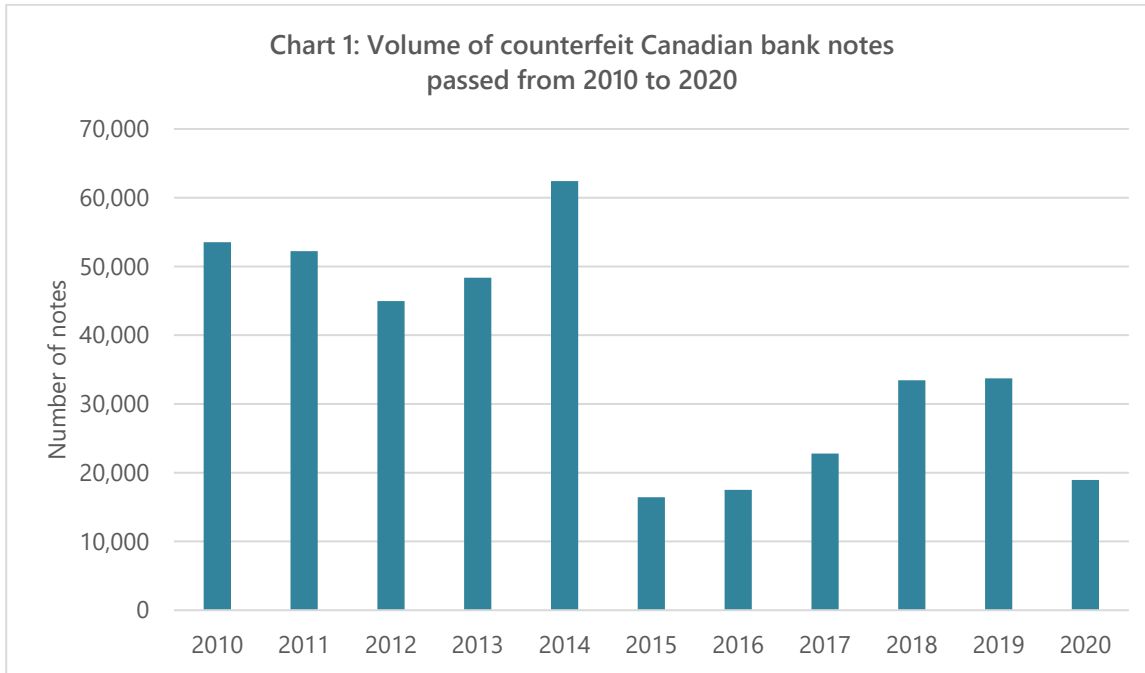
2. The Bank of Canada's responsibility for bank notes

The Bank is the only body in Canada that can lawfully issue bank notes. The Bank is responsible for issuing quality bank notes that will be accepted by businesses and the public and be secure against counterfeiting. The Bank is responsible for and assumes the costs of designing notes (including their anti-counterfeiting features), distributing new notes, and replacing old notes. The Bank also ensures that the supply of notes meets public demand.

3. The prevalence of counterfeiting

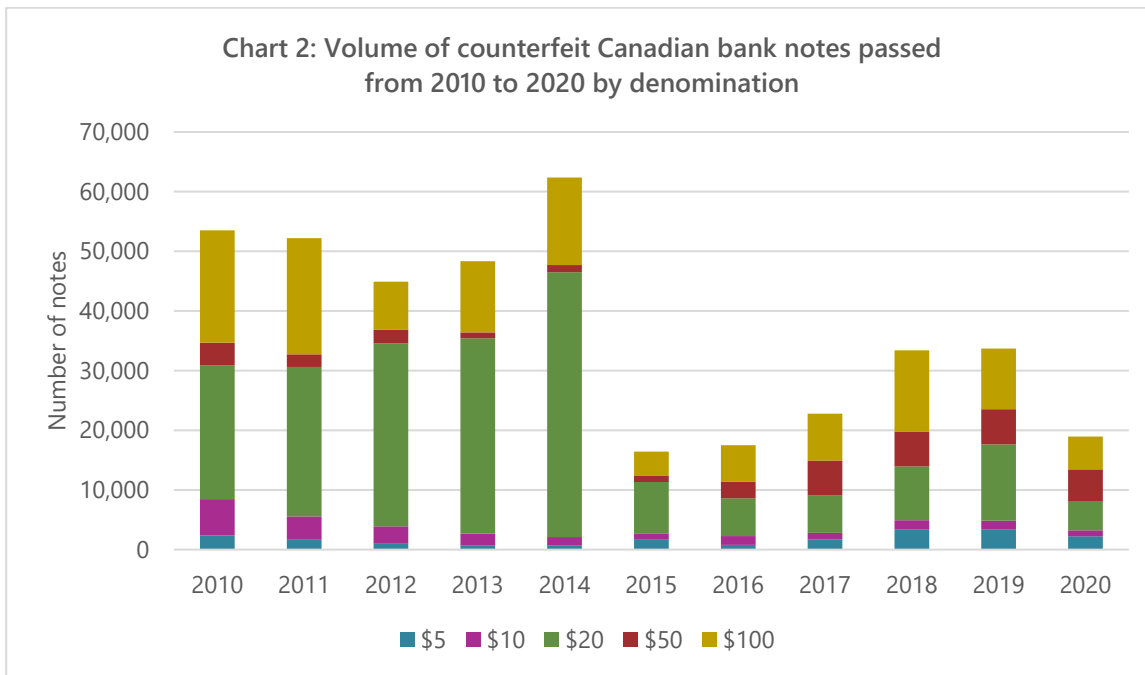
- As a result of technological innovation, counterfeiting no longer requires large stationary presses operated by skilled printers. Most counterfeiting is now done with ink-jet printers and colour copiers.
- Counterfeiting rates have decreased in recent years, but history teaches us that low rates today are not a guarantee of low rates in the future.
- The following charts illustrate figures compiled by the RCMP's National Anti-Counterfeiting Bureau, which receives all counterfeit notes passed in Canada.

- Chart 1 shows that counterfeiting rates in Canada were at higher levels a decade ago—there were 35 counterfeit notes for each million genuine notes in circulation. In 2020, the volume of counterfeit notes decreased by over 64 per cent compared to 2010.

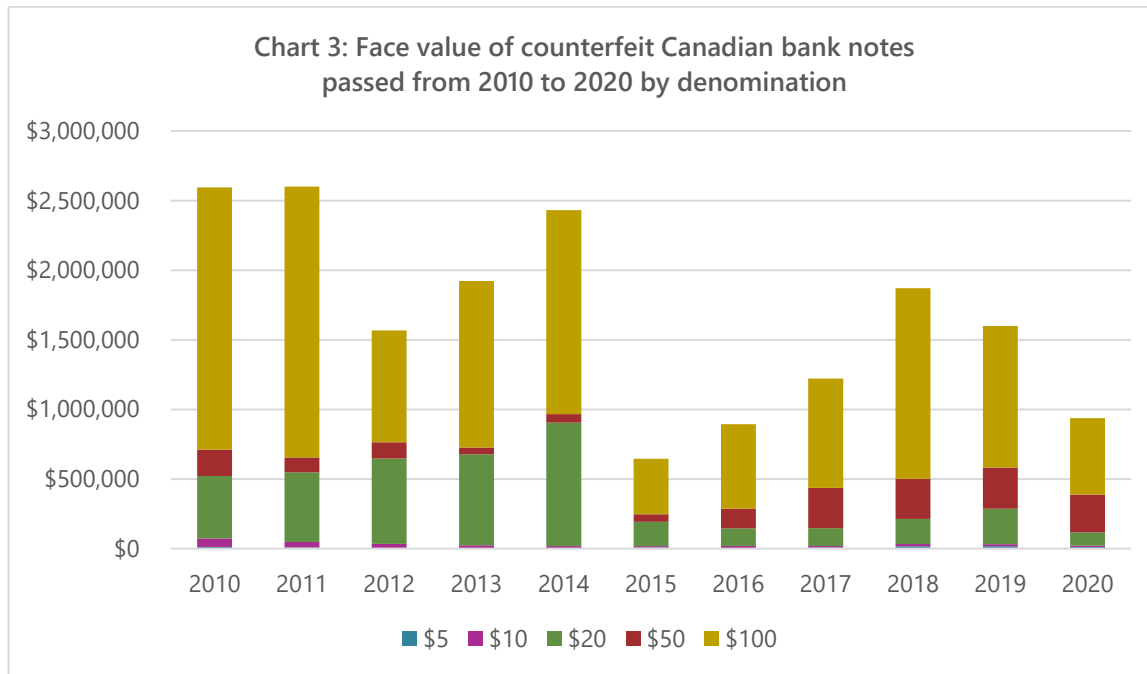


Source: RCMP National Anti-Counterfeiting Bureau

- Chart 2 shows the number of counterfeit notes passed in Canada by denomination from 2010 to 2020. Chart 3 shows the face value of counterfeit notes passed for the same period.



Source: RCMP National Anti-Counterfeiting Bureau



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- The counterfeiting rate from 2010 to 2020 can also be expressed in the following way:
 - a. Volume (\$5-\$100):
 - 2010: 53,525 counterfeits passed
 - 2020: 18,942 counterfeits passed (a decrease of over 64 per cent over 2010)¹
 - b. Value (\$5-\$100):
 - 2010: \$2.6 million in counterfeits passed
 - 2020: \$940,000 in counterfeits passed (a decrease of 64 per cent over 2010)

4. Comparison of counterfeiting in Canada versus other countries

Canada’s counterfeiting rates are currently lower than those of similar countries. However, this was not always the case. Few countries encountered the high counterfeiting levels that Canada experienced close to 20 years ago. Achieving consistently low levels of counterfeiting is critical to maintaining confidence in bank notes (see para. 6b).

5. The immediate impact of counterfeiting

a. No reimbursement

- Victims of counterfeit bank notes are not reimbursed by the Bank. The Bank has no legal obligation to honour counterfeits.

¹ Source: RCMP National Anti-Counterfeiting Bureau

- The Bank, like all other central banks in the world, has concluded that reimbursement would act as an incentive that would inevitably lead to increased counterfeiting activity.

b. Counterfeiting losses can have a substantial impact on individuals and businesses

- The impact of counterfeiting on individuals of limited means or on small businesses can be substantial (see para. 6b).
- Counterfeiting losses can also have a negative impact on larger businesses. For instance, grocers that operate on narrow profit margins of 1 to 2 per cent must sell \$5,000 to \$10,000 worth of goods to recoup the loss incurred through a single \$100 counterfeit bank note.² These losses lead to increased prices that are ultimately borne by the consumer.

6. The broader impact of counterfeiting on society

a. Bank notes are vital to the economy: the average value of genuine notes in circulation has increased 81 per cent in 10 years (2010-20)³

- The rise in the number of genuine bank notes in circulation demonstrates that they remain vital to the Canadian economy.
- The value of bank notes in circulation in Canada (denominations \$5-\$100) has increased from an annual average of \$53 billion in 2010 to \$98 billion in 2020.⁴
- The Bank's goal is to produce bank notes that Canadians can use with confidence. Counterfeiting undermines that confidence.

b. The effect of the loss of confidence in bank notes by businesses

- A major counterfeiting operation in Windsor, Ontario, dating back to July 2001, has resulted in about 70,000 counterfeit \$100 notes entering circulation (as of Dec. 2020).
 - The potential for loss was perceived as substantial by businesses. Shortly after the media began reporting about the Windsor case, 15 per cent of retailers in the Windsor-Toronto-Montréal corridor reacted by posting signs refusing to accept \$50 or \$100 notes. Other retailers across Canada subsequently posted similar signs.
- In 2008, increased counterfeiting of the *Canadian Journey* \$100 note (the paper note with a metallic stripe) was seen largely in Toronto and Montréal. Over 63,500 of these counterfeits have been passed (as of Dec. 2020) representing a face value of over \$6.3 million.
 - A survey done for the Bank showed that this increased counterfeiting resulted in approximately 7 per cent of retail businesses in Toronto posting refusal signs for either the \$50 or \$100 notes, with 8 per cent of businesses doing so in Montréal.⁵

² Source: [Innovation, Science and Economic Development](#)

³ Source: Bank of Canada

⁴ Ibid.

⁵ Source: Bank of Canada, National Retailer Research Program, 2009 W1

c. Ultimately, all Canadians pay for the increased costs to the Bank of Canada

- The Bank's earnings from bank notes (i.e. their face value less production cost) are remitted to the Government of Canada. Therefore, all Canadians ultimately pay when the Bank remits lower earnings to the government because of its increased costs due to counterfeiting.
- To stay ahead of counterfeiting, the Bank must continue to invest in research and development to produce new and more secure bank notes, often at greater cost, in shorter time frames.
- The Bank has devoted substantial resources to help combat counterfeiting by:
 - enhancing security features in new bank notes;
 - expanding procedures to detect and remove counterfeit notes from circulation;
 - monitoring and analysing counterfeiting activity;
 - conducting outreach to teach businesses, the public and law enforcement how to detect counterfeit currency; and
 - developing initiatives to support the efforts of law enforcement personnel to deter counterfeiting.
- The Bank spent close to \$20 million to develop the current *Frontiers* series polymer notes. These notes cost 23 cents per note compared with 10 cents for the previous *Canadian Journey* series, but polymer notes last at least 3.5 times longer.
- The Bank spent about \$6 million to develop the vertical \$10 polymer note (issued November 2018). It is the first in the next generation of polymer notes. These notes cost 27 cents per note compared with 23 cents for the *Frontiers* series. The difference in cost relates to the enhanced security features to ensure that Canadians can continue to use their notes with confidence.
- Significant investments have been made by the cash-handling industry in Canada since the introduction of the *Frontiers* series. It is estimated that financial institutions, the vending, gaming and retail sectors, spent \$100 million in machine adjustments to enable them to recognize and handle the current series of notes.

For more information

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