

Currency Management

The National Reserve Bank of Tonga is responsible for regulating the issue of currency in the Kingdom and maintaining an adequate supply of quality banknotes and coins in circulation to meet the public's currency needs.

The Reserve Bank also redeems any banknotes or coins that are mutilated or no longer fit for circulation and destroys them accordingly.

During the year, the Reserve Bank reviewed and proposed amendments to the NRBT Act Section 26 on the Power of Recall Currency to reflect the current practice used by other central banks on recalled currencies that are no longer legal tender. The proposed amendment is another income source from currency and provides that the Reserve Bank will no longer redeem nor accept any recalled coins for exchange after the expiration of the time limit specified in the recall notice.

Currency in Circulation

As at 30 June 2017, total currency in circulation was T\$75.2 million. The value of banknotes in circulation as at 30 June 2017 rose by 12.3% to T\$71.8 million from the end of June 2016 (T\$63.9 million). There were 32.2 million coins, worth T\$3.3 million, in circulation at the end of June 2017. The value of coins in circulation increased by 13.3% from the end of June 2016 (T\$2.9 million).

Note Processing Operation

As at 30 June 2017, T\$211.1 million returned banknotes were deposited for fitness sorting and authentication check. Of this, the Currency team managed to process T\$95.7 million: 1.6 million pieces (T\$74.4 million) were deemed fit for reissue while 1.2 million pieces (T\$21.2 million) were deemed unfit and subsequently destroyed. While on-going maintenance to the cobra machine was

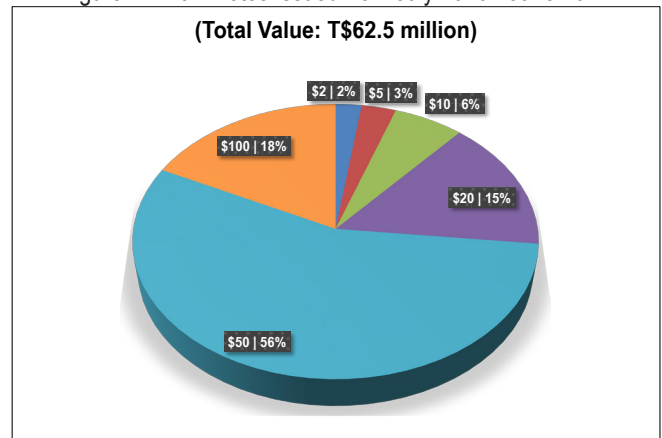
conducted, the team continued to manually process the currency until the upgrade works was complete. The cobra machine would expedite the process of authentication, counting, sorting and destruction process of re-deemed parcels from the commercial banks.

The old recalled (KTTIV Series) coins withdrawn from circulation during the year amounted to 2.0 million coin pieces. These coins consisted of 75/25 cupro nickel of a higher metal composition value and nickel plated steel which was separated and then melted down for recycling by the London Metals Limited, United Kingdom.

Banking Transactions

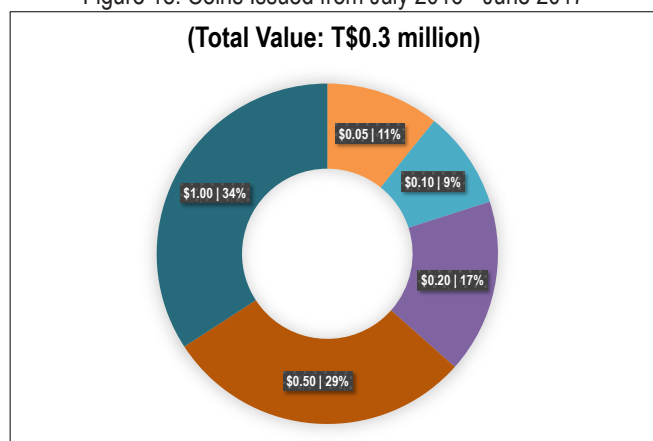
During the financial year 2016/17, the value of currency issued to the commercial banks and the general public was T\$62.9 million, of which T\$62.5 million was in banknotes and T\$0.3 million in coins.

Figure 17: Banknotes Issued from July 2016 - June 2017



The high percentage of T\$20, T\$50 and T\$100 banknote demonstrates the public's reliance on higher denominations for daily transactions and as a store of value.

Figure 18: Coins Issued from July 2016 - June 2017



Numismatics

During the year, 3 new agreements were signed with the World Coin Association (WCA), Germany, for the minting and marketing of new coins:

- Coronation of HM King Tupou VI
- Olympic Games 2018 – Luge
- Kingdom of Tonga – Royal Palace

Numismatic income as at 30 June 2017 was T\$159,568.54.

Counterfeit Notes

During the year, 23 counterfeit notes were received for assessment by the Reserve Bank.

Table 10: Counterfeit Notes Received

	July 2016 - June 2017	
\$20	40	2
\$50	1,050	21
Total	1,090	23

In relation to total currency in circulation, the total value of counterfeits was negligible at only 0.002%. However, to ensure that public confidence in our currency is maintained, the Reserve Bank continued to assist the Tonga Police with efforts to deter counterfeiting through media awareness programs on how to identify genuine banknotes both in the English and Tongan language.

Currency Corporate Plan Targets

At the end of the first half of 2016/17, a review of the 2016 corporate plan was conducted which showed the Currency Division had achieved 2 out of the 4 targets, while 2 were still outstanding. While the team is currently working on renewal of the Cobra Machine and its ongoing support, the team is hopeful that the new machine will help speed up the counting/destruction process of redeemed parcels and also free up more time for the team to reach out and conduct the quarterly spot check of Note Trust Depot in the Outer Islands.