



**DSA recommends against replacing the \$1 note with a \$1 coin:  
The \$1 note provides for invaluable counterfeit deterrence**

Replacing the dollar note with a dollar coin does not produce taxpayer savings. Central to the GAO calculus in suggesting *any* advantage of a coin in place of the note is the potential for Seigniorage, an approach which is being aggressively argued by experts across the country. While the projected benefits of Seigniorage are essentially an inter-government accounting transaction and not a budget savings, the Document Security Alliance (DSA) believes that a far more significant liability has been ignored in the review: the likelihood of increased counterfeiting.

The security of our nation's currency is paramount. The Department of the Treasury, the Bureau of Engraving and Printing, the Federal Reserve, and the United States Secret Service (USSS), collaborate to insure overt and covert security features are incorporated into note production, resulting in relatively low counterfeit rates for U.S. paper currency. The United States, under the leadership of the USSS, works closely with state and local law enforcement agencies, as well as foreign law enforcement counterparts, to aggressively pursue and apprehend counterfeiters of U.S. currency.

In addition to overt security features allowing for instant visible verification, all U.S. currency, including the \$1 note, contains features for machine authentication. The Federal Reserve, as the issuing authority for currency, has a nationwide infrastructure that maintains the integrity of, and confidence in, U.S. currency. Every note deposited at Federal Reserve Banks is processed on high-speed counting and sorting equipment that includes sophisticated authentication and fitness sensors to ensure that only genuine notes, which meet specific standards, are returned to circulation.

There are no public security features or analogous infrastructure for authenticating coins. Therefore, the public is not able to determine whether a coin is genuine or counterfeit. This inherent difference in integrity is compounded by over twenty \$1 coin designs in circulation and the quarterly introduction of new designs. Further, the government has no high-speed, automated sorting equipment to detect and remove counterfeit coins, nor is it clear that such a solution exists that could ascertain authenticity. The inability of the user public and the government to detect counterfeit coins creates a fertile environment for counterfeiting. These factors have compromised our nation's ability to fully understand the extent of the U.S. counterfeit coin problem or to address a future counterfeit problem.



This problem is currently playing out in the UK. Illustrating the risk of replacing the note with a coin, the British have been experiencing very high levels (almost 3%) of counterfeit 1 pound coins for several years, which has been widely reported in the press and has eroded consumer confidence (in 2011, of 1.47 billion 1 pound coins in circulation, 41 million are counterfeit). The UK is monitoring this situation, which may result in their replacing the entire denomination.

Extrapolating this experience, if the U.S. replaced \$1 notes with \$1 coins and we experienced similar counterfeiting levels, the economic loss in the U.S. would range from \$400 to \$540 million (depending on the replacement rate used, as reported in the recent GAO report of between 1.5 and 2 \$1 coins for every \$1 note in circulation). Compared to the economic loss of \$20,351 the United States currently experience in counterfeit \$1 notes (less than 0.00021% of the 9.7 Billion \$1 notes in circulation), the potential negative impact is clear.

All U.S. currency remains legal tender, regardless of when it was issued – providing users around the globe with confidence in its genuineness. This public trust is critical to our nation. If the U.S. were to experience a \$1 coin counterfeiting situation similar to the UK, the monetary damage and economic consequences resulting from a loss in global consumer confidence in our currency would be considerable – likely exceeding the losses experienced from counterfeiting.

In conclusion, while we understand the benefit of low denomination coins for our society, eliminating the \$1 note and replacing it with a \$1 coin exposes our nation and users abroad to the potential for substantial increases in counterfeiting and an accompanying loss in consumer confidence. Based upon these facts, the DSA strongly recommends against the replacement of the \$1 note with a \$1 coin.

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The DSA was created by government agencies, private industry and academia to identify methods of improving security documents and related procedures to help combat the growing acts of fraud, terrorism, illegal immigration, identity theft, and other criminal acts. DSA members – in both government and private industry – draw upon a wide range of knowledge and detailed technical disciplines to accomplish this goal. We are committed to provide recommendations to federal and state government agencies, private industry, and policy makers to improve the process and procedures surrounding document security.

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