

RESERVE BANK OF VANUATU STATEMENT

VT1 AND VT2 COINS

The VT1 and VT2 coins are now being used less frequently by the community and their production is a considerable expense to the Bank's Budget.

The RBV has therefore decided that from **31 March 2011** it will no longer issue these coins.

After that date existing stocks of VT1 and VT2 coins will continue to be legal tender: they can still be used to purchase goods and can be deposited with financial institutions in the normal manner.

It is likely however, that VT1 and VT2 coins will cease to be generally available quite soon and there will be a need for payments made in cash to be adjusted by rounding the amounts involved.

Over the 28 years since the introduction of the Vatu currency in 1982, inflation has reduced the real purchasing power of Vatu coins to the point of where the VT5 and VT10 coins now have less purchasing power than the VT1 and VT2 had respectively when they were introduced in 1983.

As a consequence the usefulness of VT1 and VT2 coins to the community has become negligible. Many people regard them as a nuisance. Thousands of these coins drop out of circulation each year.

The cost of minting VT1 and VT2 coins has risen over the years and now greatly exceeds their face value. The maintenance of these coins in circulation represents an increasing claim on the Bank's revenues.

Most countries including neighbouring countries have ceased to issue or withdrawn their lowest denomination coins in recent years.

Naturally any change to the national currency is a sensitive matter.

Some people will be concerned that in the absence of the VT1 and VT2 coins, prices could be marked up to the nearest VT5 thereby adding to inflation. The Bank is taking the following steps to overcome this possibility.

First, the Vatu will remain the basic unit of account and therefore goods sold by shops and other retail outlets can still be priced in VT1 stops. Many goods are, of course, not purchased individually so that only the final bill will need to be rounded.

Secondly, payments by cheque, credit cards or Electronic Funds Transfer at Point of Sale (EFTPOS) will not be affected. These payments will continue to be made to the exact Vatu. **That is, only cash transactions need be affected.**

Thirdly, competitive pressures amongst the major retailers are such that they are likely to react to the change by rounding cash payments down to the nearest VT5. The Reserve Bank of Vanuatu will expect that where cash payments are not rounded down to the nearest VT5, the following guideline will be observed.

Cash payments ending in VT1 and VT2 or VT6 and VT7 should be rounded down to the nearest VT10 and VT5 respectively.

Cash payments ending in VT3 and VT4 or VT8 and VT9 should be rounded up to the nearest VT5 and VT10 respectively.

These rules are illustrated in an example amount below:

VT251 } VT252 }	will be rounded <u>down</u> to	VT250
VT253 } VT254 }	will be rounded <u>up</u> to	VT255
VT256 } VT257 }	will be rounded <u>down</u> to	VT255
VT258 } VT259 }	will be rounded <u>up</u> to	VT260

The RBV expects that where a customer can tender the exact amount while VT1 and VT2 coins are still available, shopkeepers will accept them. Similarly, a shopkeeper who has VT1 and VT2 coins may choose to give them in change rather than round the final bill.

The general public is asked to take note of the way in which these guidelines are applied so that the Reserve Bank can ensure that there are no unwarranted increases in prices.

Discussions on these arrangements will be held with representatives of retailers to ensure that the above rules are observed. The Bank has announced its decision in advance of the implementation on [31 March 2011](#) so that retailers and financial institutions can make necessary arrangements.

Port Vila
30 December 2010