





MUZEJ BANKE SLOVENIJE

BANKA SLOVENIJE MUSEUM

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Catalogue of Banka Slovenije Museum

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Introduction

The Banka Slovenije Museum opened its doors on 18 May 2021, on International Museum Day. It was opened by Slovenian President Borut Pahor and the Governor of Banka Slovenije, Boštjan Vasle.

"I congratulate Banka Slovenije for the splendid idea of setting up a museum to mark the wonderful jubilee of the bank and the country, and for giving the public the chance to learn about what you do, which I am sure will have great appeal,"

Borut Pahor
President of the Republic of Slovenia

Banka Slovenije Governor Boštjan Vasle particularly emphasised the importance of financial literacy, which central banks, including Banka Slovenije, are increasingly seeing as one of their key responsibilities.

"In this context I hope the Banka Slovenije museum will attract plenty of the young and curious, and also older visitors who are interested in our work, and particularly in the impact our decisions have on the lives of individuals."

Boštjan Vasle
Governor of Banka Slovenije

The purpose of the museum is for visitors to understand more easily the workings of Banka Slovenije, its role in the Eurosystem and also how its decisions affect the lives of individuals.

This involves a highlighting of the key milestones of the Slovenian state, in which Banka Slovenije has played an important part. There is a particular focus on the tolar as Slovenia's first national currency. On display are all the banknotes and coins, from independence right up to the present day.

We also illustrate the workings of the Eurosystem, and Banka Slovenije within it. The key pillars of Banka Slovenije's operation are showcased: supply of cash, banking supervision, functioning within the euro area, ensuring price stability and education.

These concepts are explained with audiovisual and interactive content, educational games and traditional museum exhibits.

A particular focus of Banka Slovenije's efforts is financial education both for children and adults. In addition to guiding visitors through the museum, it organises education days at which each year it hosts a number of school pupils and students. It also hosts the competition for secondary school pupils called Generacija €vro (Generation Euro), which is a great opportunity for learning about the economy and for understanding the functioning of euro area policy.

This is a catalogue in which you can read additionally and in greater depth about everything you have encountered in the guided tour of the museum.

Tasks of Banka Slovenije

Banka Slovenije is the central bank of the Republic of Slovenia. It was established by the Bank of Slovenia Act adopted on 25 June 1991. It has legal personality under public law and freely and independently disposes of its own assets, and it is exclusively state-owned with financial and administrative autonomy. Banka Slovenije's financial statements are audited by an independent international auditor.

Banka Slovenije and the members of its governing bodies are independent in performing their duties pursuant to the Bank of Slovenia Act, and are not bound by the resolutions, positions or instructions of government bodies or any other bodies, and may not refer to such bodies for guidance or instructions.

Since 1 May 2004, when Slovenia joined the EU, Banka Slovenije has been a member of the European System of Central Banks (ESCB). Slovenia joined the euro on 1 January 2007, since when Banka Slovenije has been part of the Eurosystem, to which responsibility for monetary policy was transferred at the same time.

As of the day of the adoption of the euro as Slovenia's currently valid legal tender, the Statute of the ESCB and of the European Central Bank has been applied in full in the performance of Banka Slovenije's tasks.

As a member of the Eurosystem, Banka Slovenije performs the following tasks in accordance with the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB:

- implementing the Eurosystem's common monetary policy,
- managing the official foreign exchange reserves,
- ensuring the smooth functioning of payment systems, and
- issuing euro banknotes.

The main tasks of Banka Slovenije are as follows:

- Monetary policy – the fundamental objective of the Eurosystem, of which Banka Slovenije is a part, is maintaining price stability. This means central bank decisions that exert an influence on prices and the availability of money in the economy, thereby exerting an effect on the chosen target of the monetary policy.
- Microprudential supervision – it supervises banks and savings banks for the purpose of promptly identifying risks. In this way it works to ensure the stability of the financial system.
- Macroprudential policy – it identifies, monitors and assesses systemic risks to financial stability, and puts in place the requisite measures to prevent and mitigate specific risks.
- Resolution of banks and the deposit guarantee system – it provides for the orderly resolution of banks in difficulties, minimising the impact on the economy and on public finances.

In addition, it performs other tasks:

- working to ensure that payment systems and securities settlement systems function undisrupted;
- ensuring that the Slovenian market is supplied with authentic and fit currency;
- managing the Central Credit Register, the central national database of the debts of individuals and business entities;
- collecting, processing and disclosing statistical data of importance to the functioning of the monetary and financial system.

Monetary policy

The fundamental objective of the Eurosystem, which includes Banka Slovenije, is to maintain price stability. This means central bank decisions that exert an influence on prices and the availability of money in the economy, thereby exerting an effect on the chosen target of the monetary policy.

Microprudential supervision

We supervise banks and savings banks for the purpose of promptly identifying risks. In this way we work to ensure the stability of the financial system.

Resolution of banks and the deposit guarantee system

We provide for the orderly resolution of banks in difficulties, minimising the impact on the economy and on public finances.

Macroprudential policy

We identify, monitor and assess systemic risks to financial stability, and put in place the requisite measures to prevent and mitigate specific risks.

Six main sections of the Banka Slovenije Museum

The Banka Slovenije Museum is one of the elements of the financial education project carried out at Banka Slovenije. The museum's content is informative and is also fascinating for adults, although it is aimed first and foremost at children and young people.

Using educational games and interactive exhibits, the aim is to make visitors more familiar with the work of the central bank and its role in the development of the independent country.

The museum therefore comprises six sections, which are connected to the tasks of Banka Slovenije.

1 **SUPPLIES WITH CASH**

From independence to the present day, cash has changed over time. At first we paid for things using payment notes, then tolars and today we pay using euros. Do you know why the payment notes had the water mark of a snowflake? Or how to recognise a counterfeit banknote and what forgeries look like?

2 **MAKES HISTORY**

The first task facing Banka Slovenije was to establish an independent currency. We will tell you the story of our former currency, the tolar.

3 **MONITORS**

One of the most important tasks of Banka Slovenije is to supervise the country's banking system. We will show you why you can be sure that your money is safe in the bank.

4 **CONNECTS**

Banka Slovenije is part of the Eurosystem. You will learn about what the European Central Bank is and who makes up the Governing Council of the European Central Bank, and the part played in it by the Governor of Banka Slovenije.

5 **MAINTAINS STABILITY**

Banka Slovenije also focuses on ensuring the stability of prices. This means that we work to ensure that prices grow at just the right rate. Do you know why it is a bad thing for prices to fall? And what role does gold play in this process?

6 **EDUCATES**

At Banka Slovenije we place great emphasis on financial literacy, as in the last few years there has been a far-reaching need for educational opportunities in the area of finance. This is why during your visit to the museum you have been able to try out things, to touch them and weigh them up.

1

Cash from independence to the present day

Payment notes

Since Slovenia's independence the cash has been changed three times. Firstly the dinars, which were the currency of the former Yugoslavia, were replaced with payment notes, which represented a kind of temporary solution up until the issuing of cash in a more durable form. These notes were themselves replaced by tolar banknotes and coins, which in turn were replaced by euros.

On display are examples of payment notes, tolars and euros and samples of their forgeries.

Each year Banka Slovenije also issues special coins, divided into commemorative and collector coins. There is also a display of the current issue of commemorative coins, which Banka Slovenije mints each year.

The story of how the payment notes came into being actually dates back to December 1990, when the notes were prepared and printed. Since national monetary policy was then officially still under the control of the National Bank of Yugoslavia, which could not be allowed to know about Slovenia's plans, the printing of the notes remained a closely guarded secret. This is the reason why the payment notes had the water mark of a snowflake. The preparations had to be concealed from the National Bank of Yugoslavia, and for this reason in printing the banknotes they used paper that had already been produced previously by the Rateče paper works for the needs of the 1984 Winter Olympics in Sarajevo.

The payment notes actually entered circulation on 9 October 1991, the day after the then Slovenian Assembly adopted the name of the new Slovenian currency, the tolar, thereby establishing Slovenia's monetary independence from Yugoslavia. Yet since the banknotes had already been printed and the decision on the name was passed too late to add it to the printing, the payment notes bear neither a date of issue nor the name of the monetary unit.

The payment notes were issued in denominations of 1 to 5,000. Only banknotes were used, and there were no coins in circulation. Denominations of 1, 2, 5, 10, 50, 100, 200, 500 and 1,000 tolars were in circulation as temporary currency. Then on 27 May 1992 a payment note for 5,000 tolars also came into circulation. They were printed at the Cetis Celje print works. The regular exchange of dinars for tolars began on 9 October 1991, at a rate of 1 : 1.

Payment notes worth 0.5 tolars and 2,000 tolars were also printed, but were never in circulation.

The payment notes can be exchanged at Banka Slovenije in perpetuity. After the payment notes, tolars entered circulation in July 1992, and these were valid up until 14 January 2007.

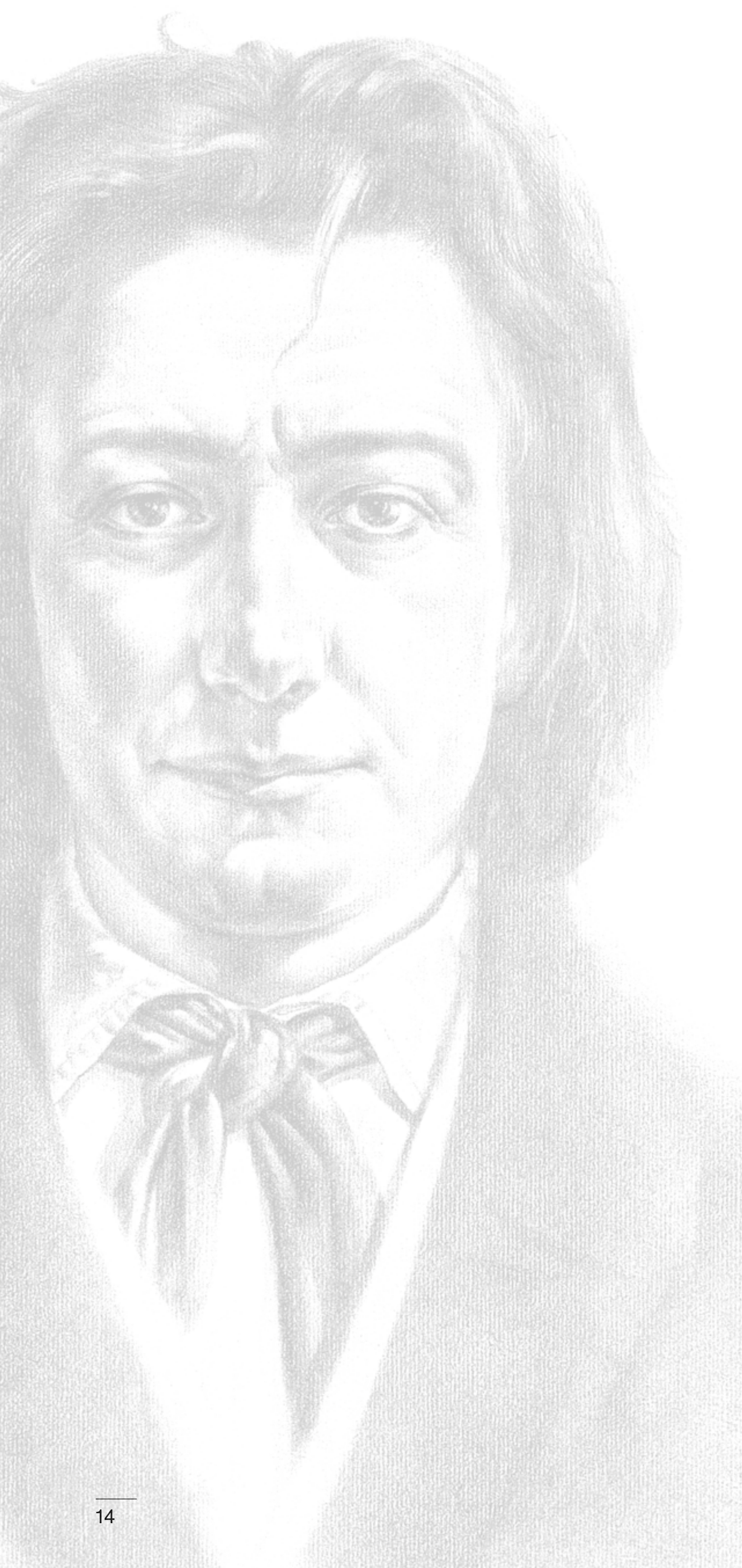
Counterfeiting of payment notes

Compared to tolars and later euros, the payment notes had very few protective features. They were produced in a hurry and without any particular security measures. Nevertheless, due to the inferior technology of that time, there were also some counterfeits of slightly poorer quality. For the most part they were made of completely ordinary paper, so as soon as you got hold of one you could tell that it was not a proper banknote.

On 4 June 1992, when preparations were complete for replacing the payment notes with tolar banknotes, there was a large amount of forged 1,000 tolar banknotes in circulation.

For this reason Banka Slovenije decided to implement the early withdrawal from circulation of the 1,000 tolar payment notes. At the same time Banka Slovenije even considered issuing payment notes worth 2,000 tolars. Later the prevailing decision was instead to issue for immediate circulation the proper tolar banknote for 1,000 tolars, bearing the likeness of poet France Prešeren, although the artwork for the banknote had not yet been fully approved and did not match the agreed artwork.

Tolar



The story of the tolar began officially on 25 June 1991, when the Government of the Republic of Slovenia and Banka Slovenije aligned all the positions and formalities for the adoption, planning and implementation of producing the first Slovenian banknotes and coins.

A day later, Banka Slovenije signed a contract with the Society of Designers of Slovenia, which conducted an internal call for designs of the first Slovenian currency. France Arhar, the Governor of Banka Slovenije at that time, issued a decision on 27 June 1991 appointing the expert working commission for the project of the first Slovenian currency. The commission was made up of representatives of Banka Slovenije (then the National Bank of Slovenia), the Slovenian Government, the Society of Designers of Slovenia and the National Museum.

It had the following tasks:

- to hold an internal competition for banknotes and coins in which a maximum of four invited designers would participate;
- to select and justify the most appropriate design from the internal competition for the graphics and artwork of the Slovenian currency;
- draft a proposal for the selection of the name of the first Slovenian currency.

The group's guidelines were to select:

- a fine-looking, modern currency that would meet all the world standards;
- money furnished with markings for the visually impaired;
- money that would incorporate all protective signs and features to be safe from counterfeiting;
- imagery on the money representing Slovenian culture, science and nature.

The expert working group therefore selected the design concept proposed by the designers Miljenko Licul and Zvone Kosovelj and associates. It supported its selection with the following explanation:

"Out of the primary principle of orthogonal division of the banknote into the fields of the watermark and artwork it makes the rhythmic system of vertical dividing bands, which offer a highly individual treatment in the composition with overlaying colours and object inserts, in harmony with the whole. The portrait with its accompanying shadow depiction is in all cases the principal emphasised feature that is both characteristic and linking for the entire series. The distinctive elements of the numbers and their placement offer optimal clarity and good scope for protection. The essential expression of the artwork and colour reflect a freshness of approach for which one could say that it will present a major and recognisable distinctiveness vis-a-vis the predominant characteristics of other present-day money which it will encounter on the international market. The selected project offers the most complex iconographic communication, for it uses persons, their ideas and the results of their work in a more than illustrative way."[1]

The painter Rudi Španzel provided the portraits of important Slovenian figures that appeared on the banknotes. The animals native to Slovenia that were depicted on the coins were modelled by sculptor Janez Boljka.

The following selection criteria were applied:

- compositional clarity and accessibility
- graphic balance of the entirety
- harmony of artwork and colour
- appropriate content
- modern and innovative design approach
- originality and distinctiveness.[2]

The selected and confirmed design stood out for its innovative and fresh artistic approach, in terms of form and quality.

Prior to the selection of elements on the banknotes, the designer Mojca Turk, together with the Institute for Design in Ljubljana, conducted some research. This research showed that the outstanding selection was portraits depicting men and a woman whose scientific and artistic achievements contributed to fortifying the national consciousness, both at home and around the world. On 16 May 1991 the Slovenian Academy of Sciences and Arts (SAZU) approved Mojca Turk's proposal regarding the motifs on the banknotes.

Then on 1 July 1991 the working expert commission approved the motifs for the banknotes. The likenesses selected were of Primož Trubar, Janez Vajkard Valvasor, Jakob Gallus, Jurij Vega, France Prešeren, Rihard Jakopič and Jože Plečnik. The painter Rudi Španzel provided the portraits.

The selected motifs represent the cultural and scientific might of the Slovenian people and its most prominent representatives.

In selecting the motifs on the coins the Banka Slovenije expert working commission focused on presenting to the world Slovenia's native fauna. In this it took into consideration the proposals of SAZU.

The first depictions were of a mouflon, swallow, trout, bee, grasshopper and snake. Before the final selection, Banka Slovenije consulted once more with SAZU and this yielded the decision that the mouflon should be replaced by the ibex, the grasshopper by the head of a long-eared owl and the snake by a proteus. The 10-tolar coin, which was minted subsequently and put into circulation in 2000, bears a rampant horse. The 20 and 50-tolar coins, which were also minted subsequently and put into circulation in 2003, bear depictions of a bull and a stork. The animal designs were created by sculptor Janez Boljka.

The expert working group also dealt with the selection of the name for the currency. The proposals included:

- Slovenian dinar, lipa (linden), klas z zrni (ear of wheat with grains, proposed by SAZU);
- alpin, lent, grad, liber, grant, maj, klas, karant, mlaj, centin (proposed by Studio marketing);
- zlat, jur, tolar, dukat, goldinar, samo, klas (proposed by Dr Andrej Rant, president of the Numismatic Society of Slovenia and court numismatic expert witness);
- stot (proposed by Stane Bernik);
- sloven (proposed at a Banka Slovenije meeting).

The official proposal of the expert commission was the name KARANT. The substantiation of the selection was sent on 16 August 1991 to the then deputy president of the Executive Committee of the Slovenian Assembly, Dr Andrej Ocvirk. Since the Assembly also heard proposals for the names klas and lipa during the decision-making process, in the end the name TOLAR was the prevailing compromise solution. This name was confirmed at 40 minutes past midnight on the night of 8 to 9 October 1991.

It was at that moment that the Slovenian Assembly passed the Currency Unit of the Republic of Slovenia Act and the Use of the Currency Unit of the Republic of Slovenia Act, thereby introducing the new national monetary unit, the Slovenian tolar, as the sole legal tender in Slovenia.

In this way the tolar became the Slovenian national currency, and was in circulation from 30 September 1992 to 31 December 2006.

Its exchange value was initially set at 32 tolars to one German mark.

The Slovenian tolar banknotes were printed by Thomas De La Rue, a firm based in Basingstoke, UK. Banka Slovenije signed a contract on 29 November 1991 in Ljubljana for the printing of the first series of Slovenian money, involving seven banknotes in a total print run of 215 million. The first Slovenian tolar banknotes were released into circulation in September 1992.

On 17 September 1992 the Slovenian Government adopted a confidential decision selecting the mint for the first Slovenian coins. The Slovakian state mint Mincovňa Kremnica was selected. In its decision the Government also assigned full powers to Banka Slovenije to implement all the technical services associated with issuing the first coins, and to set the date of placing the coins in circulation. Tolar coins were still issued by the Slovenian state, which designated their denominations and their principal motifs. The first Slovenian tolar coins were released into circulation in January 1993.

In the words of the first Governor of the Slovenian central bank, France Arhar, "in the years of its existence the tolar played an important stabilising role and enjoyed a high level of trust, while the experiences with our own currency would serve as a good pointer if in the future any serious collapse occurred in the common European area."

You can still exchange tolar banknotes and payment notes at Banka Slovenije's counters, without any time limit. Tolar coins were exchangeable until 3 January 2017.

1 Janez Majce, Slovenski denar, p. 95
2 Janez Majce, Slovenski denar, p. 93

10-tolar banknote

Dimensions: 120 x 60 mm
Date of issue: 15 January 1992
Entered circulation: 27 November 1992

Primož Trubar, Protestant priest and writer. Author of the first book printed in Slovene. Born in June 1508 and died on 28 June 1586.

The main motif on the obverse of the banknote is an image of Protestant Primož Trubar, done in hand gravure. The image is complemented by a silhouette portrait of the writer in profile, filled with microscript. The middle left section features an intaglio-printed motif from the first page of Trubar's Abecedarium, with a writer's quill below it. The watermark bears the likeness of Primož Trubar.

The reverse is a reproduction of a drawing of the Ursuline Church in Ljubljana. The upper left corner features an intaglio-printed quotation from the New Testament.

20-tolar banknote

Dimensions: 126 x 63 mm
Date of issue: 15 January 1992
Entered circulation: 28 December 1992

Janez Vajkard Valvasor, Carniolan nobleman, polymath and fellow of the Royal Society. His most important achievement was the book Glory of the Duchy of Carniola. In it he describes life in Slovenia in the 17th century. The book was published in German in 1698. In it he sought to present Slovenia to an international audience. He lived in the period from the end of May 1641 to November 1693.

The main motif on the obverse of the banknote is an image of polymath Janez Vajkard Valvasor, done in hand gravure. The silhouette portrait in profile is filled with microscript. The upper left corner features an intaglio-printed image of a set of geodetic compasses. The watermark bears the likeness of Valvasor.

The reverse side features an intaglio print of various sections of the atlas of Slovenia, and a final vignette of two angels taken from Valvasor's book Glory of the Duchy of Carniola. The left side of the banknote carries the inscription *Dulcis ex labore fructus* (sweet is the fruit of labour).

50-tolar banknote

Dimensions: 132 x 66 mm
Date of issue: 15 January 1992
Entered circulation: 19 March 1993

Baron Jurij Bartolomej Vega (Jurij Vega), Slovenian mathematician, physicist, surveyor, meteorologist, nobleman and artillery officer. His greatest contributions came in mathematics, namely improvements to the accuracy and usefulness of logarithmic tables, which continued to be used as an aid to calculation right up until the mid-twentieth century. He lived in the period from 23 March 1754 to 26 September 1802.

The main motif on the obverse of the banknote is an image of the mathematician Jurij Vega done in hand gravure. The image is complemented by a silhouette portrait in profile, filled with microscript. The left half of the banknote features an intaglio-printed drawing from Vega's discussion of the sphere. The watermark bears the likeness of Jurij Vega.

The reverse features the solar system, and a drawing of Lontovž Palace in Ljubljana, the home of the Slovenian Academy of Sciences and Arts.

100-tolar banknote

Dimensions: 138 x 69 mm
Date of issue: 15 January 1992, 15 January 2003
Entered circulation: 30 September 1992, 12 May 2003

Rihard Jakopič, pioneer of Slovenian impressionism. In 1900 he was the co-organiser of the first Slovenian art exhibition. His works displayed at the National Gallery in Ljubljana include The Green Veil and Križanke. He lived in the period from 12 April 1869 to 21 April 1943.

The main motif on the obverse of the banknote is an image of the impressionist painter Rihard Jakopič, done in hand gravure. The image is complemented by a silhouette portrait in profile, filled with microscript. The banknote features an artist's palette and two paintbrushes left of centre. The watermark bears the likeness of Rihard Jakopič.

The reverse depicts details from Jakopič's The Sun, and the plans for the former Jakopič Pavilion in Ljubljana in intaglio print.

200-tolar banknote

Dimensions: 144 x 72 mm
Date of issue: 15 January 1992, 8 October 1997, 15 January 2001, 5 January 2004
Entered circulation: 22 February 1993, 10 March 1998, 20 June 2001, 2 August 2004

Jakob Petelin Gallus – Late Renaissance Slovenian composer. He is best known for his collection of 374 motets. These are polyphonic vocal musical compositions to be sung on any day of the church calendar. His name is given to the main performance hall of Slovenia's shrine of culture, Cankarjev dom. He lived in the period from the end of July 1550 to 18 July 1591.

The main motif on the obverse of the banknote is an image of the composer Jakob Gallus (Iacobus Gallus), done in hand gravure. The image is complemented by a silhouette portrait in profile, filled with microscript. There is a drawing of an organ from the 17th century in the central section. The watermark bears the likeness of Jakob Gallus.

The reverse features an intaglio-printed drawing of the Slovenian Philharmonic on the left. A transcript of his piece *Gloria in excelsis Deo* (Glory to God in the Highest) is illustrated in the centre.

The two different issues of the banknote differ in the date of issuing and the signature of the member of the Bank Council on the reverse side.

500-tolar banknote

Dimensions: 150 x 75 mm
Date of issue: 15 January 1992, 15 January 2001, 15 January 2005
Entered circulation: 30 September 1992, 20 June 2001, 20 June 2005

Jože Plečnik, Slovenian architect. He lived in the period from 23 January 1872 to 7 January 1957. His work can be found in Vienna, Prague and Ljubljana. His most important architectural designs in Ljubljana include: The Triple Bridge, the market arcade, the Ljubljanica river banks, the National and University Library building, the main promenade in Tivoli, the Cobblers' Bridge, and Žale Cemetery, and he also completely reworked numerous parts of the city and Ljubljana Castle. His churches include the Church of St Michael in the Barje region, and the Church of the Ascension of Christ in the village of Bogojina.

The main motif on the obverse of the banknote is an image of the architect Jože Plečnik, done in hand gravure. The image is complemented by a silhouette portrait in profile, filled with microscript. The left half features an image of a set of compasses and a drawn circle. The watermark bears the likeness of Jože Plečnik.

The central motif of the reverse is a drawing of the eastern façade of the National and University Library in Ljubljana. The floorplan of the library is illustrated in the bottom section.

1,000-tolar banknote

Dimensions: 156 x 78 mm
Date of issue: 15 January 1992, 1 June 1993, 15 January 2000, 15 January 2003, 15 January 2004, 15 January 2005
Entered circulation: 30 September 1992, 13 December 1993, 10 July 2000, 12 May 2003, 2 August 2004, 20 June 2005

France Prešeren, Slovenian poet. He lived in the period from 3 December 1800 to 8 February 1849. Prešeren is today regarded as Slovenia's greatest poet. The anniversary of his death is celebrated as Slovenia's main cultural holiday. The words to Slovenia's national anthem are taken from his 1844 poem *Zdravljica* (A Toast). Other important works include: Gazelle, Sonnets (A Wreath of Sonnets, Sonnets of Misfortune), Poems, The Water Man and The Baptism on the Savica.

The main motif on the obverse of the banknote is an image of the poet France Prešeren, done in hand gravure. The silhouette portrait of the poet in profile is filled with microscript. The upper left corner features an intaglio-printed facsimile of Prešeren's signature. The watermark bears the likeness of France Prešeren.

The reverse features the text of A Toast in the central section. On the left there is a stylised writer's quill, and an intaglio print of the word *Prijatli* (Friends) in the poet's handwriting.

5,000-tolar banknote

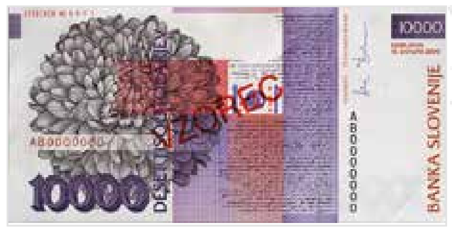
Dimensions: 156 x 78 mm
Date of issue: 1 June 1993, 8 October 1997, 15 January 2000, 15 January 2002, 15 January 2004
Entered circulation: 13 December 1993, 10 February 1998, 10 July 2000, 15 July 2002, 2 August 2004

Ivana Kobilca, Slovenian painter. She lived in the period from 20 December 1891 to 4 December 1926. She is now considered Slovenia's most prominent female painter, so the collection of her work is kept in the National Gallery. She was part of the generation of Slovenian realists. Her most important works include: The Coffee Drinker, Summer, Paris Woman Selling Vegetables, and Self-Portrait with Palette. She is the only woman featured on the tolar banknotes.

The main motif on the obverse of the banknote is an image of the painter Ivana Kobilca, done in hand gravure. The image is complemented by a silhouette portrait of the painter in profile, filled with microscript. The left side of the banknote features an easel, alongside a medallion with the artist in profile. Above the easel on the banknote issued on 1 June 1993 there is a painter's palette in optically variable colouring, while the banknote issued on 8 October 1997 bears a protective foil. The banknote issued on 15 January 2002 features a hologram in the form of a palette, in which there are stylised flowers and the numerals "5000" in changing colours. The watermark on the left of the banknote bears the likeness of Ivana Kobilca.

The reverse features the façade of the National Gallery in Ljubljana, with an intaglio print of the floorplan on its right, and a drawing of the Robba fountain. The composition is completed by a plan of the extension of the National Gallery on the right side. The banknote issued on 15 January 2002 has an additional metal security thread with microtext woven into the left margin.

10,000-tolar banknote



Dimensions: 156 x 78 mm
Date of issue: 28 June 1994, 15 January 2000, 15 January 2003, 15 January 2004
Entered circulation: 15 March 1995, 19 June 2000, 13 October 2003, 4 April 2005

Ivan Cankar, Slovenian author, essayist, playwright and poet. He lived in the period from 10 May 1876 to 11 December 1918. He is considered one of the four greats of modernism in Slovenian literature. He also published the poetry anthology *Erotika*. He began writing short stories, novellas, sketches, novels and plays, influenced by Romanticism, naturalism, decadentism, symbolism and impressionism. His most important works include: The King of Betajnova, Scandal in St Florian Valley, For the Welfare of the Nation, Serfs, The Servant Jernej and His Justice, On the Hill and The Ward of Mary Help of Christians.

The main motif on the obverse of the banknote is an image of the writer Ivan Cankar, done in hand gravure. The image is complemented by a silhouette portrait in profile, filled with an excerpt from one of his manuscripts. In the centre there is a plan of the stage from a former theatre in Ljubljana, above which there is an embossed chrysanthemum motif. The watermark is Smrekar's caricature of Ivan Cankar.

The banknote issued on 28 June 1994 features a writer's quill in optically varying colours to the left of the chrysanthemum.

The obverse side of the banknote issued on 15 January 2000 bears a fluorescent band on the right side, which reproduces a facsimile of Ivan Cankar's signature, a writer's quill and a microscript quotation from Cankar's work Ottakring. The writer's quill in the upper left half of the banknote is purple.

The main motif on the reverse is an engraving of a chrysanthemum, while the central section features one of the writer's original manuscripts.

In the upper left part of the chrysanthemum the banknote issued on 15 January 2003 has an added iridescent protection.

Counterfeiting of tolar banknotes

In contrast to the payment notes, tolar banknotes were much better protected. Most commonly these were forgeries scanned on a computer and printed on a printer or printed as colour photocopies. Nowadays electronic devices have protection against counterfeiting money.

The most frequently forged banknote was the 10,000-tolar note. Just as with the payment notes, the forgeries for the most part were printed on ordinary paper. You could therefore tell just by touching it that it was fake. The counterfeiters also made other errors. Sometimes counterfeiters actually make some little error on purpose. In this way they can recognise "their" banknotes, and in circulation they quickly request banknotes of lower value. The largest number of counterfeits was found in 1997.

On 21 July 1997 police officers apprehended an individual in a car with a suitcase filled with 5,106 counterfeit banknotes, in a total value of 43,795,000 tolars (nearly 183,000 euros). The media reported at the time that these were double-sided photocopies printed on commercial paper, for which reason the crinkling of the money was different. The forged banknotes also lacked any security features such as the watermark and security threads. The print was very smooth compared with the original banknotes, whose surface has a relief.

50-tolar coin

Diameter:	**26 mm**
Thickness:	**2.00 mm**
Edge:	**alternating plain/milled**
Weight:	**8.00 g**
Alloy:	**75% Cu, 25% Ni**
Entered circulation:	**7 July 2003**

The **Boškarin bull**, **Bos taurus** is a longhorn breed native to Istria.

The obverse side of the coin bears a raised circular surface on which is printed the value of the coin with the number 50. On the left side of the coin, from the bottom up is printed the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia), and on the right side along the edge from the top down the coin's value is given in the words "PETDESET TOLARJEV" (fifty tolars). Printed in the lower section is the year of minting.

The reverse side of the coin depicts a bull in the central section. Above it the upper edge bears the bull's Latin name "TAURUS TAURUS". This inscription is an error. The scientific name of the bull shown on the reverse of the coin is in fact Bos taurus. By the lower edge is the number 50, indicating the value.

20-tolar coin

Diameter:	**24 mm**
Thickness:	**2.00 mm**
Edge:	**scallop-edge milled**
Weight:	**6.85 g**
Alloy:	**75% Cu, 25% Ni**
Entered circulation:	**7 July 2003**

The **stork, Ciconia ciconia**, is a large, long-legged, long-necked wading bird with a long, stout bill from the Ciconiidae family. It is the unofficial symbol of the Slovenian region of Prekmurje.

The obverse side of the coin bears a raised circular surface on which is printed the value of the coin with the number 20. On the left side of the coin, from the bottom up is printed the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia), and on the right side along the edge from the top down the coin's value is given in the words "DVAJSET TOLARJEV" (twenty tolars). Printed in the lower section is the year of minting.

The reverse side of the coin depicts a stork in the central section. Above it along the upper edge is the number 20, indicating the value. The edge of the right half of the coin bears the stork's Latin name "CICONIA CICONIA".

10-tolar coin

Diameter:	**22 mm**
Thickness:	**2.00 mm**
Edge:	**milled**
Weight:	**5.75 g**
Alloy:	**75% Cu, 25% Ni**
Entered circulation:	**19 April 2000**

The **horse or Equus** is an odd-toed ungulate, and one of seven species in the Equus genus. Slovenia's native breeds are the Lipizzaner, the Posavec and the Slovenian Coldblood. The status of traditional breeds, i.e. foreign breeds that have adapted to the climate and other conditions in Slovenia, is attributed to the Ljutomerski Kasač and the Haflinger.

The obverse side of the coin bears a raised circular surface on which is printed the value of the coin with the number. On the left side of the coin, along the edge is printed the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia), and on the right side the coin's value is given in the words "DESET TOLARJEV" (ten tolars). Among the individual wording is the horizontal imprint of the year of minting, 2000.

The reverse side of the coin depicts a rampant horse. Along the edge of the coin is the Latin inscription "EQUUS", and next to it is the numerical indication of the value in Braille, for the visually impaired. In the upper left half of the coin is the number 10, indicating the value.

5-tolar coin

Diameter:	26 mm
Thickness:	1.7 mm
Edge:	milled
Weight:	6.4 g
Alloy:	78% Cu, 20% Zn, 2% Ni
Entered circulation:	4 January 1993

The **Alpine ibex, Capra ibex**, is a mountain-dwelling wild goat. Extirpated from Slovenia in the 17th century, it was resettled here in 1902. It lives in the Julian Alps, the Kamnik Alps and the Karavanke.

On the obverse side the middle of the raised circular surface bears the printed number 5, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "PET TOLARJEV" (five tolars) and the year of minting.

The middle of the reverse side depicts the head of an Alpine ibex, to the right of it is the ibex's Latin name "CAPRA IBEX", and to the left of the head is the coin's value in a number.

2-tolar coin

Diameter:	24 mm
Thickness:	1.7 mm
Edge:	milled
Weight:	5.4 g
Alloy:	78% Cu, 20% Zn, 2% Ni
Entered circulation:	4 January 1993

The **barn swallow, Hirundo rustica**, is one of the best-known and most eagerly awaited bird species in Slovenia, as its return from its winter habitat in Africa marks the start of spring. It can be seen in Slovenia from March to October, and nests in May and June.

On the obverse side the middle of the raised circular surface bears the printed number 2, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "DVA TOLARJA" (two tolars) and the year of minting.

The middle of the reverse side depicts a barn swallow in flight, to the right of it along the edge is the coin's value in a number, and below the swallow is its Latin name "HIRUNDO RUSTICA".

1-tolar coin

Diameter:	22 mm
Thickness:	1.7 mm
Edge:	milled
Weight:	4.5 g
Alloy:	78% Cu, 20% Zn, 2% Ni
Entered circulation:	4 January 1993

The **river trout, Salmo trutta fario**, is a freshwater fish in the salmon family. It lives in Slovenia, in the upper ranges of Alpine waters and in the depths of Lake Bohinj.

On the obverse side the middle of the raised circular surface bears the printed number 1, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "EN TOLAR" (one tolar) and the year of minting.

Depicted in the middle of the reverse side of the coin is a large river trout, with two smaller ones beneath it. Beneath them is the trout's Latin name "SALMO TRUTTA FARIO", and above the larger one is the coin's value in a number.

50-stotins coin

Diameter:	20 mm
Thickness:	1.3 mm
Edge:	plain
Weight:	0.85 g
Alloy:	98% Al, 2% Mg
Entered circulation:	4 January 1993

The **European honey bee, Apis mellifera**, is a bee domesticated for honey production and for other bee products, and for pollinating cultivated plants. The Carniolan honey bee (Apis mellifera carnica) is a subspecies also known as the Carniolan grey. It is native to the Gorenjska region of Slovenia.

On the obverse side the middle of the raised square surface bears the printed number 50, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "PETDESET STOTINOV" (fifty stotins) and the year of minting.

The middle of the reverse side depicts a bee, to the right of it is the bee's Latin name "APIS MELLIFERA", and to the left of the bee is the coin's value in a number.

20-stotins coin

Diameter:	18 mm
Thickness:	1.3 mm
Edge:	plain
Weight:	0.70 g
Alloy:	98% Al, 2% Mg
Entered circulation:	29 April 1993

The **long-eared owl, Asio otus**, is an endangered and protected species. Its ears have no pinnae, but its hearing is exceptional. This is because the left ear and right ear are asymmetrically positioned on the skull. Its wide veils focus the sound and direct it to the eardrum.

On the obverse side the middle of the raised square surface bears the printed number 20, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "DVAJSET STOTINOV" (twenty stotins) and the year of minting.

The middle of the reverse side depicts a long-eared owl, above it is the owl's Latin name "ASIO OTUS", and to the left is the coin's value in a number.

10-stotins coin

Diameter:	**16 mm**
Thickness:	**1.3 mm**
Edge:	**plain**
Weight:	**0.55 g**
Alloy:	**98% Al, 2% Mg**
Entered circulation:	**29 April 1993**

The **olm, Proteus anguinus**, is a symbol of Slovenia's natural heritage. It lives in the subterranean world of the Postojna cave system, one of the cradles of speleobiology as a scientific discipline.

On the obverse side the middle of the raised square surface bears the printed number 10, in the margin on the left is the name "REPUBLIKA SLOVENIJA" (Republic of Slovenia) and on the right is the wording "DESET STOTINOV" (ten stotins) and the year of minting.

In the middle of the reverse side is a depiction of an olm, beneath it is the olm's Latin name "PROTEUS ANGUINUS", and above it is the number indicating the coin's value.

Due to their very low value, the 10 and 20 stotin coins were only in use for a very short time. Banka Slovenije intended to increase the value of the tolar tenfold by removing the last 0 on the banknotes. This did not happen due to the counterfeiting of payment notes, and the tolar banknotes already printed were delivered early.

Euro

The Slovenian currency unit is the euro. We have used it since 1 January 2007, when Slovenia joined the European Monetary Union.

Upon joining the European Union, on 1 May 2004, Slovenia committed to introducing the single European currency, the euro. Before the actual introduction of the euro in 2007, Slovenia and its government had to meet the convergence principles. These serve to determine the economic status of a specific Member State in the Eurosystem.

The principles were:

- a low inflation rate,
- comparability of interest rates,
- a stable exchange rate between the domestic currency (tolar) and the euro,
- the sustainability of public finances.

On 1 January 2007 Slovenia introduced the euro, and Banka Slovenije became part of the Eurosystem. The Eurosystem comprises the European Central Bank (ECB) and the national central banks of EU Member States that have adopted the euro. The euro is now the official currency in 19 of the 27 EU Member States.

In Slovenia the introduction of the euro contributed to:

- the long-term reduction of interest rates (as part of the Eurosystem),
- easier comparison of domestic prices and those in countries of the euro area,
- the creation of a stable environment for the entire economy, since the single currency eliminates exchange rate risk and the costs of changing money,
- greater choice in the various forms of saving, and easier access to loans in a bigger and more liquid financial market,
- the elimination of difficulties trying to find exchange offices while travelling.

After adoption of the euro, Slovenia had a period of dual circulation, which lasted from 1 to 14 January 2007. During this time we had already started using the euro, but cash payments could still be made in tolars. The Double Labelling of Prices Act helped consumers to get used to how values were expressed in the new currency, and at the same time contributed to the detection of incorrect conversions and rounding up.

Euro banknotes

Euro banknotes exist in two series. The first series was issued in 2002, in seven different denominations: €5, €10, €20, €50, €100, €200 and €500, and these are legal tender throughout the euro area.

They were designed by Robert Kalina, a designer from the Austrian central bank, who won a Europe-wide design competition in 1996.

Each individual euro banknote design features a European architectural style:

- Classical,
- Romanesque,
- Gothic,
- Renaissance,
- Baroque and Rococo,
- Iron and glass architecture,
- Modern 20th century.

Windows and gateways are shown on the front of the euro banknotes, and symbolise the European spirit of openness and cooperation. The 12 stars of the European Union represent the dynamism and harmony of modern Europe. The bridges on the back symbolise communication and cooperation between the people of Europe, and between Europe and the rest of the world.

Other design elements of euro banknotes

- the name of the currency - euro - in both the Latin (EURO) and Greek alphabets (ΕΥΡΩ),
- the abbreviation of the European Central Bank in five linguistic variants - BCE, ECB, EZB, EKT and EKP - representing the 11 official languages of the EU when the first series was issued;
- the symbol © indicating copyright protection, and
- the European Union flag.

Second series of euro banknotes – the Europa series

Between 2013 and 2019 came the introduction of the second series of euro banknotes – the Europa series. The new banknotes in the Europa series were introduced gradually over the span of several years, in ascending order of denominations. The first banknote in the new series was the €5, which has been in circulation since 2 May 2013. This was followed by the other denominations, €5, €10, €20, €50, €100 and €200, but not the €500 banknote. After the introduction of the entire second series, euro banknotes of both series will be in circulation simultaneously for some time. The date when the first series ceases to be official legal tender will be announced in advance. It will nevertheless always be possible to exchange the banknotes of the first series for banknotes of the second series at the national central banks of the Eurosystem. Banknotes for €500 are not included in the Europa series, and since 27 April 2019 have no longer been issued.

The second series of euro banknotes is known as the Europa series since the notes bear the portrait of Europa, a figure from Greek mythology. This gives the banknotes a human touch, and of course our continent is named after this figure. The “ages and styles” theme of the first series has been continued with the Europa series, but the banknote designer Reinhold Gerstetter of Berlin gave them a fresh look and bolder colours. He created more rounded visual elements and more three-dimensional bridges. These changes mean the banknotes can be quickly distinguished from the first series.

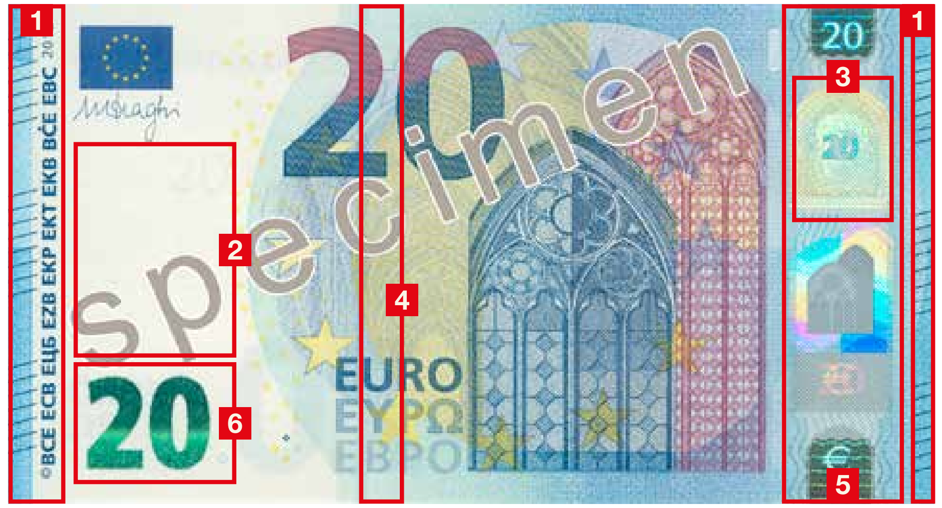
The new series also takes account of the fact that since 2002 several new countries have joined the EU:

- the map also includes Malta and Cyprus;
- the name of the currency – the euro – is now also printed in Cyrillic, in addition to Latin and Greek;
- the abbreviation ECB is given in nine different language versions, instead of five.

The Europa series has enhanced security features that are even harder to counterfeit than those in the first series.

Verifying the authenticity of euro banknotes

Euro banknotes feature several types of protective elements, yet forgeries still appear in circulation, although they can be identified without difficulty using the FEEL-LOOK-TILT test. Due to the special printing procedures, the banknotes are immediately recognisable by feel, look and tilt.



FEEL

1 By feel, the paper’s texture and raised print stand out.
The paper feels firm and crisp.
Raised print: on the front side of the note, there is a series of short raised lines on the left and right edges. The architectural motif, the lettering and the large numeral are also slightly raised.

LOOK

2 By look, held against the light the banknote reveals the watermark – a portrait of Europa, the value in numbers and the architectural motif.

3 The window near the top of the hologram stripe (silver stripe on the right) becomes transparent and reveals a portrait of Europa on both sides of the banknote.

4 The security thread becomes visible as a dark line. The symbol € and the value of the banknote are inscribed on it in tiny white print.

TILT

5 The banknote must be tilted forwards and backwards. In the window on the hologram stripe on the front side of the banknote appear rainbow curves surrounding the euro symbol (€).
On the back side of the banknote the value numbers appear in the window in rainbow colours.
The hologram stripe reveals the portrait of Europa, the value of the banknote and the architectural motif.

6 The shiny number in the lower left corner displays an effect of the light that moves up and down. Furthermore the number changes colour from emerald green to dark blue.

Movie money

Movie money is printed without ECB authorisation and is used in movie-making. It is printed on ordinary paper and bears an indication that it is movie money. In the place of the signature of the ECB President is the inscription "Movie Money", and a vertical warning line is added. If it is found in circulation, it is treated as counterfeit, so be careful.

Euro coins

Euro coins exist in eight different values or denominations: 1, 2, 5, 10, 20, 50 cents and 1 and 2 euros. They have been in circulation since 1 January 2002. Each coin has a common European side, and a national side. The national side indicates the issuing country. The common sides of the coins were designed by Luc Luycx. Different designs exist for the common side of the eight coins:

The €2, €1, and the 50, 20 and 10 cent coins feature the European Union before the 1 May 2004 enlargement; from 1 January 2007 they feature a geographic image of Europe. The 5, 2 and 1 cent coins show Europe in relation to Africa and Asia on a globe.

Euro coins are protected from forgery by high-security machine-readable characteristics. They can be used in vending machines throughout the euro area – no matter where they were issued.

In contrast to banknotes, the individual Member States have jurisdiction to issue euro coins and not the ECB.

Some countries have their own design on each denomination, while others have the same design on all (Belgium, Estonia, Ireland, Lithuania, Luxembourg). The coins in Member States that are monarchies are particularly interesting. With a change in the monarch, the image on the coins must also change. In this way Belgium and Spain have already issued three series of coins, and the Netherlands two.

Four states that are not members of the Eurosystem also have their own euro coins:

- Andorra,
- Monaco,
- San Marino,
- Vatican City.

Since these coins are very few in number, they have become popular among collectors.

Slovenian euro coins

The Slovenian euro coins have eight different motifs on the national side that symbolically represent part of Slovenian history and culture. Each coin has 12 stars around the edge interspersed with letters spelling "SLOVENIJA". The design concept for the national sides of the Slovenian euro coins was created by Miljenko Licul and associates Maja Licul and Janez Boljka.

€2 coin

Diameter:	25.75 mm
Thickness:	2.20 mm
Weight:	8.50 g
Shape:	round
Colour:	outer part: silver; inner part: gold
Composition:	outer part: copper-nickel; inner part: three layers: nickel-brass, nickel, nickel-brass
Edge:	lettering on fine milled edge

The coin features a profile of the national poet France Prešeren, and the line "ŽIVE NAJ VSI NARODI" from his poem *Zdravljica* (A Toast), which is also the national anthem, in his own hand.

€1 coin

Diameter:	23.25 mm
Thickness:	2.33 mm
Weight:	7.50 g
Shape:	round
Colour:	outer part: gold; inner part: silver
Composition:	outer part: nickel-brass; inner part: three layers: copper-nickel, nickel, copper-nickel
Edge:	interrupted milled

The coin bears a head and shoulders portrait of Primož Trubar, with the inscription "STATI INU OBSTATI" (to stand and withstand).

50-cents coin

Diameter:	24.25 mm
Thickness:	2.38 mm
Weight:	7.80 g
Shape:	round
Colour:	gold
Composition:	Nordic gold
Edge:	shaped, scalloped milled edge

The coin features Mount Triglav, Slovenia's highest mountain, the constellation of cancer and the inscription "OJ TRIGLAV MOJ DOM" (O Triglav, my home).

20-cents coin

Diameter:	22.25 mm
Thickness:	2.14 mm
Weight:	5.74 g
Shape:	Spanish rose
Colour:	gold
Composition:	Nordic gold
Edge:	plain

Two horses and the inscription “LIPICANEC” (Lipizzaner horse) feature on the coin.

10-cents coin

Diameter:	19.75 mm
Thickness:	1.93 mm
Weight:	4.10 g
Shape:	round
Colour:	gold
Composition:	Nordic gold
Edge:	shaped, scalloped milled edge

The coin features the inscription “KATEDRALA SVOBODE” (Cathedral of Freedom) and the unrealised plan for a national parliament designed by architect Jože Plečnik.

5-cents coin

Diameter:	21.25 mm
Thickness:	1.67 mm
Weight:	3.92 g
Shape:	round
Colour:	copper
Composition:	copper-plated steel
Edge:	plain

The coin features a sower sowing seeds (stars and points), a frequent artistic motif.

2-cents coin

Diameter:	18.75 mm
Thickness:	1.67 mm
Weight:	3.06 g
Shape:	round
Colour:	copper
Composition:	copper-plated steel
Edge:	plain with incision

The coin features an image of the Prince’s Stone, where Carantanian dukes were enthroned.

1-cent coin

Diameter:	16.255 mm
Thickness:	1.675 mm
Weight:	2.30 g
Shape:	round
Colour:	copper
Composition:	copper-plated steel
Edge:	plain

The coin features a stork.

In the museum you have been able to view the national sides of euro coins from all Member States of the Eurosystem. The selected designs on the coins can be divided into five sets:

- coins depicting persons: Austria, Belgium, Luxembourg, Netherlands, Slovenia, Spain
- coins depicting symbols: Cyprus, Greece, Ireland, Latvia, Malta, Germany, Portugal, Slovakia
- coins depicting flora: Finland, France
- coins depicting artistic works: Italy
- coins depicting the state: Estonia and Lithuania.

Special coins

In addition to general circulation coins, each year Banka Slovenije issues special coins. These serve to mark political, historical, scientific, cultural, sporting, humanitarian and other similar events of general importance to Slovenia or with wider international significance. The events for which special coins are issued are determined by the Slovenian Government.

The volume of each issue of special coins is determined by the government, on the proposal of Banka Slovenije, subject to the approval of the European Central Bank. Banka Slovenije estimates the demand for special coins in the context of demand for general circulation euro coins for the individual year. It sends the estimate to the European Central Bank for approval. If Banka Slovenije determines that the estimate of demand was too low, it sends the ECB a proposal for approval of an additional issuing of euro coins in the current year.

For the artwork on the special coins a public call is issued, setting out all the terms and conditions. The Governor of Banka Slovenije, in agreement with the minister responsible for finance, appoints a commission for the issuing of special coins. Based on an agreement concluded by the ministry responsible for finance on behalf of the Slovenian Government with Banka Slovenije, the Commission performs all the expert and technical tasks related to the issuing of special coins.

Special coins are formulated by a specialist organisation selected by Banka Slovenije with the approval of the ministry responsible for finance. Banka Slovenije itself oversees the formulation.

In relation to special coins, Banka Slovenije also performs the following tasks:

- setting the day of placing special coins in circulation;
- selling coins directly or through other authorised organisations;
- transferring revenue from the sale of special coins to the Slovenian national budget.

The special coins issued by Slovenia are divided into commemorative and collector coins, in accordance with EU legislation.

Commemorative coins

Commemorative coins are identical to the general circulation €2 coin in terms of dimensions and in terms of chemical and physical properties. They have a common European side, and a national side with a motif marking an event of wider international significance or of major significance to Slovenia. The national side must have 12 stars circling the motif and the year. In Slovenia they are only issued for one event per year, and are legal tender in all Member States of the euro area. They are sold at a price which may be higher than the face value and is set by Banka Slovenije in agreement with the ministry responsible for finance.

Each country can issue two special commemorative coins each year. Only coins of €2 denomination can be used for commemorative coins. They are legal tender in the entire euro area, meaning that they can be used and must be accepted just like all other coins.

The majority of special commemorative coins mark the anniversaries of historical events, or draw attention to contemporary events of historic importance. The first was issued by Greece, and was dedicated to the Olympic Games of 2004 in Athens.

Each euro area country is responsible for designing and issuing its own coins, not the ECB. If a euro area country wishes to issue a coin with a new motif, for instance a commemorative €2 coin, it must first notify the European Commission. The Commission then publishes the information in the multi-language Official Journal of the European Union (series C). The role of the ECB regarding commemorative and all other coins is to approve the maximum number of coins that an individual country can issue.

Although commemorative coins fall within the jurisdiction of individual Eurosystem Member States, groups of multiple Member States can also issue common commemorative coins if it is to mark an event of European importance.

These coins have a common image on the national side, bearing the name of the issuing country and the event being marked in the language (or languages) of that country.

Collector coins

Collector coins are issued to mark a maximum of ten events each year. They are made of gold, silver, or any other metals determined by the Slovenian authorities.

They differ from general circulation coins in terms of colour, diameter and weight. The face value is expressed in euros, but it differs from the face values of general circulation coins. The appearance of collector coins is determined by the Government, in consultation with the European Union Member States. The front side must be different from the national feature on coins already in circulation.

Collector coins are legal tender at their face value in Slovenia, but in other countries only have value as collectibles. They are sold at the face value or at a higher value, which is set by Banka Slovenije in agreement with the ministry responsible for finance.

Special commemorative coins issued to date jointly by all euro area countries

March 2007
marking the 50th anniversary of the signing of the Treaty of Rome

January 2009
marking the 10th anniversary of the Economic and Monetary Union

January 2012
marking the 10th anniversary of the introduction of euro banknotes and coins

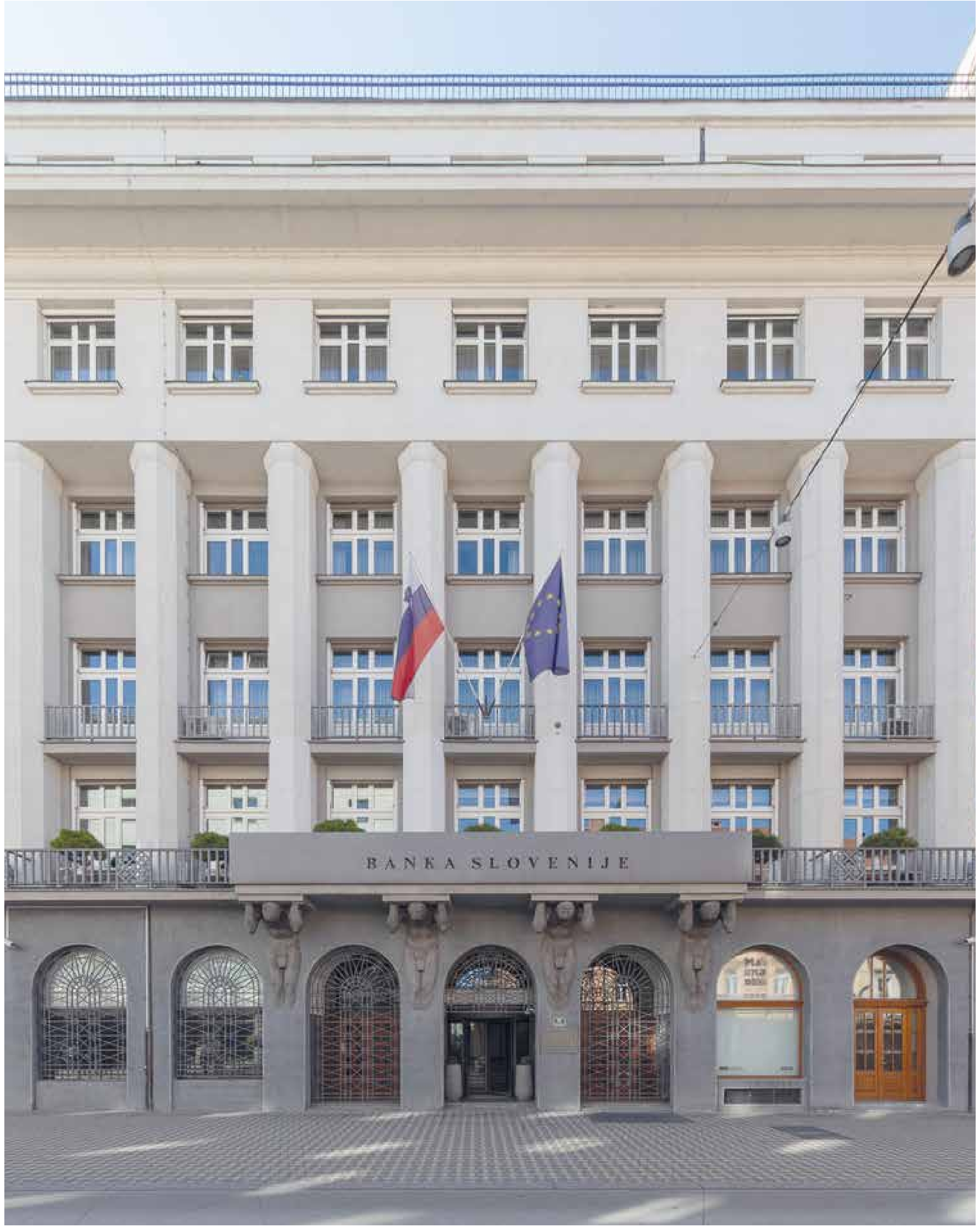
August 2015
marking the 30th anniversary of the EU flag

Destruction of banknotes

Each banknote has a limited lifespan. When a banknote is beyond repair or worn out, it is sent for destruction. Banknotes used to be destroyed using a specific kind of hole punch. A special feeder was created for putting packets of 100 banknotes at a time into a special hole punch.

A bundle of 100 banknotes that had been removed from circulation was placed into the feeder. The bundle was then fed into a special pneumatic punch press, which punched holes into the banknotes. The banknotes were then visibly destroyed, which increased their security during storage and transport before their final destruction, and during the destruction process itself.

Later on the banknotes were destroyed by being heated in acid. Nowadays practically all banknotes that are no longer suitable for circulation are shredded. First they are cut into tiny pieces, then pressed into pallets which are finally sent for complete destruction (incineration).



2 Banking supervision

What is banking supervision?

Banka Slovenije is the central bank and it does no business with private individuals, instead working to ensure the security of the banking and financial system.

At the central bank you can exchange damaged banknotes in circulation, or provided this is still possible, former currencies (such as payment notes and tolars in Slovenia). Individuals cannot open an account at the central bank, take out loans or exchange foreign currency. But you can do all these things at commercial banks.

One of Banka Slovenije's tasks as the central bank is to supervise the operations of these commercial banks. It also supervises special financial institutions (such as savings banks), mortgage companies, payment institutions, companies issuing electronic money, exchange offices and payment system administrators (non-bank entities that perform payment services and electronic money issuance services).

All these entities subject to supervision require authorisation issued by Banka Slovenije. The same applies to the key personnel running these institutions. They need authorisation from Banka Slovenije, referred to as fit & proper. The vetting process checks their knowledge, skills, experience, reputation, conflicts of interest, time commitments and so on.

Based on this supervision, Banka Slovenije can also impose sanctions due to irregularities in business operations. These involve fines on the bank, as well as revocation of licences to operate.

In other words this means that at banks and savings banks holding authorisation from Banka Slovenije, your money is safe.

It is precisely commercial banks that are among the most important institutions of supervision for all of us, since we have almost daily contact with them. For this reason we will take a close look below at how their supervision is conducted. On the Banka Slovenije website you can find a special section where you can report possible irregularities at a bank.

Why can I trust the banks?

Supervision

It is Banka Slovenije's job to ensure banks stick to the rules, and are run by people with the right qualifications and expertise. We also grant licences to provide banking services.

In so doing we conduct supervision and inspections on site at banks, and test them in various circumstances. In this way we check whether they are prepared for a variety of risks, for example a financial crisis.

The aim of supervision

The aim of all of Banka Slovenije's supervisory activities is identifying risks in all areas of the operations of banks and savings banks (credit risk, liquidity risk, operational risk, capital risk, interest rate risk, profitability risk, internal controls, corporate governance, reputation, anti money laundering) in timely fashion, and ensuring the stability of credit institutions and the system through effective action. This means that for all Slovenian citizens, at banks and savings banks holding authorisation from Banka Slovenije, your money is safe.

When a commercial bank or savings bank is already conducting business, checks are made to ensure they are following the rules, inspections are carried out and what are called stress tests are performed, to indicate how the bank would withstand various critical situations.

Banka Slovenije directly supervises what are called less significant banks, while major banks are under the direct supervision of the European Central Bank.

Single Supervisory Mechanism and supervision of less significant banks

The banking supervision system has undergone significant change since the last financial crisis. The Single Supervisory Mechanism (SSM) began functioning in 2014 as one of the pillars of the new banking union, whose objective is safe, transparent and unified European banking.

The establishment of the SSM saw supervision of around 120 European banks that meet the criteria for classification as significant institutions transferred to the ECB in 2014, although this supervision is conducted in operational terms by joint supervisory teams (JSTs). The JST for each significant institution consists of a coordinator from the ECB, and members from the national supervisory authority and the ECB. The national supervisory authorities (Banka Slovenije in Slovenia's case) participate in all the supervisory activities, while the supervisory decisions with regard to these banks are made by the ECB.

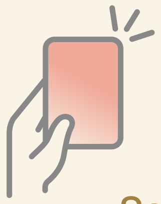
The supervision of banks that do not meet the criteria for being classed as significant institutions, i.e. less significant institutions, is conducted by national supervisors, i.e. Banka Slovenije in Slovenia's case, in accordance with the rules and methodology of the ECB and the SSM. National supervisors regularly submit supervisory data for less significant institutions to the ECB, and inform it of the findings of their supervision. The national supervisory authorities may consult the ECB on the imposition of measures, but the final decision is their responsibility, other than in exceptional cases. The new arrangements also allow the ECB to directly take over the supervision of less significant institutions at the proposal of the national supervisor, at its own initiative in the event of the potential occurrence of a systemic crisis, or if the national supervisor is failing to conduct adequate supervision.

According to the ECB criteria, significant banks are deemed to be:

- those with total assets over EUR 30 billion or more than 20% of GDP (unless they have total assets below EUR 5 billion);
- among the three biggest banks in the country;
- those that have received funds from the European Financial Stability Facility;
- those with total assets over EUR 5 billion and with more than 20% of assets/liabilities in more than one Member State.

Significant banks also include those with special status as a bank specialising in promotion of exports and development. Supervision over them is conducted by Banka Slovenije.

Is my money safe?



Sanctions

At Banka Slovenije we check banks are upholding the legislation and regulations in the area of banking. If they are not, we can impose sanctions on individuals, or even revoke their licence to provide banking services.

Supervision

The ECB and the national supervisory authorities carry out the following types of activity:

- they conduct supervisory reviews, on-site inspections and investigations;
- they grant and withdraw the authorisation to provide banking services;
- they assess the acquisition and disposal of qualifying holdings;
- they ensure that EU prudential rules are upheld;
- they set out capital requirements.

The annual supervisory review and evaluation process (SREP) at the individual bank or savings bank is an integral part of the ordinary supervision. Within the framework of the SREP, the ECB and Banka Slovenije analyse the business model of each bank, and assess the suitability of its governance structure, the risks inherent in its operations and the effectiveness of its risk management. One of the important input parameters for the assessment of a bank is the results of the stress tests conducted annually by Banka Slovenije and the ECB.

European Banking Authority (EBA)

Alongside the Single Supervisory Mechanism, the key institution in the area of banking supervision and financial stability is the European Banking Authority (EBA), in which Banka Slovenije participates as a member of the Eurosystem.

The EBA's objectives are to put in place consistent, effective and efficient supervisory practices and to ensure the harmonised application of European legislation in all EU Member States. To this end the EBA issues guidelines and recommendations in various areas of banking addressed to competent supervisory authorities and banks. Banka Slovenije decides on the application of EBA guidelines and recommendations to banks in Slovenia, and publishes a regulation on their application in the Official Gazette of the Republic of Slovenia.

Established in 2010, the EBA is part of the European System of Financial Supervision (ESFS), which is also made up of two other supervisory authorities: the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). The system also comprises the European Systemic Risk Board (ESRB), and the Joint Committee of the European Supervisory Authorities and national supervisory authorities. The EBA is independent, but accountable to the European Parliament, the Council of the European Union and the European Commission.

But what if something does happen to a commercial bank?

In this case there is a special fund that allows Banka Slovenije to guarantee deposits of up to 100,000 euros. Banka Slovenije takes control of the commercial bank and pays funds out to savers using the remaining capital and assets from the fund.

The fundamental objectives of the deposit guarantee scheme are to protect investors and maintain their confidence in the banking system. A sound and effective deposit guarantee scheme is one of the important conditions for the maintenance of financial stability in a country.

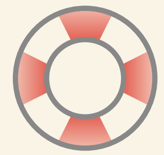
The new Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes has been in force since July 2014. This directive maintains the deposit guarantee up to EUR 100,000, but compared with the previous legislation it gradually shortens the deadlines for the repayment of guaranteed deposits from 20 days to seven days, and further increases the requirements to inform depositors with regard to the guarantee before the conclusion of a contract, and in connection with a deposit additionally determining the obligations of countries to set up special guarantee funds that must dispose of sufficient assets to enable the unimpeded payment of guaranteed deposits.

The deposit guarantee scheme in Slovenia is operated by Banka Slovenije. This means that Banka Slovenije:

- establishes and manages the deposit guarantee fund;
- collects the banks' regular and ad hoc contributions to the deposit guarantee fund, and enters into agreements on other forms of financing the fund;
- puts in place, vets and updates the procedures and arrangements for the repayment of coverage of guaranteed deposits (including stress testing);
- conducts activities for using the deposit guarantee fund to finance measures of bank recovery or compulsory dissolution, i.e. measures that ensure that depositors retain access to guaranteed deposits;
- supervises members of the deposit guarantee scheme (all banks and savings banks established in Slovenia, and branches of third-country banks included in the system in Slovenia) with regard to their fulfilment of the obligations of membership.

In connection with the exercise of the powers and tasks related to the deposit guarantee scheme, Banka Slovenije works with the deposit guarantee authorities of other EU Member States, the resolution authorities and other relevant authorities of EU Member States.

What if something happens to the bank?



Resolution

Should a bank find itself in serious difficulties, Banka Slovenije's job is to help reduce the risk to the economy and to the public purse. In the event of a bank collapse, Banka Slovenije guarantees all deposits up to EUR 100,000.

BANKA SLOVENIJE
EVROSISTEM

ONB
OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

BANK OF GREECE
EUROSYSTEM

CENTRAL BANK OF CYPRUS
EUROSYSTEM

BANQUE CENTRALE DU LUXEMBOURG
EUROSYSTEM

DeNederlandscheBank
EUROSYSTEEM

LIETUVOS BANKAS
EUROSISTEMA

DEUTSCHE BUNDESBANK
EUROSYSTEM

SUOMEN PANKKI FINLANDS BANK
EUROSYSTEM

EUROPEAN CENTRAL BANK
EUROSYSTEM

EESTI PANK
EUROSÜSTEEM

BanqueNationaleBank
DE BELGIQUE VAN BELGIË
Eurosystem

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

NATIONAL BANK OF SLOVAKIA
EUROSYSTEM

BANCA D'ITALIA
EUROSISTEMA

BANQUE DE FRANCE
EUROSYSTÈME

LATVIJAS BANKA
EIROSISTĒMA

BANCO DE ESPAÑA
Eurosistema

BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

BANCO DE PORTUGAL
EUROSYSTEM

3 Euro area

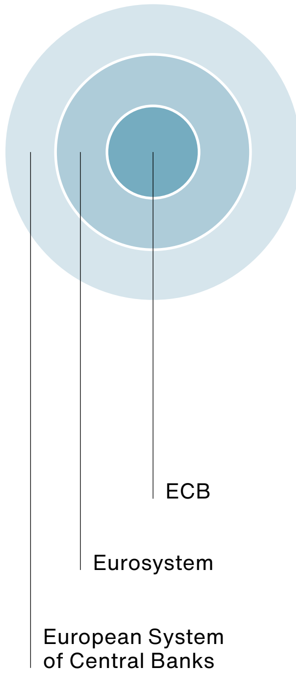
The countries of Europe are:

- members of the Eurosystem
- Member States of the European Union
- neither one nor the other.

What is the euro area and its monetary policy?

The euro area came into existence when the national central banks for 11 EU Member States transferred responsibility for monetary policy to the European Central Bank in January 1999. It is composed of EU Member States which have introduced the euro.

In order to join the euro area, a country must fulfil the convergence criteria. These set out the economic and legal preconditions for successfully participating in economic and monetary union. This means that the national economy must be capable of keeping in step with those that are already using the euro.



Economic convergence is measured by progress in the following areas:

- price trends or inflation;
- fiscal balance and general government debt;
- exchange rate;
- long-term interest rates.

Account is also taken of other factors that are important for economic integration, for instance the resilience of the country's institutional framework. Convergence must be sustainable, meaning that it is not enough for a country to fulfil the economic convergence criteria only at a given time – it must be capable of fulfilling them at all times. This is very important in all cases where multiple countries use the same currency. A country must ensure that its economy is resilient, so that the currency union can function unimpeded and all members can benefit from monetary stability.

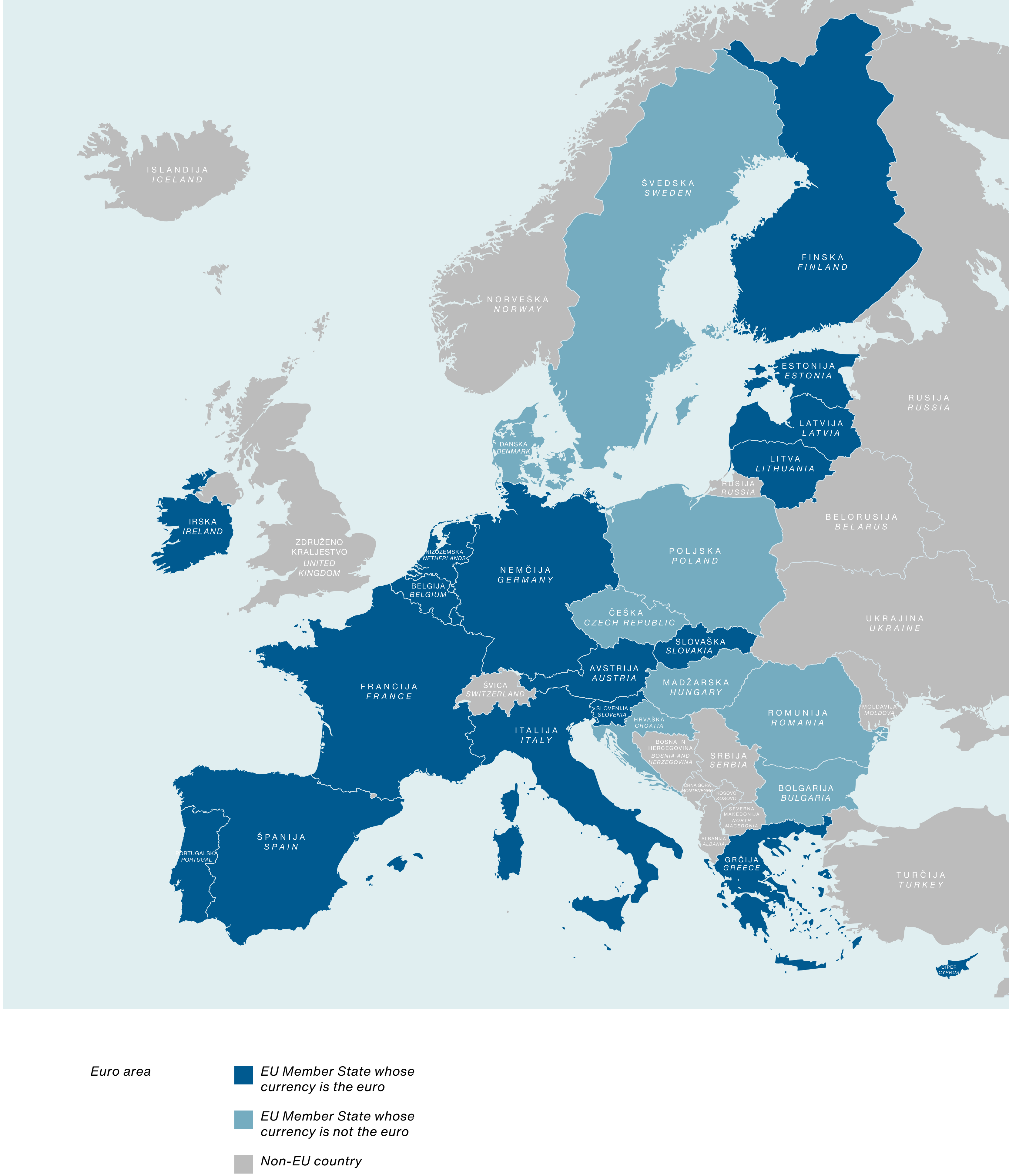
In addition to the convergence criteria, in order to join the Eurosystem a country must be a European Union Member State and fulfil its legal requirements. This means that its national legislation must be compatible with the Treaty on the Functioning of the European Union, and particularly with the Statute of the European System of Central Banks and European Central Bank.

Introduction of the euro is an important step towards membership of the European Union. The euro was introduced on 1 January 1999, to begin with just for accounting purposes. It is the legal tender for 340 million EU citizens, who can rely on prices remaining stable when they work or travel in other Member States. All the EU Member States are expected to enter the monetary union and adopt the euro immediately they fulfil the convergence criteria. The exception to this is Denmark, which has the option of rejecting entry into the euro area.

The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States whose currency is the euro, is the monetary authority of the euro area. The primary objective is to maintain price stability for the common benefit of everyone and thereby to safeguard financial stability and strengthen European financial integration. Today the Eurosystem is made up of 19 of the 27 EU Member States. Banka Slovenije became part of the Eurosystem on 1 January 2007, when Slovenia adopted the euro as its official currency.

The European System of Central Banks (ESCB) comprises the ECB and the national central banks of all EU Member States whether they have adopted the euro or not.

The Eurosystem and the ESCB will co-exist as long as there are EU Member States outside the euro area.



Monetary policy in the Eurosystem

Monetary policy relates to central bank decisions that exert an influence on prices and the availability of money in the market or in the economy. Decisions with regard to monetary policy implementation are taken by the ECB Governing Council at its monetary meetings, which are generally held every six weeks. The Governing Council of the ECB consists of all the governors of the central banks of the euro area and the senior management of the ECB. It is very important for the governors to be experts in the field of economics, since in the ECB Governing Council they do not represent their countries or even current governments, but their expert position. In this way they must also be independent of the ruling policies.

Governor of Banka Slovenije is one of the members of the ECB Governing Council, and thus joins the decision-making on all issues. He or she can always exert an influence on the final decision. This is especially important, since in some decisions the size of the Member State is not important in the ECB Governing Council. In this way Banka Slovenije co-shapes policy in the area of the Eurosystem.

Price stability is monetary policy's greatest contribution to economic growth and to job creation. This is the assurance of money being worth tomorrow the same as it is today. Stable prices contribute to carefully weighted decisions on spending, saving, borrowing and investments.

Primary objective: maintain price stability

The primary objective of the Eurosystem is to maintain price stability. Monetary policy's greatest contribution to general wellbeing, in particular to high economic growth and employment, is the maintenance of price stability over the medium term.

The Eurosystem's target is to maintain inflation in the euro area at the 2% mark over the medium term. At the same time the ECB supports general economic policy in the European Union, the aims of which are full employment and economic growth. The decisions in meeting this objective are taken by the ECB Governing Council on the basis of its interest rate strategy, and are implemented within its operational framework.

The approach to organising, evaluating and cross-checking the information relevant for assessing the risks to price stability is based on a two-pillar strategy, consisting of economic analysis and monetary analysis. Through its economic analysis the ECB focuses on the short-to-medium-term determinants of price developments in connection with economic activity, while its monetary analysis is based on a longer-term horizon and the link between money supply and prices. Monetary analysis mainly serves as a means of cross-checking the short-to-medium-term indications for monetary policy coming from economic analysis. The ECB's strategy tries to formulate a monetary policy that will be the most reliable in the given economic circumstances. The ECB monetary policy exercises an influence on how much interest you have to pay for a loan and how much interest you receive when you save, and this ensures price stability.

The most important decision: key interest rates

In the euro area the most important decision that the European Central Bank must make in this usually concerns the key interest rates. If it changes them, this affects the interest rates that commercial banks charge their clients for loaned money. In other words, its decision affects consumer spending and corporate investment. The mechanism via which monetary policy decisions exert their influence, primarily via interest rates, on consumption, saving and investment in the economy, and on the general level of prices, is known as the transmission mechanism.

The key interest rates of Eurosystem monetary policy are the interest rate on main refinancing operations, the rate on the marginal deposit facility, and the rate on the marginal lending facility. In addition to determining the key interest rates, the ECB conducts open market operations.

Non-standard measures

The Eurosystem implements monetary policy via the monetary policy instruments that it offers to banks. These instruments encompass various operations that are important in managing the liquidity of the banking system. They usually involve standard short-term liquidity-providing and liquidity-absorbing operations, but in the event of need the Eurosystem may intervene using non-standard measures of longer-term operations and securities purchases. Through the standard operations the Eurosystem targets neutral liquidity (it provides banks with as much liquidity as they need for their current requirements), while through the non-standard operations it tries to meet its additional objectives (e.g. reducing uncertainty, lowering the level of long-term interest rates, encouraging lending). If inflation and interest rates persist at low levels for a long time, the central banks can also take non-standard steps such as programmes of buying up securities.

The role of Banka Slovenije

Banka Slovenije is responsible for the execution of monetary policy instruments with banks in Slovenia. The legal basis for monetary policy implementation is set out in the General terms and conditions on the implementation of the monetary policy framework. These implement the ECB guidelines and decisions on the implementation of Eurosystem monetary policy framework, and also include certain national specifics.

In addition to the eligibility criteria for access to monetary policy operations that apply in the Eurosystem, Banka Slovenije also requires Slovenian banks to have a settlement account open in the TARGET2 system. They must sign an agreement with Banka Slovenije on accession to the General terms and conditions on the implementation of the monetary policy framework. The accession agreement commits them to abiding by the rules and procedures in implementing monetary policy.

4

Price stability

Money simplifies life in three ways:

- **it is a medium of exchange – you no longer have to match needs or demands as in a barter economy;**
- **money is a unit of account – prices are quoted in monetary units only, and not in terms of goods or services;**
- **it is a way of “storing value” – people can save it so that they can buy things in the future.**

The main task of the European Central Bank is to maintain price stability. Price stability means that prices should not rise too quickly (inflation), and also that any lengthy periods of price reductions (deflation) should be avoided.

In this way price stability promotes economic growth and employment, because prices can be more easily compared. Stable prices make it easier to compare the prices of various products and they simplify purchasing decisions. When prices are stable, consumers can easily tell if the price of the hottest new jeans has increased compared with the price of the latest tracksuit to arrive on the shelves. For this reason consumers can make better decisions on what to buy with their money.

In the same way, firms can make better informed investment decisions. Resources can then be allocated in the most productive way, thereby increasing the productivity of the economy.

Inflation

Inflation is an increase in the general price level. In simple terms, inflation can arise when there is too much money chasing too few goods. Prices can rise for various reasons. If there is only one set of headphones left in the shop and several people want to buy it, the retailer will probably increase the price because he knows that demand is high and he can get more money for it. Similarly, a product can become more expensive if it costs more to produce it. If energy prices go up, for example, then the costs of producing the headphones will also go up and the manufacturer will increase its wholesale price in order to avoid any losses. For the same reason the retailer will then try to pass on this price increase to the customer.

Reserves in measurements

Due to the method of measurement, inflation measured (expressed through the HICP index) can point to somewhat excessive inflation. This can come about if for instance the price of some product included in a basket of goods used to calculate the index rises due to the higher quality of the product, for instance if a new model of car has better safety technology installed in it. If the calculation of inflation does not take fully into account the fact that the price has changed due to an improvement in a product, the index will suggest that inflation is higher than it is in reality.

Contingency reserve

Inflation of 2% in the medium term ensures a contingency reserve for the possibility of deflation. If deflation arises, the usual instruments of monetary policy (i.e. changes to key interest rates) no longer function as effectively. At a certain point it no longer makes sense for central banks to continue lowering interest rates. Furthermore, even controlled inflation always hovers slightly around an average value. By incorporating these reserves into target inflation, which must for that reason be greater than zero, the central bank does not need to make such frequent use of unconventional measures such as quantitative easing or longer-term refinancing operations.

How is inflation measured?

In every economy there are millions of individual prices that constantly change depending on shifts in supply and demand, and in this way they reflect the “relative scarcity” of the relevant goods. Clearly it is neither feasible nor logical to take into account all prices, while at the same time it is impossible to monitor just a few, since they will not necessarily represent the general level of prices. In measuring inflation the majority of countries use a simple approach centred on what is called the Consumer Price Index (CPI). This is compiled by analysing the buying habits of consumers to determine first, which products and services they usually buy, meaning that these represent to an adequate degree the average consumer. The calculation therefore takes into account goods that consumers buy every day (e.g. bread and fruit), as well as longer-term goods (e.g. cars, computers, washing machines) and regular transactions (e.g. rent). This makes up a “shopping list”, and by weight-adjusting the importance of individual goods in consumer budgets a “shopping basket” can be formulated. Each month a group of experts checks the prices of goods in the shopping basket, and by comparing their movements relative to the previous period they determine the data sequence for the price index. The annual inflation rate is calculated by expressing the change in the price of the shopping basket today as a percentage of the price of that basket on the same day a year ago. Price movements expressed using this shopping basket reflect only the position of the “average” or representative consumer. If the shopping habits of a certain consumer differ significantly from the average shopping pattern and thus from the shopping basket on which the index is based, that consumer will notice different changes in the cost of living from those reflected in the index. This means that there will always be people whose “individual shopping basket” will experience a higher inflation rate and people who notice a lower “individual inflation rate”. Inflation measured by this index therefore indicates merely the average situation in the economy and is not equal to the movement of the general level of prices experienced by each individual consumer.

The guardian of price stability is the Eurosystem, comprising the ECB and the national central banks of those EU Member States that have adopted the euro. Its primary task is to keep prices stable for the euro area as a whole. The ECB maintains price stability in the euro area as a whole. Aiming for inflation of 2% in the medium term allows for differences in inflation rates among the countries of the euro area, which in an ideal situation would need to balance out on average over time. The aim of maintaining inflation above zero at the same time makes it possible for certain countries or regions not to have to live with excessively low or even negative inflation simply to balance out the higher inflation in other countries.

Hyperinflation

High inflation can generate a spiral of increasingly rapid price rises. This reduces purchasing power, meaning that tomorrow the same amount of money will buy you less than it would today.

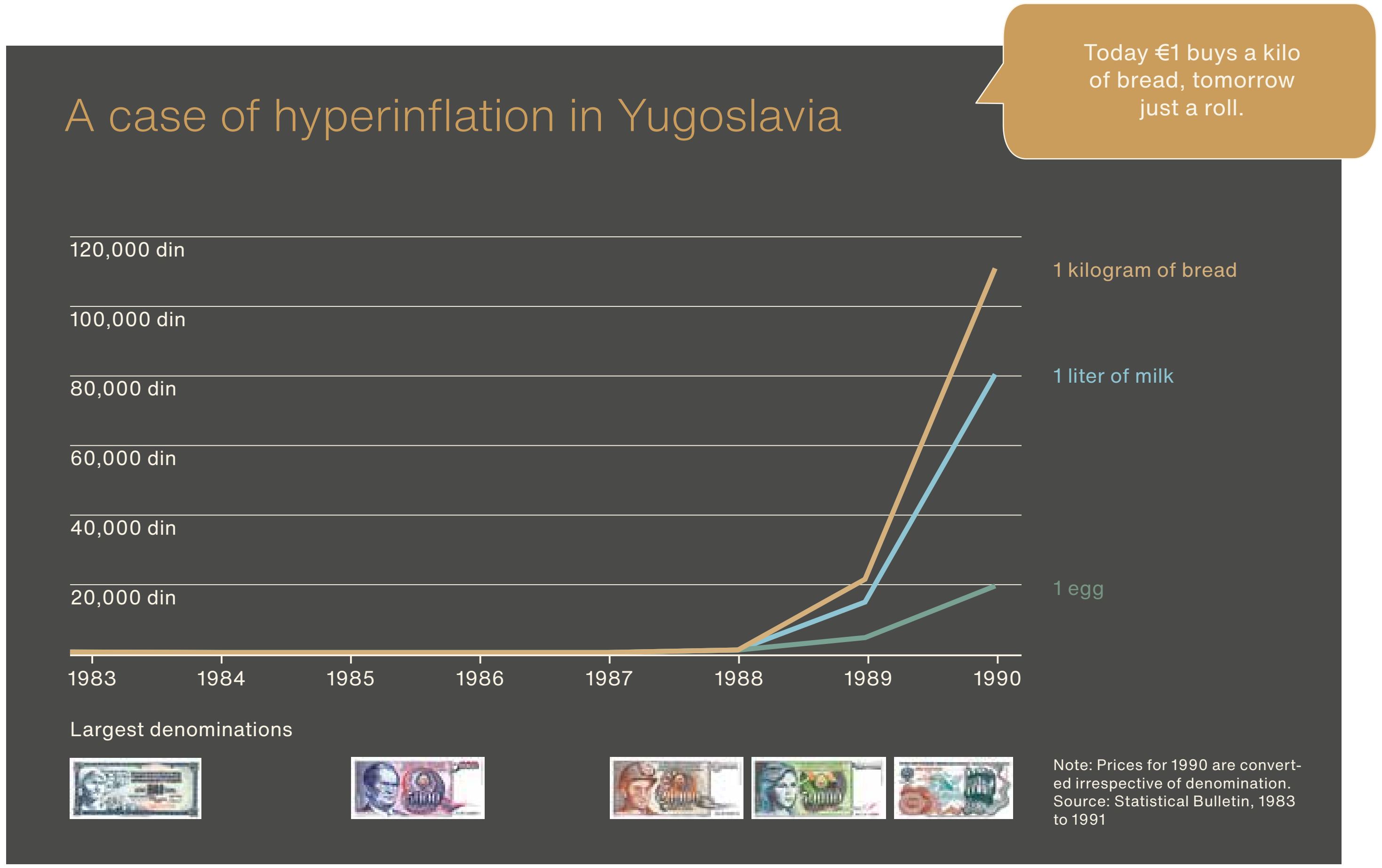
It certainly would not feel good to have saved up EUR 15 so next month you can buy new headphones, and then when you want to get them, the price has gone up to EUR 18.

If the price of a lot of the products you buy rises, your purchasing power declines. This means that with the money you have (your income and savings) you can no longer buy as much as you could previously. And if everything gets more expensive, you can demand higher wages from your employer. Then in order to pay higher wages to his employees, your employer can raise the price of his products or services. If this happens at a number of companies, many products will become even more expensive and the spiral continues. This then makes it harder for consumers and companies to plan their savings and investments. People can lose faith in the currency, because it loses value so quickly. And these are just a few examples of the negative side effects of high inflation.

Hyperinflation means conditions where inflation is very high or is persistently growing and gradually getting out of control. From a standpoint of social welfare, hyperinflation is an extremely damaging phenomenon that has long-term consequences both for individuals and society as a whole. There is actually no generally accepted definition of hyperinflation, but the majority of economists agree that circumstances where monthly inflation exceeds 50% can be described as hyperinflation.

What are the consequences of hyperinflation?

A 50-percent monthly inflation rate means that in a single year, prices increase by more than a hundred times, and in three years by even two million times or more. Without a doubt this kind of inflationary growth represents a major burden for society. In Germany after the First World War hyperinflation, which reached its peak in 1923, had devastating economic, social and also political consequences. Banks could not pay out savings and many people lost all their property. The realisation that prices were continually growing led to a vicious cycle. Certain that future prices would be even higher, people demanded higher wages. Higher wages increased the costs of production, and that meant even higher prices. At the same time, people kept accelerating their buying, since the money quickly lost its value. The government responded to the devaluation of the currency by adding increasing zeros on the banknotes, but soon it could no longer keep up with the giddy rise in prices. In time the costs of hyperinflation became unsustainable. Money completely stopped performing its function as a means of exchange, keeper of value and accounting unit. Barter trade spread, while paper money started being replaced with unofficial forms of money such as cigarettes, which retained their value.

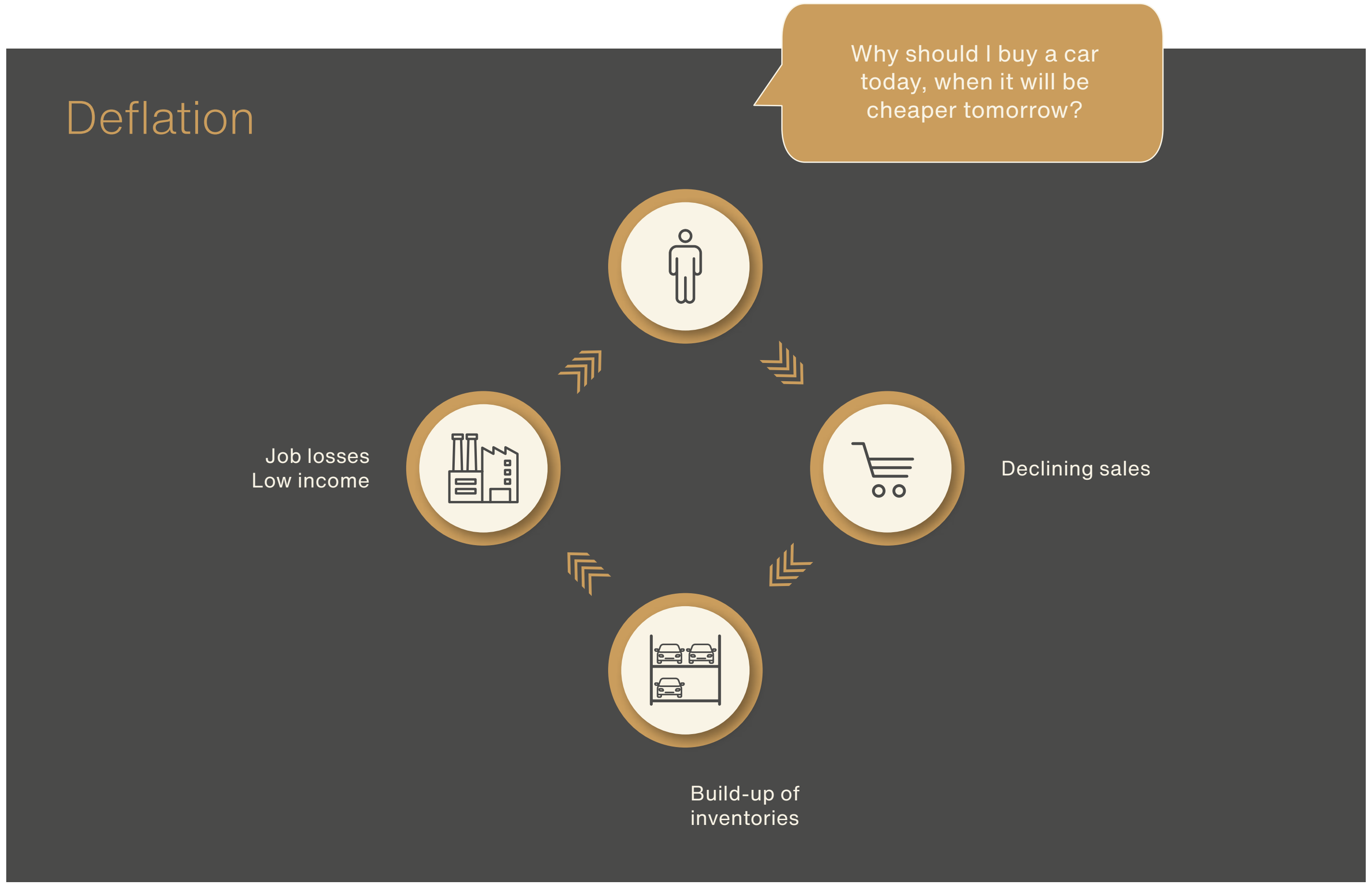


Deflation

Deflation can be defined as the opposite of inflation, or as a situation where the general price level falls over a certain period. It may result from a low demand for goods and services, which forces companies to sell their products at cheaper prices. Prices are said to be stable if, on average, they neither increase (as in periods of inflation) nor decrease (as in periods of deflation), but stay relatively unchanged. If, for example, EUR 50 can buy about the same "shopping basket" of goods as it could two years previously, then we can say that the general price level is stable.

While stable prices contribute to economic growth, job security and money being relied on to keep its value, long periods of (overly) high inflation or deflation negatively impact the economy.

A lengthy period of deflation can generate a spiral of accelerating price drops. This has a negative impact on companies, individuals and public spending. For consumers, price reductions might seem appealing, but a long-term and general decline in prices across the economy that does not result from improvements in production is problematic. For instance, if you want to buy a new sofa, but at the same time you know you can get it more cheaply if you wait a little, you will probably do just that. Then if everyone does that, manufacturers can quickly find themselves in difficulty, since no one is buying their products. With the decline in demand, they are forced to lower or freeze wages or even lay workers off, which then increases unemployment. So everyone feels the negative consequences of deflation.



Economic activity starts slowing down, since consumers and companies are reducing their scope of spending and investment. It can also become harder to pay off various debts, such as mortgages, since their amount will not go down even though your income might.

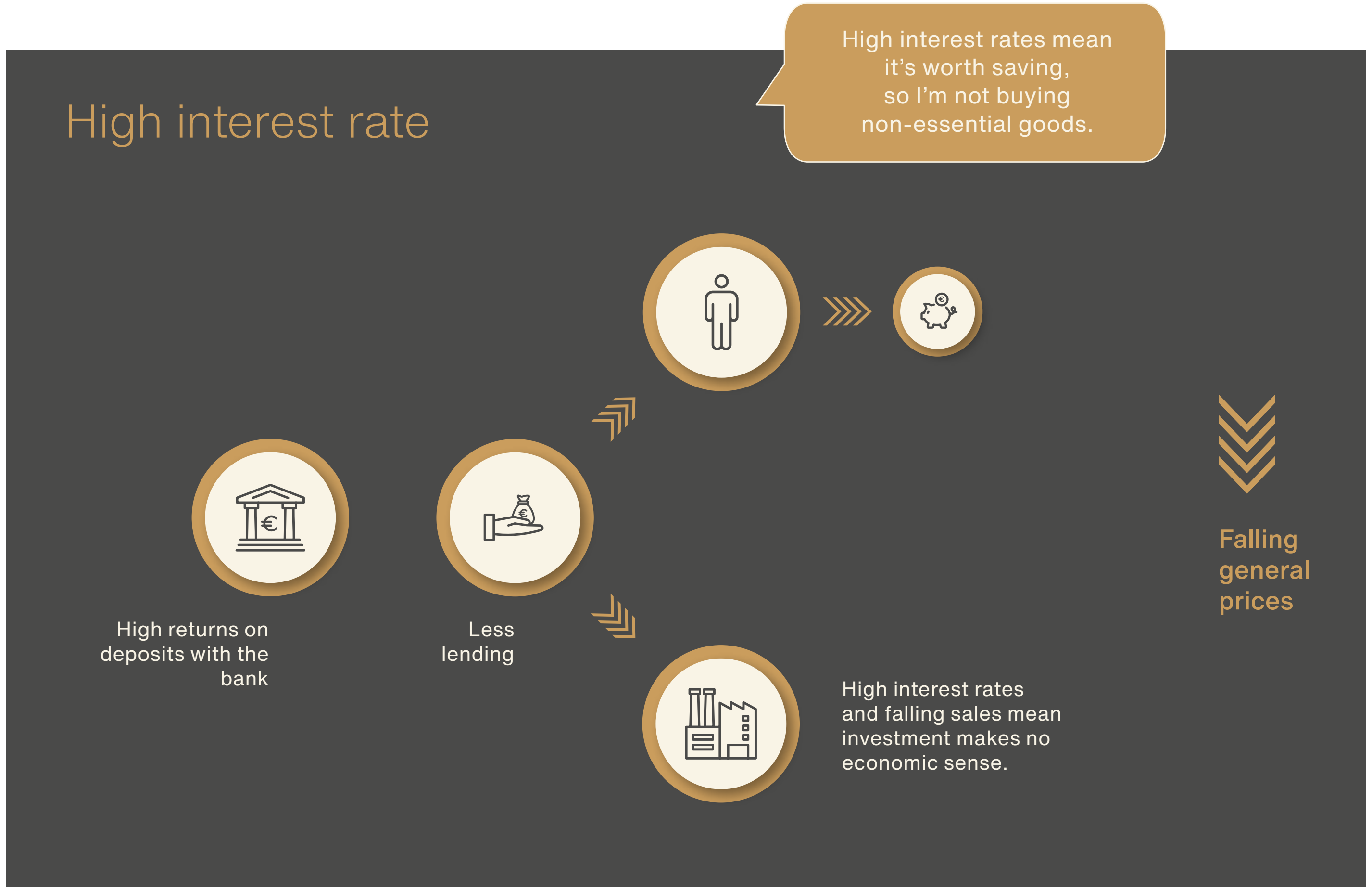
The same applies to public finances. When earnings and spending fall, tax revenue also falls, but governments still need to pay off general government debt. For this reason they might for instance reduce public spending on infrastructure and health. So once again, everyone feels the negative consequences of deflation.

Unstable prices mean the prices of all goods change drastically, frequently and unpredictably. As a result, it is difficult to judge whether the change in the price of a product makes it cheaper or more expensive compared to other products. Consequently, firms and consumers may misinterpret price changes and make mistakes in their purchasing decisions. This then leads to an unproductive use of resources, since it lowers the cost of lending money.

High or low interest rate?

When prices are stable, savers and lenders are prepared to accept lower interest rates on their savings because they expect the value of their money to stay the same over longer periods of time. Otherwise, they would want some insurance against the uncertainty of the future value of their money and a higher rate of interest for loans and deposits.

So lower interest rates are therefore beneficial for both savers and lenders. They mean lower borrowing costs for companies that want to buy more modern machinery and for people who want a loan in order to buy e.g. a car or a house. Encouraging companies to invest in this way helps to improve their competitiveness and creates extra jobs. This is another reason why stable prices are such an important contribution to economic growth and employment. Price stability is key to social stability, too.



Gold

chemical symbol: $^{79}Au_{196,97}$ (aurum)
chemical type: transition metal
density: 19,300 kg/m^3
aggregate state: solid
melting point: 1064.18°C
boiling point: 2855.85°C

— Did you know that gold is highly dense, and is 19.3 times heavier than the same volume of water?

Basic measurement unit

Gold is measured in ounces, a unit that has been used since 1671.

1 ounce = 31.1034768 g

— A single ounce of gold can be beaten into a 9 m^2 sheet or drawn into a wire 80 km long.

Gold bar

The standard gold bar (Good Delivery Gold Bar) weighs 400 ounces, or approximately 12.4 kg.

— The largest gold bar was manufactured by Mitsubishi Materials Corporation. It measures 45.5 cm in length, 22.5 cm in breadth and 17 cm in height, and weighs 250 kg. It is worth more than €11 million. It is currently on display at the Toi Gold museum in Japan.

Gold purity

The price of gold depends on its purity, which is measured in carats. Pure gold is 24 carat, while the higher the proportion of other metals, the lower is the carat number.

carats	purity	jewellery fineness
24	99.99%	999
22	91.7%	917
18	75.0%	750
14	58.5%	585
10	41.6%	416

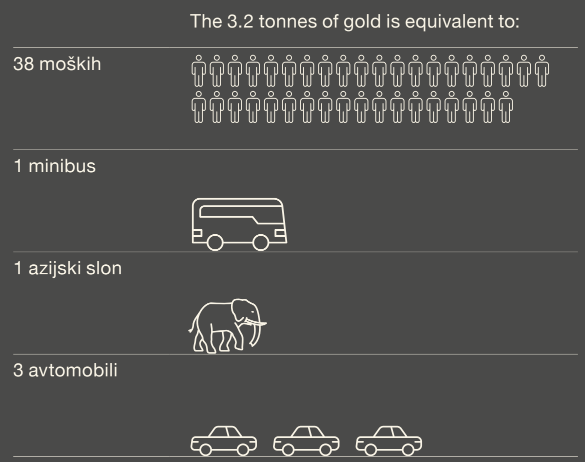
— Many countries keep their gold reserves in London. There is more than €200 billion worth of gold concealed beneath the streets of London, approximately a fifth of all sovereign gold reserves.

— Gold is an excellent conductor of electricity. A mobile phone contains around 0.034 g of gold.

— All the gold ever mined could be made into a cube with sides 21 m long.

Banka Slovenije *gold reserves*

3.2 tonnes of gold in Banka Slovenije's reserves monetary gold in the form of gold bars of standard form and minimum 99.5% fineness reserves available for emergencies the gold is deposited outside Slovenia.



5

Gold reserves

In order to maintain stability more easily, in the past central banks tied their value to gold and their own reserves of gold. It was only in the second half of the 20th century that this standard changed, yet nevertheless central banks still have gold reserves which represent for them principally an investment.

Banka Slovenije has 3.2 tons of monetary gold with a minimum 99.5 percent purity.

What is gold?

Gold is an element with the symbol Au (from the Latin aurum). It is a relatively rare element, a precious metal which through history has been used for minting money, making jewellery and other artistic purposes.

Gold has been a favourite since the times of Ancient Egypt and Antiquity. Due to its rarity and beauty, it soon became established as a monetary unit. Paper money initially served merely as a promise that the paper in question could be redeemed for gold.

Soon enough, this gave rise to what is known as the gold standard. Countries tied their currency to gold. Put another way, a country would convert paper money into a given quantity of gold. In this way the price of gold is fixed. But this standard started falling into disuse in Europe before the Second World War, when a need for greater quantities of money in circulation arose. The gold standard is therefore cover for the currency in stocks of gold, and the convertibility of paper money for physical gold. It was supposedly abandoned in 1971, for the reason that fixed exchange rates should be determined for currencies and market manipulation prevented.

The USA still holds the largest amount of gold. In second place is Germany. The largest quantities are produced in Africa and Asia. Of the countries that use the most gold, in top place is India, for the purpose of making jewellery. According to some estimates, Indian housewives own 11% of the world's gold stocks. Another interesting side note is that around 50% of the world's gold is used for jewellery, more than is used for investments.

Every piece of gold has some admixtures of other metals. If not from anywhere else, then from the moment you hold it in your hand. Moreover pure gold is very soft and malleable, so to make it harder it is mixed with other metals. The purer the gold, the higher its value. The percentage of purity is expressed in carats. Pure gold is 24 carat.

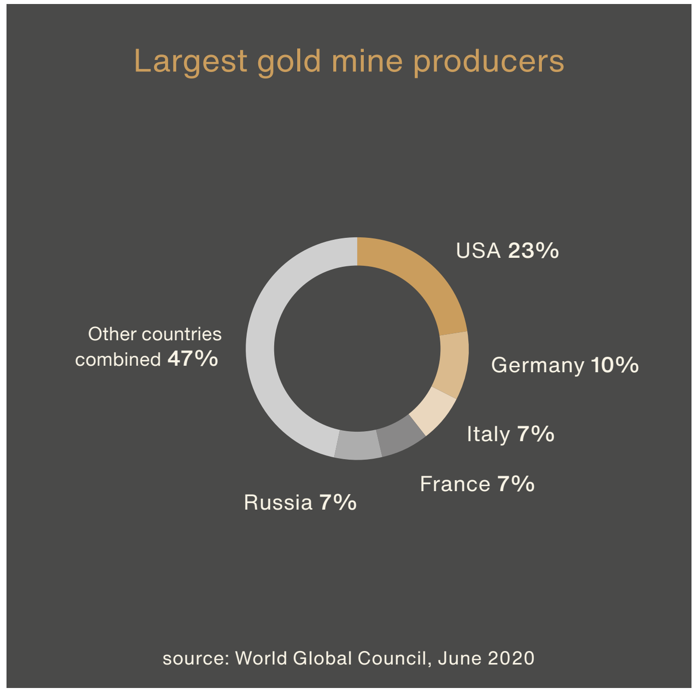
Gold is measured in ounces. This is an old English unit that has been in use since 1671. Precisely because of its malleability and softness, a single ounce of gold can be beaten into a 9 m^2 sheet or drawn into a wire 80 metres long. But in order for it to be stored away, gold is shaped into bars.

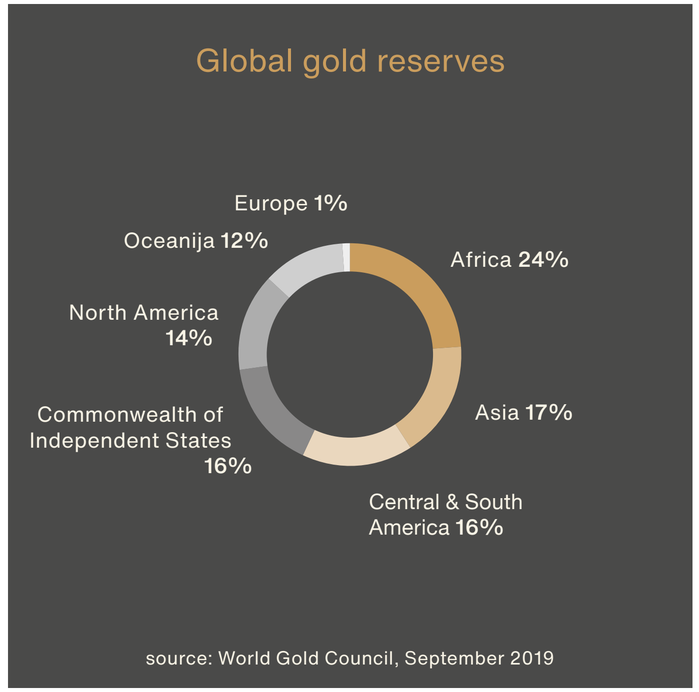
The standard bar weighs roughly 12.4 kilograms. The biggest one is in Japan and weighs 250 kilograms.

Gold in the financial markets

Gold has the characteristics of a physical raw material and financial asset, and demand for it is maintained through a diversity of sources. It is a luxury good used to make jewellery, while at the same time as a raw material it has a wide range of use, including in industry. Gold bars, coins and gold ETFs allow investors in financial markets to use gold for investment purposes, while central banks keep it in the role of a currency as part of foreign exchange reserves. While demand for gold jewellery and its use in industry are tied to consumer purchasing power and the economic cycle, demand for gold for investment purposes increases during times of global crises and recessions. For this reason, in the financial markets gold can even have an anti-cyclical effect (Beckmann & Czudaj, 2013). A market for gold has been in existence for over 6,000 years (Green, 2007). Today it comprises gold bars and coins, shares in mining companies involved in gold extraction, mutual funds and gold ETFs, central bank foreign exchange reserves and financial derivatives (Ratner & Klein, 2008). In contrast to other investment brackets, gold carries no political or credit risk, since it does not involve any obligation to anyone, and in contrast to fiat currencies its value cannot be undermined by artificial increases in funds in circulation or by extraordinary monetary policy measures (WGC, 2020d). Production of gold is quite inelastic, so stocks of gold in the market cannot drastically change in the short term (Baur, 2013). Gold is rare, but very liquid – the liquidity of the gold market is comparable to the liquidity in major stock exchanges (O'Connor, Lucey, Batten, & Baur, 2015).[3]

3 Taken from the publication Prikazi in analize, 2020 with the title Analiza naložbenih lastnosti zlata.





6 Education and training

Through its educational efforts Banka Slovenije strives to provide financial literacy for the population. To this end it organises education days aimed mainly at children and secondary school and university students. For secondary school pupils it also holds the Generacija €vro (Generation Euro) competition. Adults are offered guided tours of the Banka Slovenije Museum. Individual activities are presented below.

Banka Slovenije Education Days

Banka Slovenije has been holding its Education Days since 2017. These include a presentation of how the central bank functions, its main tasks, involvement in the Eurosystem and lectures on the subject of the central bank. Participants choose for themselves which topics are of interest to them. They are aimed mainly at primary and secondary school pupils. But every year some group of university students also attends. In addition to lectures, they are offered a tour of the premises that are accessible to outside visitors. These are the Banka Slovenije Museum, exhibition room Mala galerija Banke Slovenije and the cashier's desk.

Each year Banka Slovenije hosts around 900 visitors for the Education Days. In 2020 it also implemented online Education Days, for which it gained a very positive response from schools.

For more information on Education Days and to register for them, go to our website: https://www.bsi.si/en/about-us/education-day

Educational material and didactic games

In order to promote financial literacy, in addition to activities at Banka Slovenije there is a selection of material and didactic games available.

The stand-alone educational material is divided into three sets, depending on the difficulty and age-appropriateness. The first and second sets are aimed at primary school pupils, and the third for secondary students. The completed materials will include an interweaving of various tasks with an emphasis on financial basics and the basics of understanding how to handle money.

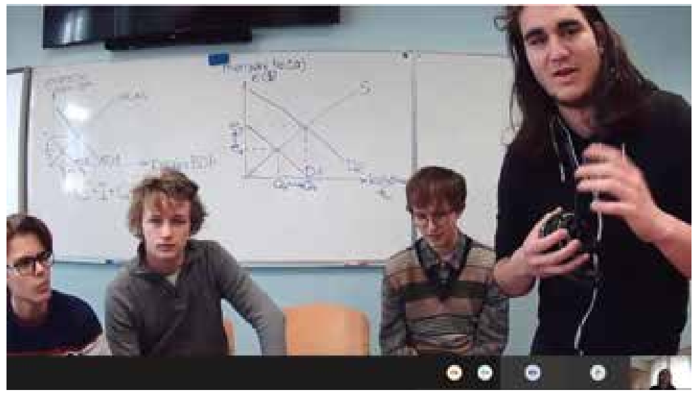
There are also large-format puzzles of commemorative and collector coins, which are used for workshops with pupils of the first and second primary school triads, which involves them learning about the issuing of money and various important events and figures in Slovenian history.

For secondary school pupils and young adults there is the social didactic game Banktivity, where players use pantomime, drawing and speech to guess concepts relating to finance and banking, thereby expanding or consolidating their knowledge in this field. Banka Slovenije makes a gift of the didactic game to schools on visits or sends them one following an online Education Day.

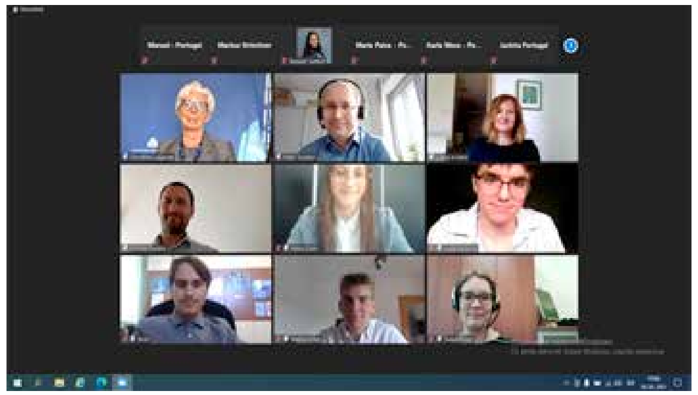
Generacija €vro competition

Banka Slovenije organises the Generacija €vro (Generation Euro) competition, which is aimed at students in the upper years of secondary school and takes place under the aegis of the ECB. Every autumn teams register for an online quiz. In the second round of the competition they must make an analysis of the ECB interest rate forecast. The best teams then present their analysis to a Banka Slovenije commission.

You can find more information on the competition on our website https://www.bsi.si/en/about-us/generacija-euvro








MUZEJ
BANKE SLOVENIJE
BANKA SLOVENIJE MUSEUM

Banka Slovenije Museum

The Banka Slovenije Museum offers free guided tours, workshops and education programmes for individuals and groups of all ages.

Our programmes are suitable for groups of up to 20 visitors. Arrangements for one of the organised programmes need to be made in advance, by emailing **muzej@bsi.si**.

Visit without prior appointment

The museum is open to visitors without prior appointment every third Thursday of the month.

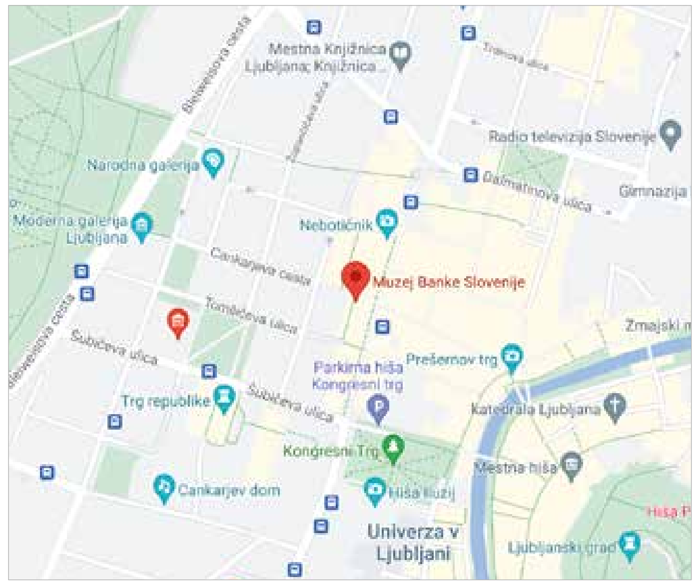
More information about the Banka Slovenije museum and our education programmes

telephone: **+386 1 471 90 00**
email: **muzej@bsi.si**
website: **www.bsi.si/en/about-us/banka-slovenije-museum**

E-newsletter

For the latest information about events at the Banka Slovenije Museum, you can register at the above web address to receive e-newsletters.

Banka Slovenije Museum
Cankarjeva cesta 1, Ljubljana
(entrance from the passage between Cankarjeva cesta and Tomšičeva ulica)



BANKA SLOVENIJE

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