

**SANPAOLO UNDERSTANDING PROJECT
FINANCIAL EDUCATION/INFORMATION PROJECT
“CURRENCY MODULE”**

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CURRENCY

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As part of an economic system, we all deal every day with “currency”, that is to say money in all its different forms. It is the means of exchange that makes all our financial transactions possible, starting from our daily purchases.

Our exchange “currency” is the Euro, valid in Slovakia since 1 January 2009, when the country was admitted to the “Eurozone”.

Without the need to discuss the merits of the economic aspects that becoming part of the Eurozone has meant for the country, it is possible to highlight a practical advantage. When we travel in the Eurozone we immediately become aware of how convenient it is not to have to exchange any money and have to calculate the exchange rate in the local currency. ([link to Exchange rates video](#))

Currency is all this

When we use our Euros, we put in motion all its functions.

The Euro is the **means of exchange**, because it allows us to purchase goods and services and it is the **unit of account** which measures the value of all economic transactions: it fixes the value of what we buy and tells us how much our bank account holds, measuring the value of our savings and our purchasing power. Then it becomes **a reserve of value**.

For further information

Minca, moneta, monnaie, money, moneda, ... many languages for a word that takes its name from the ancient Roman mint, which was located near the temple of Juno Moneta, so called because geese, which were sacred to the goddess, had saved Rome by warning the Romans (“moneo”, which means to warn) of the arrival of the Gaul invaders.

Today, every country has its own mint, the place where money is coined.

The Slovakian Mincovna Kremnica has an ancient history. Founded in 1328 in Kremnica, today it coins Euros. The Narodna Banka Slovenska, a member of the European System of Central Banks (ESCB), headed by the European Central Bank, is responsible for the production and

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management of the circulation of Euro notes and coins, on the basis of the quota defined within the Euro system.

For further information...

Today coins do not have an intrinsic value, that is to say linked to the value of the metal used for making the coins. In ancient times a coin made of a certain number of grams of gold was worth more than a coin made of the same weight of silver. The value of Euro coins and banknotes is extrinsic, that is to say that it corresponds to the exchange value assigned to it by the market. But this type of convertibility is at the base of phenomena linked to purchasing power, such as inflation, hyperinflation and deflation ([link to Inflation video](#))

Currency in the digital era

Currency has undergone incredible changes for practical reasons and above all because there have always been forgers, thieves and fraudsters.

The **cheque** was a brilliant idea, thanks to which for the first time there was no need to physically touch money. It was devised as a safe payment means which served first of all to transfer money more rapidly, with greater guarantees and safeguards. Attention is needed, however, to ensure that there are enough funds and to avoid accepting cheques of dubious provenance ...

The **electronic card** more and more often replaces cash payments, reducing the risk of thefts and ensuring traceability of transactions. But the card can be lost or stolen too. But, unlike cash, it is possible to immediately block its use with a phone call to the issuing bank. Furthermore an alert can be activated to send a message with every transaction.

Contactless cards allow payment by simply placing the card next to the reader.

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Keeping on top of expenses. Spending is easier with electronic means and it is, therefore, very important to closely monitor the actual disposable funds in our current account.

Many cards

Today “payment cards” made available by banks are quite varied. It is sufficient to contact our bank and ask which is the means that best meets our needs and how much it will cost us.

With **credit cards**, our account is charged just after the card is used.

With **debit cards**, the amounts are charged immediately and our bank can advise us immediately if we go in the red. It simply advises that it is not possible to make the payment.

With **prepaid cards**, we “load” a certain amount and we can use it until it is exhausted.

With **revolving cards**, we “load” a certain sum which is gradually repaid paying an interest rate ([link to Interest rate video](#)) and immediately reconstituted.

One tool for all purposes. Today, digitalisation allows to integrate different functions on the same device. For example, it is possible to pay directly with a smartphone. But the future of “currency” is in biometrics: applications that allow to payment with a digital print!

Exchanges in the digital era

Dematerialised currency has allowed to change the way we make purchases: from home, on the internet, with continuously evolving e-commerce.

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The advantages are in the costs (often lower compared with a physical shop), in the possibility of comparing many different offers, in the opportunity to receive the product at home, with the possibility to return it if it is not as expected.

To address the risks of theft of data that virtual exchanges posed at the start, today online payments are protected by sophisticated security systems put in place by banks.