

Cash Access, Cash Circulation and Risk in the EU

Security of Cash and Valuable Circulation Conference
Saint Peterburg, October 18th, 2016

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Secretary General

Roadmap

- 1) Social role and access to cash
- 2) Policies and forthcoming regulation(s)
- 3) Cash cycle: business is changing
- 4) 2015 Attack and Loss Update

- Not-for-profit industry body for the Cash-In-Transit (CIT) and commercial cash processing industry in Europe
- Based in Brussels Belgium, founded in 1975
- 90%+ of European CIT/CMC Industry represented
 - 120 Members (60% are CIT /CMCs operators)
 - Estimated global turnover over €5 Bn

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- Not a cash-less society...
55% of all payments are in cash

80% of all payments under €20 are in cash

(source: ECB)

- Not even a less-cash society
Value of Euro Cash in circulation: €1,100 bn
(That's 5 times the amount of January 2002...)

Since the 2008 financial crisis, increasing value of ATM withdrawals : +15% (source G4S)

Cash payments still increasing in numbers, but at lesser pace than the rate of growth of all payments.

Figure 24 Development of payment volumes, cash and non cash

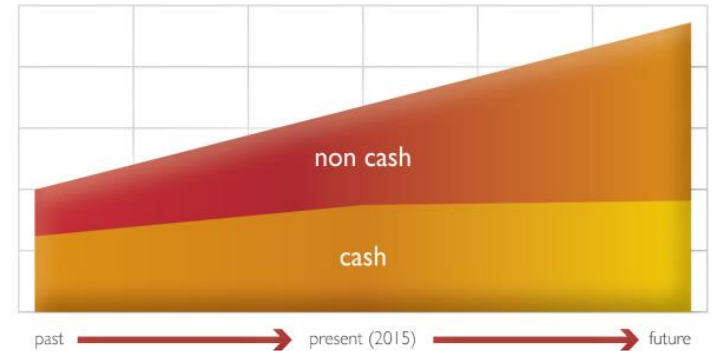
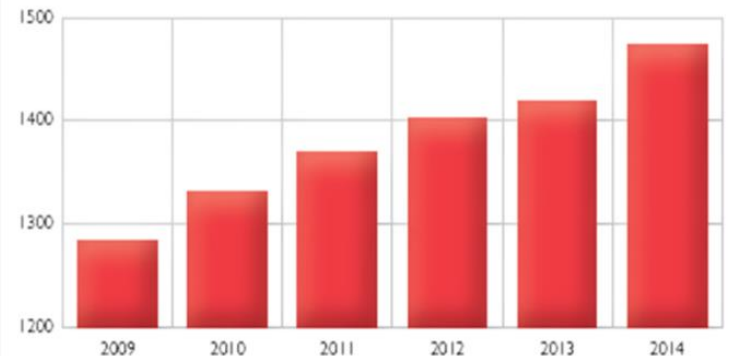


Figure 15 Value of ATM withdrawals (x Bio euro, 2009 - 2014)



Source: G4S 2016 Cash report:
www.g4scashreport.com

Cash must remain available to users.

The paradox is that access to cash is controlled by a stakeholder that has:

1. No interest in promoting cash, and
2. An interest in promoting its own competing products



"The banks have been too quick to reduce cash handling."

....If the banks continue to set the pace, there is a high risk that the possibility of using cash will disappear before alternative means of payment have become widespread and generally accepted.

To restrain this development, the Riksdag (the Swedish parliament) should introduce a clear obligation for the banks to provide basic functions that meet customers' needs."

**Legislation recommended
by Riksbank in Sweden**

We could not have said it better !

Norway Central
Bank's presentation,
Paris, 11 April 2016

Consequences

- More demanding for Norges Bank to relate to banks as counterparts
- Banks have reduced their competence on this area
- Banks have self-interest in phasing out cash
- Save costs
- Promote their own competing products, reduce competition

Legislation passed in Norway.

Norges Bank's basic view on cash (1)

- The users should decide how much cash is used
 - Should face prices that reflect the costs
- Cash should be available for the public, out of consideration for the overall efficiency
 - Has qualities that «account money»/«deposit money» don't have
 - Promotes competition as alternative to other means
 - «Fallback»-alternative until another means
 - the role as legal tender

Banks' adaptation / approach

- Find it difficult to charge their customers, prefer to reduce costs
 - Closing branches, ATM's and other cash services
 - Operations outsourced to a large degree
 - CIT companies, cash-back, «bank in shop»/«in-store banking»
- Promote changeover from cash to other solutions
 - Making cash less available
 - Publicly argue against cash
 - Promote own solutions
 - Phasing out cash would increase possibilities for charging fees for other solutions
- Question their responsibility to supply cash to their customers

Source: slides 6, 13 and 14 of Mr Leif Veggum, Norges Bank, Future of Cash Conference Paris 11-12 April 2016

Roadmap

- 1) Social role and access to cash
- 2) **Policies and forthcoming regulation(s)**
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- Commission's report "only" 21 cross border licenses granted since 2009
- "Possible" revision:
 - Definitions (e.g. majority pick ups/ 20 % non-euro cash limit...)
 - Language
 - Fire arms
 - Host transport arrangements (armoured vehicles, IBNS...)
 - Wages and social laws - level playing field
- **ESTA's position:**
 - Very low demand for cross border
 - Social rules are key but outside the scope of the Regulation
 - Fire arms and language: EU harmonisation very unlikely
 - Supports partial harmonisation (provided level playing field is guaranteed)



May 2016:

ECB announces phasing out of €500 notes as of 2018,
Justification: fight against crime

Wrong assumptions:

- Alleged correlation between Cash & crime (e.g. “*all criminals use cash at some stage in the money laundering process*” *): however:
 - Biggest crimes are not cash related
 - Large volumes of cash are a problem in themselves, irrespective of the type of denominations
- Alleged correlation between big denominations & criminal activities

Facts:

Europol report of € 1.5 bn cash seized p.a. in the Europol jurisdiction

- Is it all in €500 notes ?
- If so, it would represent less than 0,5% of all €500 notes in circulation by the end of 2015

ESTA's position:

Ineffective: not crime-free, but privacy-free

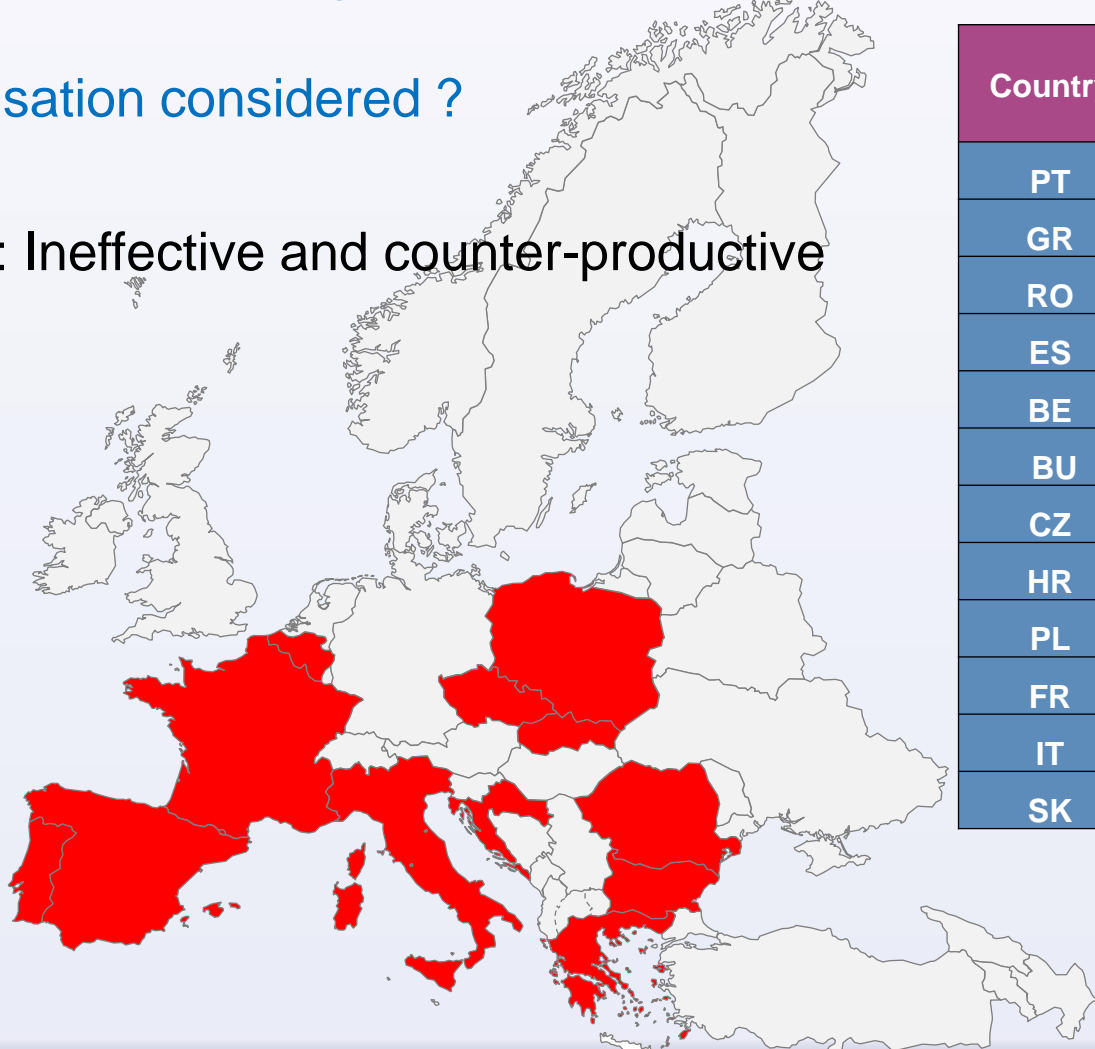
Risk of slippery slope: which one's next ?

Demand for €500 notes determined by other factors than just crime

12 MS have introduced legal limitations from 1,000 to 15,000

EU harmonisation considered ?

ESTA's views: Ineffective and counter-productive



Country	Limits
PT	1.000 €
GR	1.500 €
RO	2.200 €
ES	2.500 €
BE	3.000 €
BU	5.000 €
CZ	14.000 €
HR	15.000 €
PL	15.000 €
FR	1,000€/15,000€
IT	2.999 €
SK	5000€/15000€

Roadmap

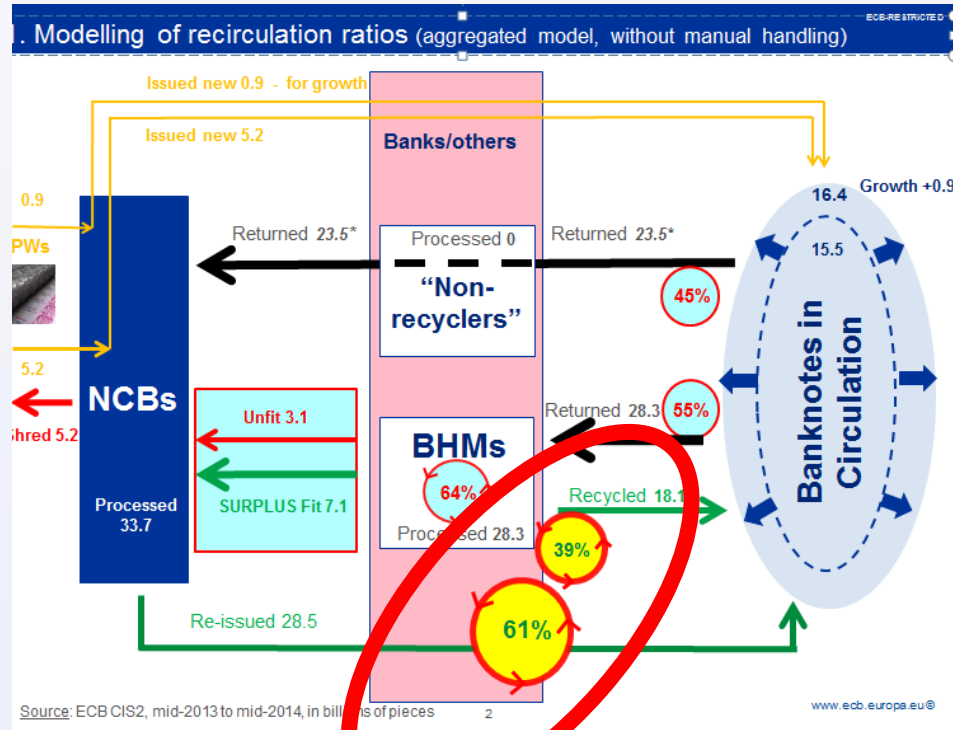
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High recycling potential

Increasing number of notes

Change from ES1 to ES2 Euro notes

General trend of downsizing of NCBs network/cash centres (-65% expected between 2002 and 2018)



(Source: ECB)

Cash is not free to users:

- Cash pays partly for itself (seigniorage)
- Cash is available primarily through ATMs: requires a bank account and a card, both subject to fees

A substantial reduction of the 'cost of cash' can be achieved through:

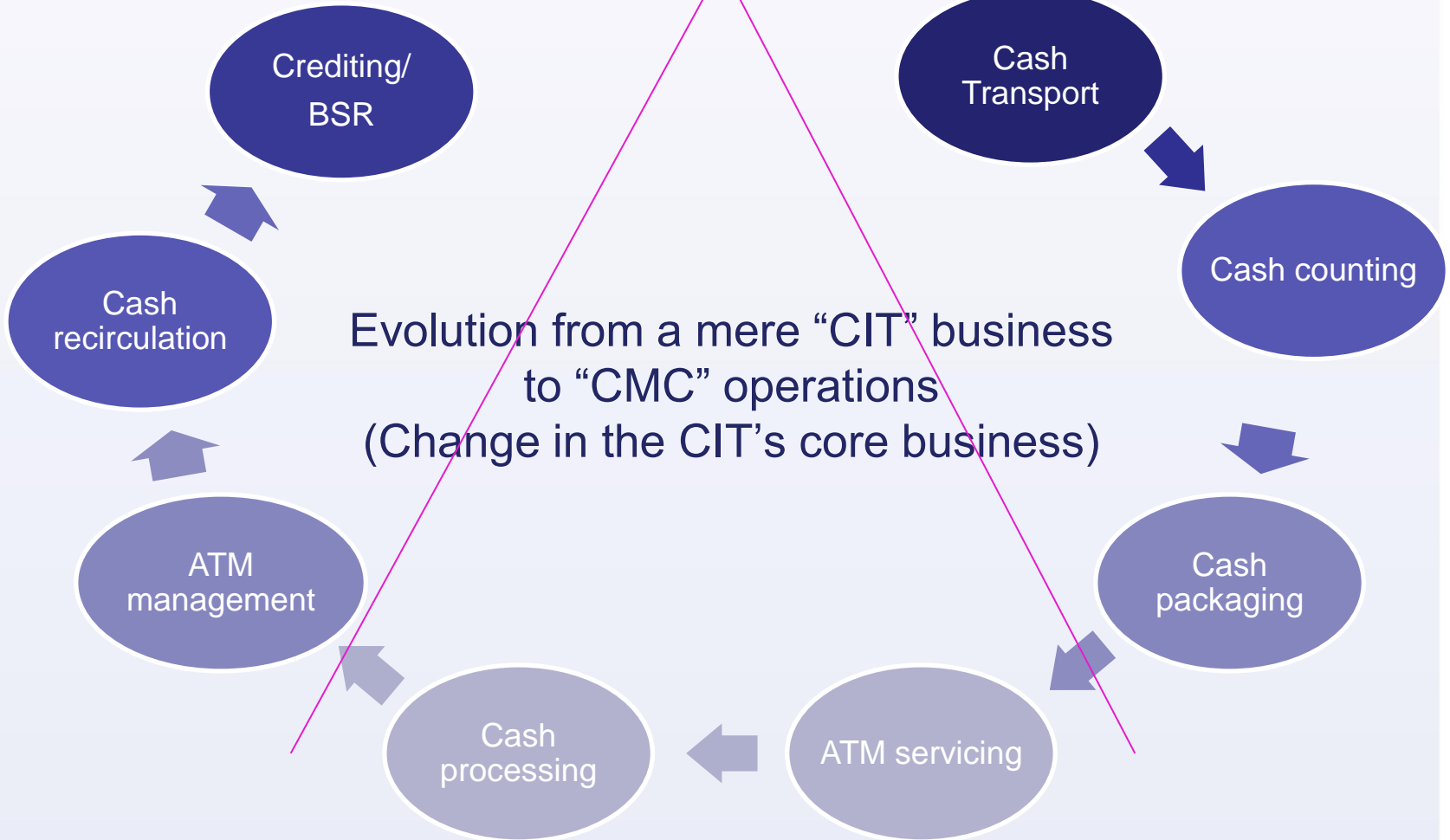
- Standardisation
- Clarity on the role of NCBs
- Shorter cycles, local recirculation
- Stronger cooperation between banks and CMCs

No one should feel forced to offer cash services

- But no one should act against the availability of cash to consumers
- There are alternative efficient solutions

"Delegation/partnership"

"Commodity"



"Facility management"

"Delegation/partnership"

"Commodity"

Less price-only competition



Focus on added value
for customers and for suppliers



Sustainable business
model

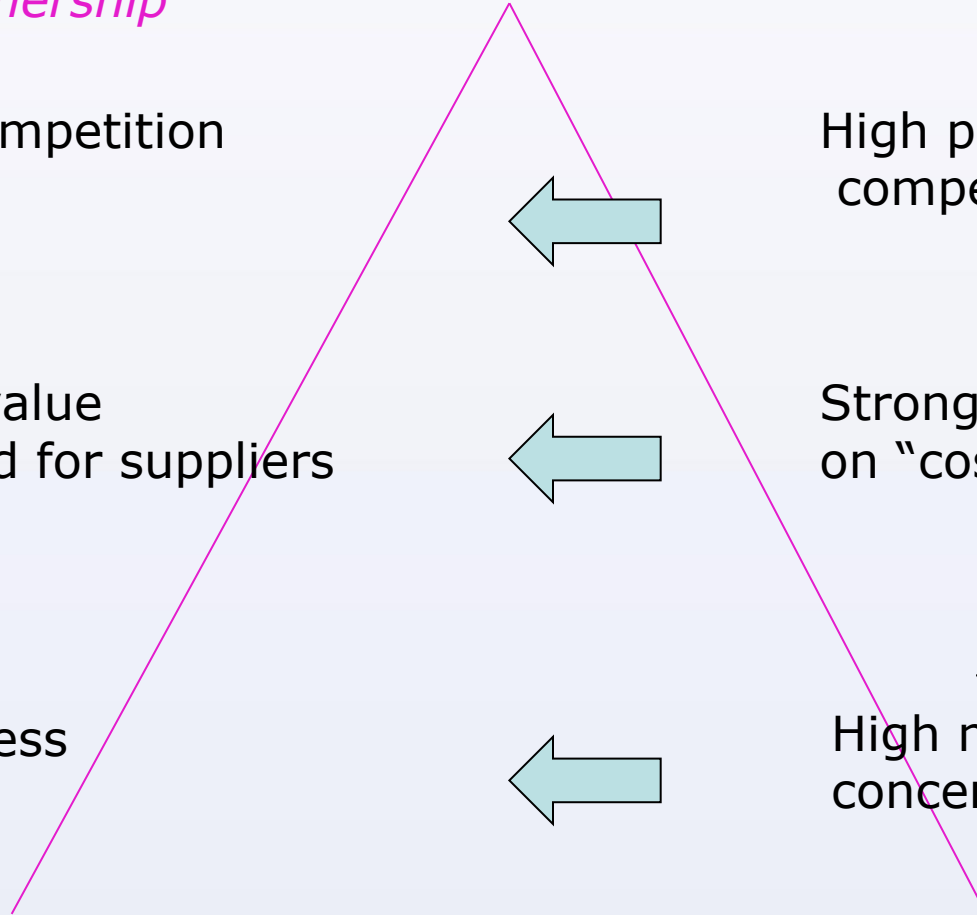
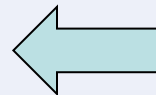
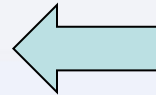
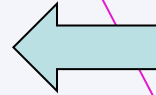
High price
competition



Strong emphasis
on "cost of cash"



High market
concentration



Roadmap

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- 3) **2015 Attack and Loss Update**

803 **Cash holding facilities**

14,779 **Vehicles engaged in cash carrying duties**

55,385 **Employees**

Covering 35 countries

(source: ESTA's attack and loss report 2015)

15 countries reported no attacks in 2015

Attacks concentrated in 5 countries : UK, IT, FR, IRL, DE,

73% of the loss in 2 countries

	2014	2015	Variance
Total Attacks	373	285*	Down -23,1%
Total Losses	€31,2M	€13,2M*	Down -57,7%
Total Losses (net)	€29,9M	€12,8M*	Down -57,1%

* excl. internal theft

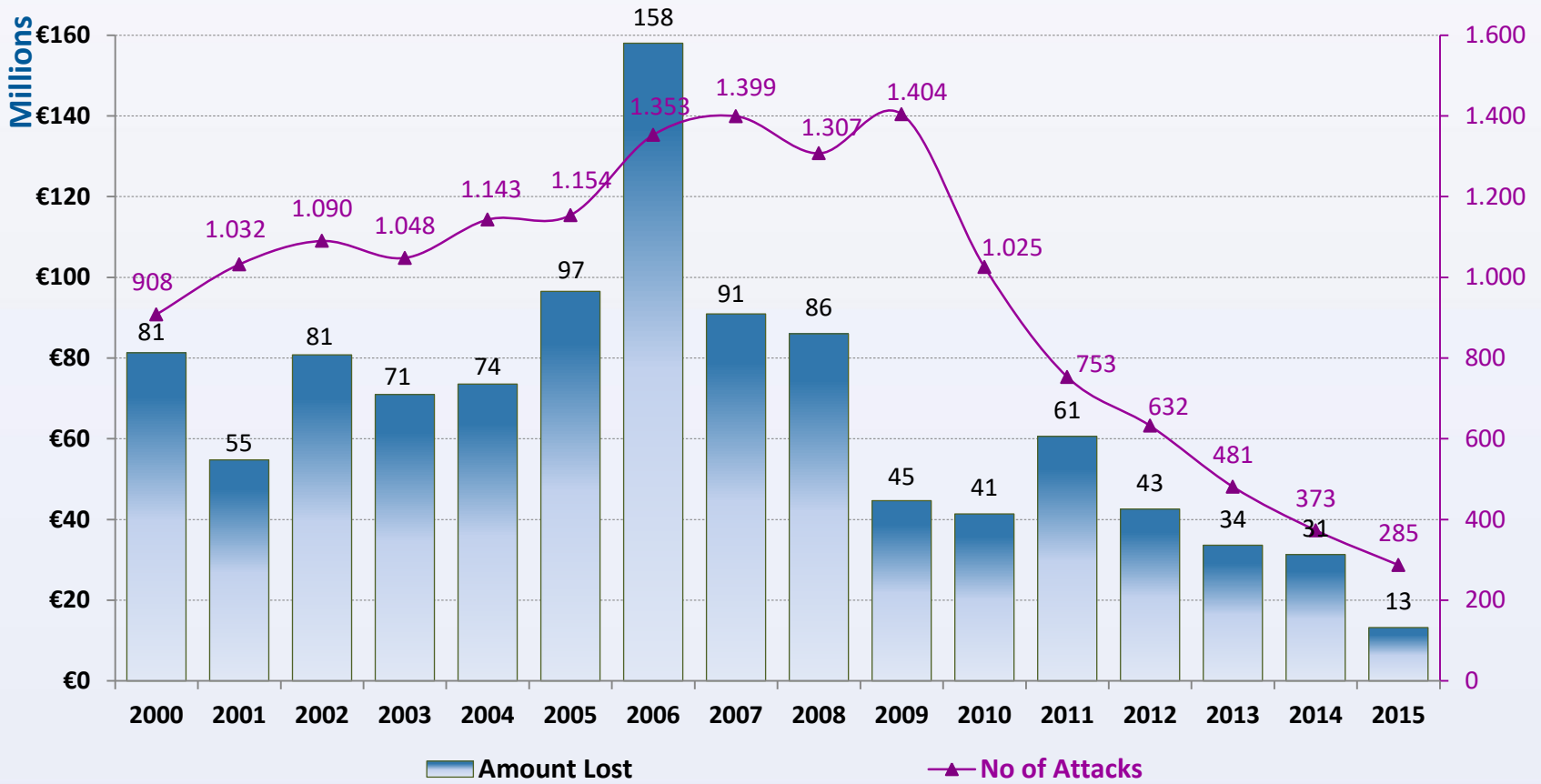
Main changes - countries

Country (# attacks)	Variance (2015 vs 2014)	Variance (2014 vs 2013)
UK	- 56	-47
FR	-15	-25
PT	-10	-1
SWE	-5	-18
CH	+3	-4
DE	+8	-2
GR	-4	+7

Country M€	Variance (2015- 2014)	Variance (2014- 2013)
IT	-8,7	-6,5
SWE	-2,2	+1,4
DE	-1,5	+1,7
FR	-1,3	-0,1
CH	+0,8	0

(Including internal theft)

Since 2009: **79% decrease in attacks;** **71% decrease in lost value**



Main changes – area of attacks

Area of Attack 2015	Grand Total No. of Attacks (2015)	Variance (Total No. of Attacks vs 2014)	Variance (NET LOSS - Million € vs 2014)
Attack Across Pavement	184	-67	- € 3,4
Attack on Vehicles	35	+2	- € 4,5
Attack of Customer / Service Premises	57	-21	- € 0.3
Tiger Kidnap Attack	3	+1	- € 0,7
Operating Centers	6	-1	- € 8.7
<i>Internal Theft</i>	10	-	-
TOTAL	295	-86	- € 17,1

Changes in areas of attacks in 2015 compared to 2014

Area of Attack	Total Attacks	Failed Attacks	No. of Fatalities	Serious Injuries	Explosives	Gross Loss	Total Recovery	Net Loss
Cross Pavement	-27%	-1%		-38%		-50%	-53%	-50%
Vehicles	+6%	-13%		-100%		-41%	-50%	-41%
Customer Premises	-27%	-24%		-66%		-13%	-96%	16%
Tiger Kidnap	+50%	-100%		0%		-89%		-89%
Operating Centres	-14%	-25%		-100%		-95%		-95%
Internal Theft	-	-	-	-		-	-	-
Grand TOTALS	-23%	-10%	0	-49%	-100%	-58%	-28%	-57%

European Attack & Loss Analysis



Significant increase in the percentage of failed attacks in 2015

Area of Attack	FAILED No. of Attacks (2015)	FAILED No. of Attacks (2015) %	FAILED No. of Attacks (2014)	FAILED No. of Attacks (2014) %
Attack Across Pavement	69	37,5%	70	27,7%
Attack on Vehicles	13	37,1%	15	45,5%
Attack of Customer / Service Premises	26	45,6%	34	43,6%
Tiger Kidnap Attack *	0	0,0%	1	50,0%
Operating Centres	3	50,0%	4	57,1%
TOTAL	111	38,9%	124	33,2%



Thank You !

Looking forward to
seeing you at
our 2017 conference



Portugal, 14-16 May 2017 Cascais Mirage Hotel

***“CRISIS & DISASTER MANAGEMENT:
CASH DELIVERS”***