



**A Community strategy to protect
the Euro in the Mediterranean area
PERICLES PROGRAMME**

Cash use and cash handling in Italy: ABI's role

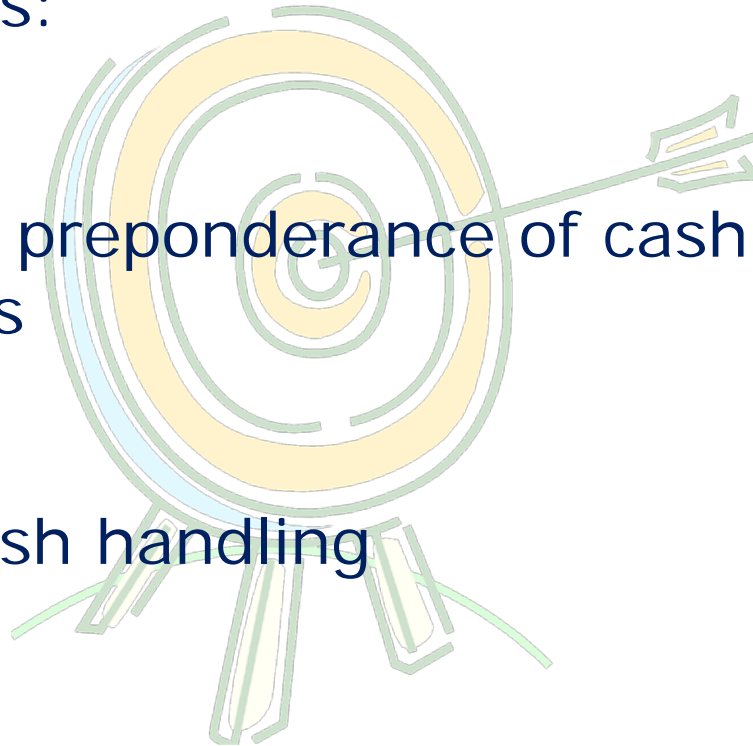
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Rome, 20 November 2014

Agenda

Two objectives:

- ✓ Reduce the preponderance of cash in transactions
- ✓ Improve cash handling

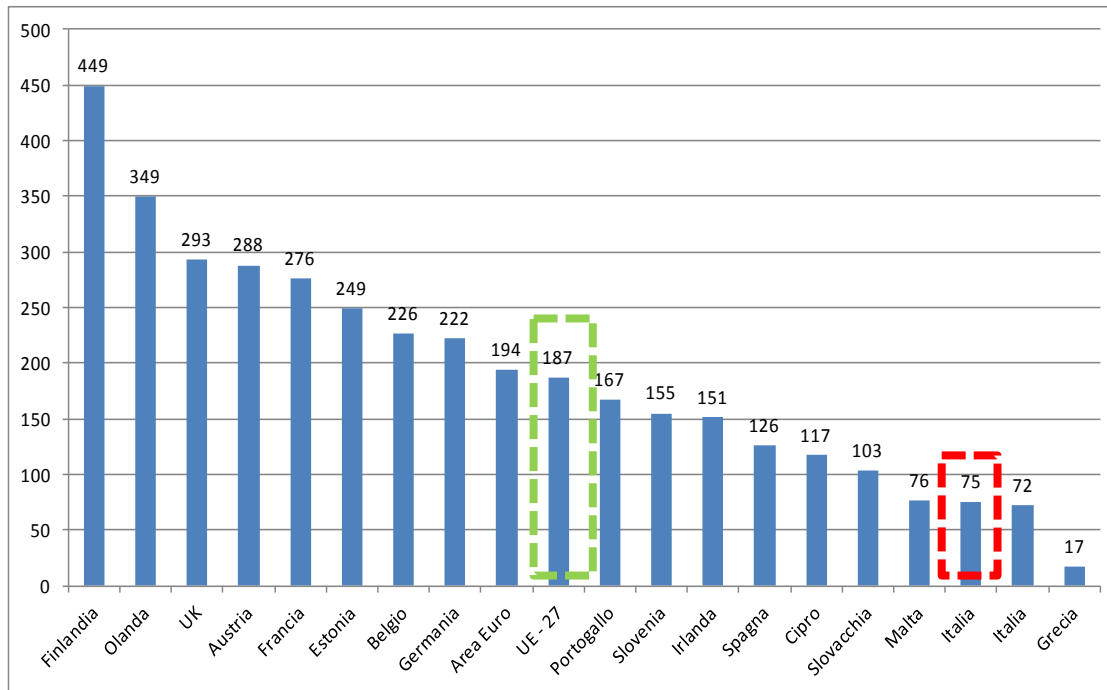


Cash and electronic payment instruments

In 2009 in Italy 90 transactions out of 100 were in cash, whilst the European average was 70: this gave rise to greater social costs for payments, less rapidity and transparency for the economy.

In **2012 in Italy payments in cash** dropped to **87 out of 100**, whilst the European average dropped to 60 out of 100.

Per-capita operations with electronic payment instruments (2012)



The growth in the number of **per-capita transactions with instruments other than cash** has shown a growth rate in Italy consistently lower than in the EU average, with a gap which continues to widen year after year.

2009: 66 operations in Italy
164 EU average

2012: 75 operations in Italy
187 EU average

Source: Bank of Italy, 2013 Annual Report

Source: Bank of Italy, 2013 Annual Report (May 2014)

Cash in Italy: state of the art

In Italy there is still an intense use of cash...

In late 2013, 46 million debit cards were in circulation, with an increase by 10.9% compared to 2012. With these debit cards **900 million withdrawal operations were performed at ATMs** (totalling 168 billion euros).

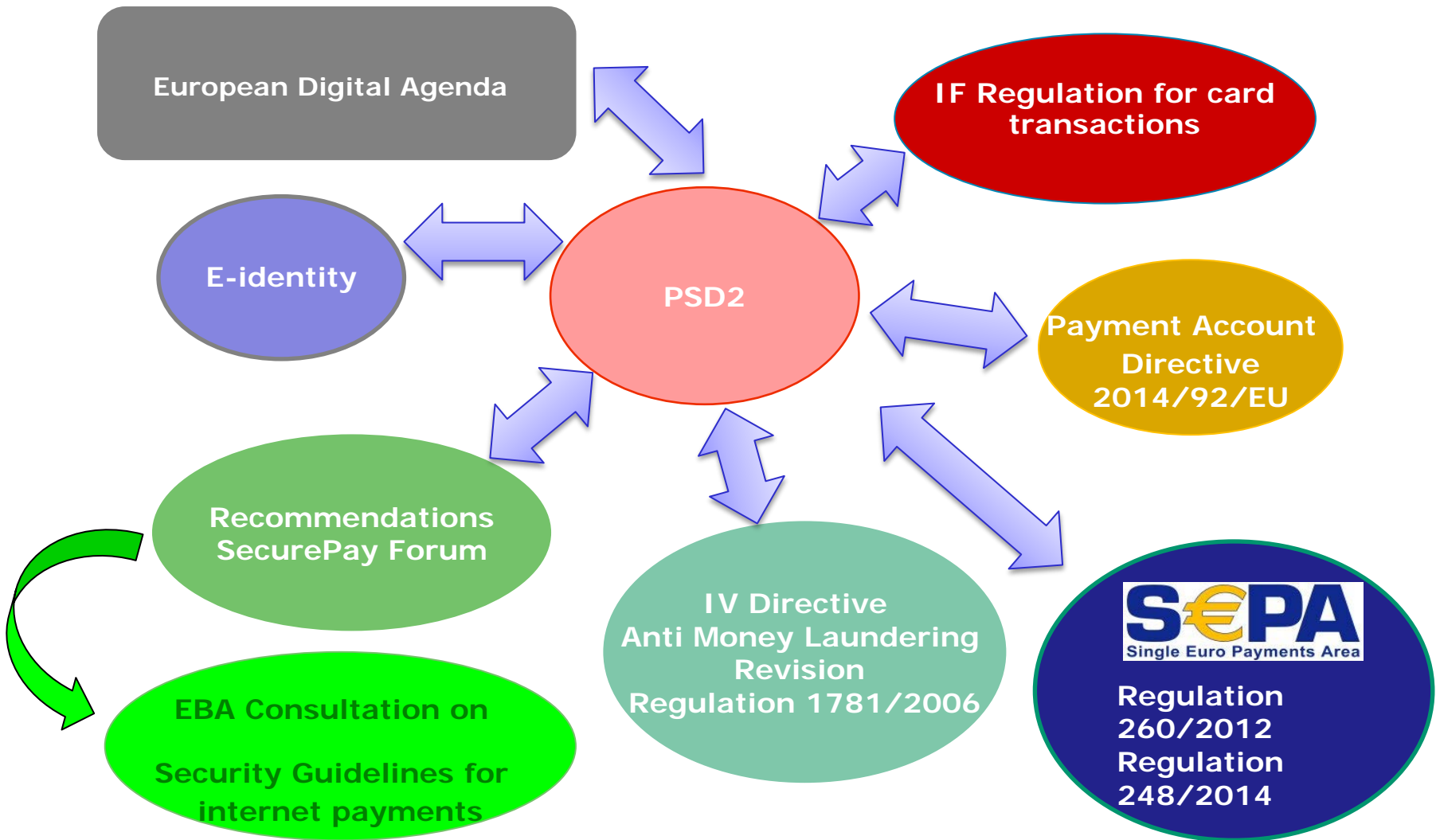
... yet the use of alternative instruments is growing

However, with these debit cards there were also 1.2 billion POS operations (for approximately 80 billion euros).

There was an 8% overall growth in debit card transactions compared to the previous year.

Also credit cards scored successfully: even though down in the numbers of cards in circulation (27.5 million at the end of 2013, i.e. -3% compared to 2012), they showed a net increase in terms of number of operations (590 million operations, +9.3% over 2012, for a value of 51 billion euros). The progression of prepaid cards was even more outstanding, as they reached 20 million (+5.5% year on year), bringing a total of 244 million transactions (way up at +30.9%) for amounts exceeding 12 billion euro (source: 2013 Annual Report)

EU legislative framework



Italian legislative framework

Article 12 SAVE ITALY

- **ELECTRONIC PAYMENTS FROM THE P.A.** = electronic instruments must be used for amounts over €1,000
- **FINANCIAL INCLUSION** = basic bank account (free of charge for disadvantaged customers and for those pensioners who receive up to 1,500 euros)
- General rules aimed at ensuring the reduction of **MERCHANT FEES FOR PAYMENTS** made **USING PAYMENT CARDS** → **MINISTERIAL DECREE 51/2014** of 14/02/2014, effective 29/7/2014

Legislative Decree 231/2007

- **PROHIBITION ON THE TRANSFER OF CASH (BEARER ACCOUNTS AND SECURITIES) OVER A CERTAIN AMOUNT (€1,000)**

Article 5 DAC ADI Guidelines

- **ELECTRONIC PAYMENTS TO THE P.A. (Legislative Decree 82 of 7 March 2005, as amended = Digital Administration Code)**
- **AGENCY FOR DIGITAL ITALY GUIDELINES** – published on 07/02/2014

GROWTH DECREE-bis

- **OBLIGATION TO ACCEPT DEBIT CARD PAYMENTS** = all economic agents who sell products and provide services, including professionals, are required to also accept PAYMENTS made USING DEBIT CARDS (art. 15.4) → **MINISTERIAL DECREE 24/01/2014 effective 30/06/2014**
- **PAYMENT FOR PUBLIC TRANSPORT USING A MOBILE PHONE** = Transport authorities and administrations, in compliance with the EU legislation, even in derogation of the national legislation for the sector, shall permit the use of electronic ticketing using mobile payment instruments, including telecommunication devices. The digital ticket is delivered to the communication device (Article 8.3)

Decree Law 70 of 2011

- **AMENDMENTS TO THE ROYAL DECREE 1736 of 21/12/1933 (Cheque Law) WHICH PLACES LEGAL VALUE ON THE DIGITAL TRANSMISSION OF IMAGES OF CHEQUES AND CASHIER'S CHEQUES (legal basis for cheque imaging procedures)**

Cash handling in Italy: state of the art (1/3)

- The banks have nearly completely externalised transport and handling services
- Some serious problems with outsourcers in 2013
- Resulting actions:
 - **Project for the operational continuity of cash:** rules and procedures to minimise and resolve problems resulting from the exceptional event of the sudden closure of a cash operator
 - **Joint inspections by banking groups and banks to verify the “global” balances.**
- During the inspections, verification of the application of the framework on banknote recycling.
- Indirect checks: capacity of the machines against the recycled amounts communicated to Banki of Italy. Direct hardware and software checks of the releases as per European Central Bank indications on its website
- Most counterfeit banknotes are detected during counting by outsourcers and in the banks.

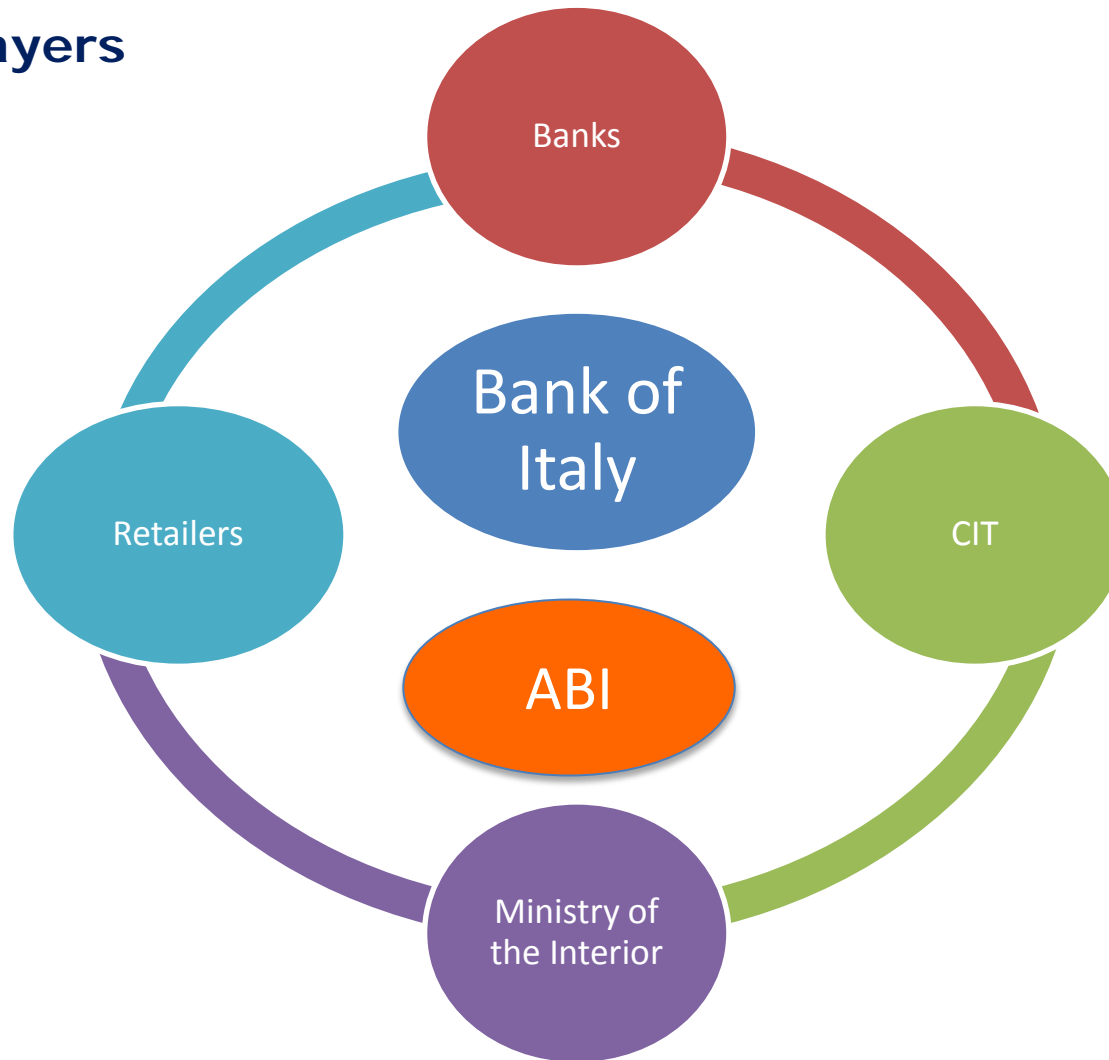
Cash Management in Italy state of the art (2/3)

- Banks are obliged to withdraw any banknotes that are suspect. Considerable work has been done with **communication and training** to ensure adoption of proper conduct in branch offices
- Among the Large Retailers, significant **efforts have been made to improve professionalism of cashiers** (there is no requirement to withdraw counterfeit money)
- there are false coins (phenomenon that did not exist with the lira, in view of its low value): we are waiting for the **Decree implementing the EU framework for coin recycling.**

- Cash Operational Continuity Project
- Cash Portal – POC
- Online Market for coins

Cash Operational Continuity Project (1/2)

The players



The objectives

- Crisis scenarios and emergency procedures
 - Minimum service agreement: definition of participant roles and responsibilities
 - Emergency procedures, backup sites
- Crisis Management Committee chaired by Bankitalia
- Test and simulation exercises

PHASE I – Portal for **online communication** to Banca d'Italia of half-year **notifications** concerning: counting locations, operational and master data.

PHASE II - Portal where institutional customers can **book amounts of cash to be withdrawn** from Banca d'Italia branch offices

- Based on the use of standardised packages (safebags) codified with GS1 codes
- Launch foreseen for **early 2016**

Benefits of Phase II

- Improvement of the service in terms of timeliness and precision
- Elimination of paper documents
- Elimination of unstructured procedures
- Improvement of planning and monitoring
- Centralisation of banks' management of cash withdrawals and deposits
- Standardisation of logistics and facilitator of integrated corporate processes

Online Market for coins (1/3)

- Commercial banks hold significant excesses of coins
- Commercial banks may only turn in their coins to Bankitalia in Rome
- For banks located in the north or the south, transport to Rome of excess coins is expensive

Objective



Development of coin exchanges among “banks in surplus” and “banks in deficit” giving greater efficiency to the coin circuit.

Online Market for coins (2/3)

Based on simple rules

- The **requests** published on the “online marketplace ” but not met through bilateral exchanges, after 2 weeks from submission by the requesting bank, are withdrawn and sorted at the MEF
- The **excess** notified on the “online market,” not absorbed by requests, are given priority consideration for deposit at the bank of Italy specialised Branch in Rome.



**Improvement of the reliability of coin cycle put in place
by banks and cash handlers**

Online Market for coins(3/3)

Based on simple rules:

- Exchange conditions (transport, procedures for settlement of the countervalue etc.) bilaterally set out and managed by the parties
- Coins authentication based on the criteria in EU Regulation 1210/2010, packaged in compliance with the standards provided for deposit at the Bank of Italy specialised Branch in Rome (see above mentioned forthcoming **Implementation Decree** of the EU framework for coin recycling)
- Face value coin exchange, with the value settled using instruments that ensure traceability of the operations (e.g. bank transfer)
- **The Italian Banking Association is promoting an interbank agreement in which rules for this market are set out**