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Central Means of Payment Antifraud Office (UCAMP) - Italy



# A community strategy to protect the Euro in the Mediterranean area

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## Cash in Italy \*

Banknotes in circulation at the end of 2014

- Number of banknotes 3,2 bln
- In value 142,2 bln

Changes on 2013

- In volume + 5,1%
- In value + 3,7%
- Share of Cash circulating in Italy vis-à-vis the Eurozone
  - In Volume 18,3%
  - In Value 14%

## Cost of cash

- ABI in 2005\*\* estimated a cost amounting to 10 bln euro/year
  - *Of which 7.2 bln borne by businesses and households and 2.8 bln by banks*
- Banca d'Italia in 2012 \*\*\* estimated a cost of 8 bln euro, equal to 0.52% of GDP
  - *The average in the EU is 0.40% of GDP*

\* Source: Banca d'Italia – 2014

\*\* Source: McKinsey – analysis of the cost of Banks

\*\*\* Source: Banca d'Italia: The social cost of payment instruments in Italy, November 2012



## Why do Italians use cash so often?

- Customers tend to perceive it as a zero-cost payment instrument
- It is not traceable, therefore it may not be directly associated with the transaction
- Cash is perceived as enabling people to have greater control over their spending and in some cases it is perceived as a safer payment instrument
- The number of individuals who do not hold a current account is still relatively high (the elderly and/or low income people)



## The cost of using cash

- In 2005, 91 out of 100 transactions were in cash, amounting to 5% of the total value of transactions
- The situation has improved but still today out of 100 transactions 87/89 are in cash.
- The cost of cash is estimated to amount to 133 euro per citizen in Italy (*source: Banca d'Italia, 2012*).



## The cost of using cash

- As regards banks, the cost components are the following:
  - Cash handling (employees, cash counting services provided by external firms, losses due to thefts and robberies)
  - Support tools (cash counting and checking equipment, etc. )
  - Cash transportation (cash transportation vehicles, security guards etc.)
  - Cash storage (cash storing sites, locked-up capital, etc.)
  - Security (security service, surveillance, insurance)





# The cost of using cash

## A negative record, but the situation is improving

### Special features

#### In 2013 bank robberies



1,236 **1,744 in 2009**



257



96



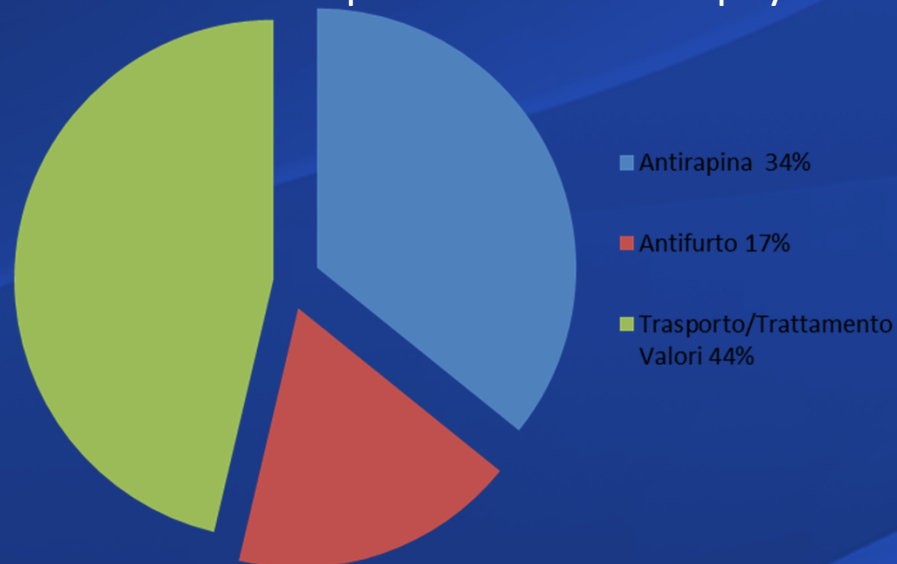
92

New anti-robbery devices: **explosive foam** which entirely fills the cash transportation truck and new armoring (plate made of composite material – more resistant)

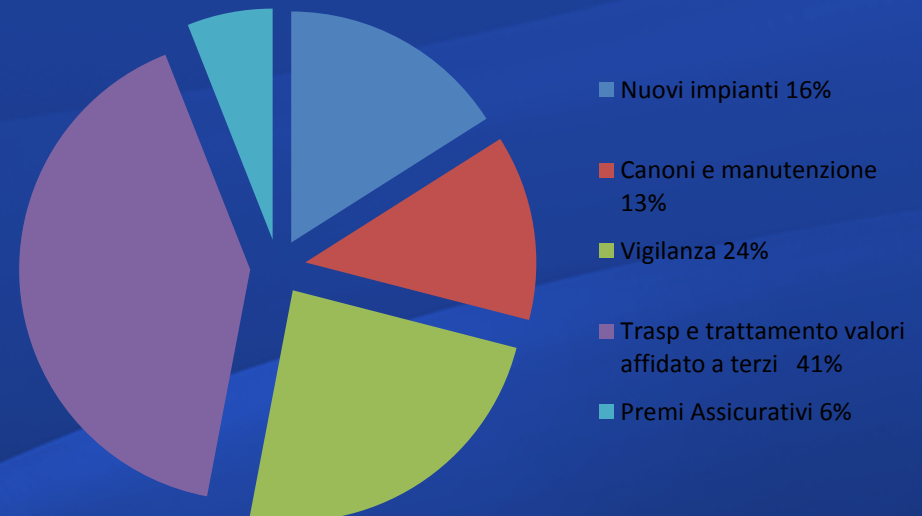


## The cost of using cash Investment in physical security

Total expense of banks for physical security in 2013 = 726 milioni euro



**Investment in strategic tools against robberies represented 34% of total investment**



**24% of the total went into vigilance and security services**



## The cost of using cash: let's reduce it

**Balance Sheet Relief** : arrangement between the NCB and certain commercial cash cycle participants to hold currency at selected locations (usually secure centralised vaults), in the name and to the value of the NCB, resulting in a reduction in the financial cost of cash inventories in a cash cycle.

This stimulates wholesale cash recirculation whilst reducing the operational involvement of the NCB. The introduction of a BSR mechanism can lead to cash cycle improvements.

**Notes Held To Order** : arrangement between the Central Bank and some financial institutions to hold currency at selected locations (usually secure centralised vaults) in the name, and to the value of, the Central Bank.

The Bank of England introduced one of the earliest such schemes in the UK in 1982. Similar arrangements exist in other selected countries





## Recycling of banknotes and coins...the framework on recycling

There are **152** (1/7/2015) **cash centers in Italy** (49 are handled in-house by banks and **103** performed by service providers)

There are **27,657** (1/7/2015) **framework compliant machines** located in the branches or count rooms handled by banks and service providers.

Only in some small banks the framework is internally handled



## There is recycling ...and *laundrying*

Most **SOS** (signaling of operations suspected) are for cash use ...anti money laundering, black market, embargo.....

Limit of 1,000 euro (2012) euro and possibile revised limit of 3,000 euro

Deposit of cash more than 3,500 euro in banknotes of 200 and 500 euro ...



## Some topics under discussion in Italy and in Europe

- Intelligent Banknotes Neutralisation Systems **IBSN**
- A stained banknote is likely to be a stolen banknote
- The communication of this «problem» to the public
- Legal tender or not legal tender? - Limit the acceptance of stained banknotes
- EU Regulation on cross-border euro cash transport (Cash Edi ? GS1)



***Any questions?***

**Thank you for your attention**

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