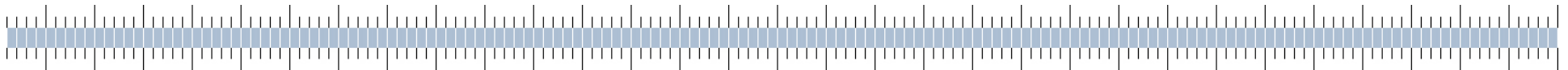


The Bundesbank's views on cash processing in Germany

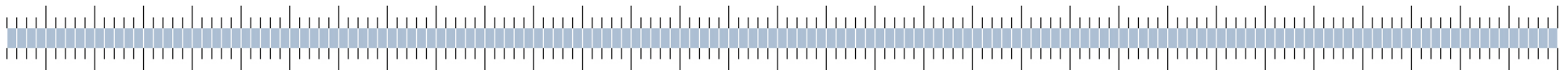
**ESTA Business Conference
Porto, 14 – 16 June 2010
Helmut Rittgen
Head of the Cash Department**



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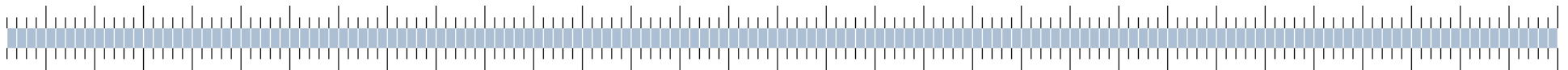
- Cash demand and cash cycle in Germany**
- The Bundesbank's objectives and strategy**
- Current status of private banknote recycling**
- Market obstacles and developments**
- Measures by the Bundesbank**
- Outlook**



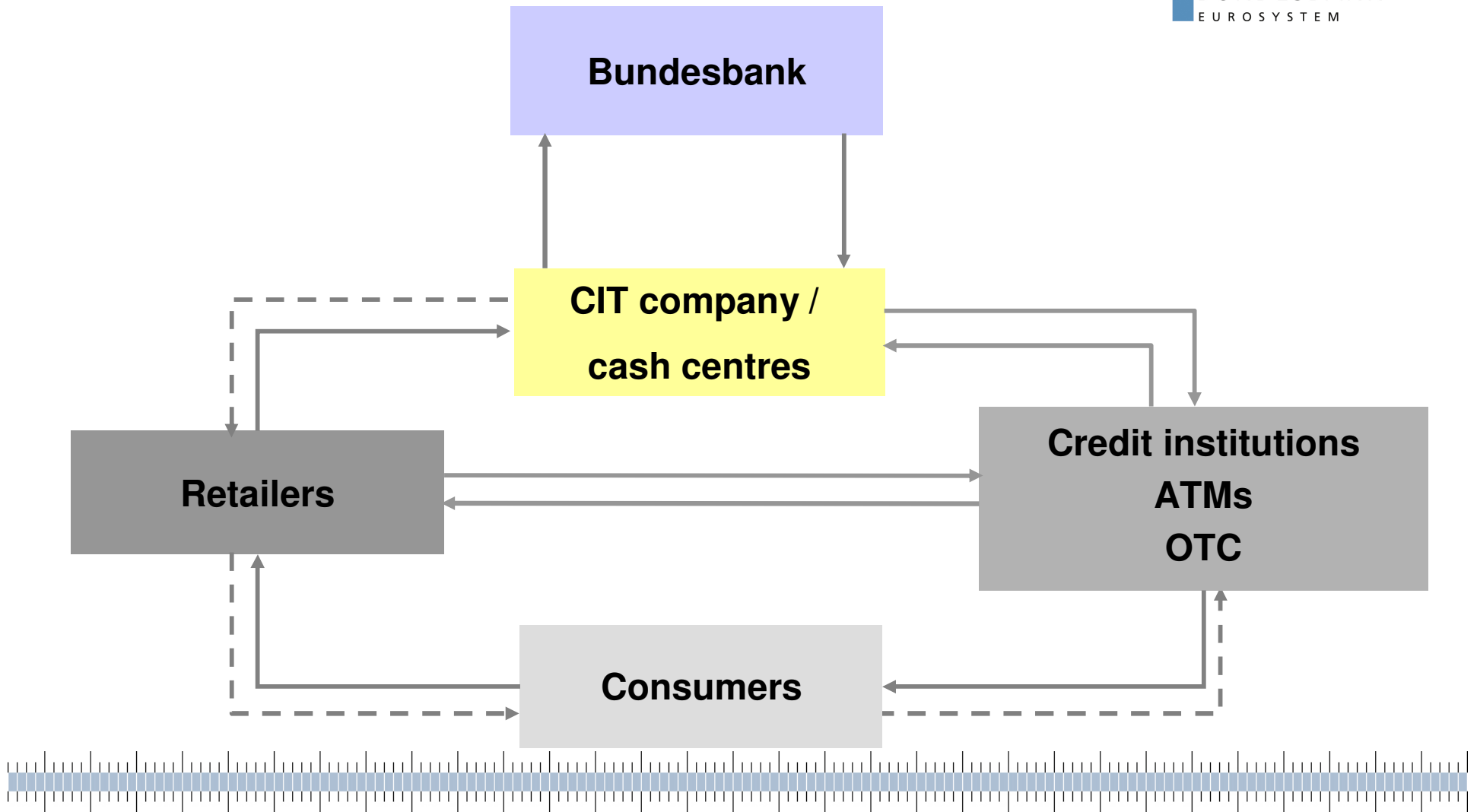
Cash demand in Germany



- Strong preference for cash in Germany**
- Steady decline of cash payments at the Point of Sale over past few years**
- Cash to remain most frequently used means of payment in the future**
- Stable basis for processing, recycling and transport by CIT companies**



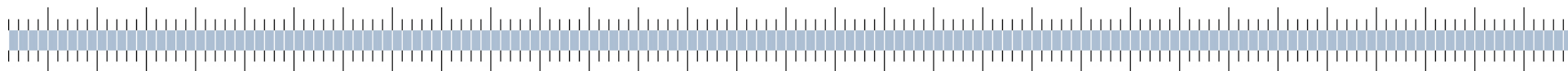
The cash cycle in Germany



The Bundesbank's objectives



- High quality of the banknotes in circulation**
- Smooth supply of cash, including in emergency and crisis situations**
- Protection of cash against counterfeiting**
- Efficient cash supply and infrastructure**



The Bundesbank's strategy



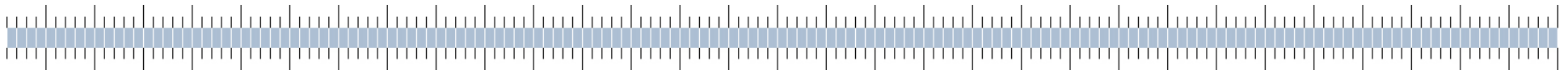
Improving efficiency

□ Internal

- Multi-denomination processing (142 systems – BPS 1120 from Giesecke & Devrient)
- Increasing the degree of automation
- Consolidation of the branch network

□ Macroeconomic

- Reducing the number of steps in the processing chain
- Reducing deposit requirements
- Privates banknote recycling (aim 50%) □ Bundesbank takes neutral position with regard to which market participants become involved in cash recycling

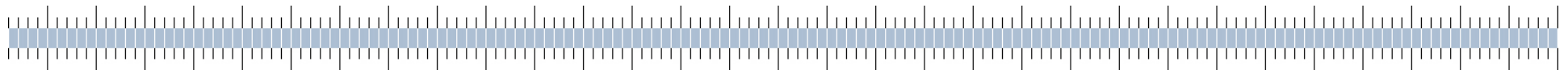


Current status of private banknote recycling (April 2010)



- **Implementation of the Banknote Recycling Framework with credit institutions on the basis of individual contracts since mid-2007**
 - **Recycling mainly via customer-operated systems**
 - **Smaller share of back office recycling**
 - **Largest share is OTC-recycling**

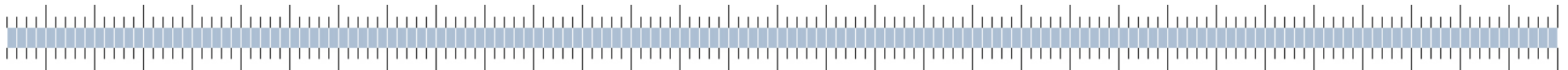
- **At present, CIT companies are not involved in banknote recycling**



Market obstacles and developments

- **CIT industry**
 - **Crisis of confidence since the Heros insolvency**
 - **Lack of business models**
 - **Investment capacities?**

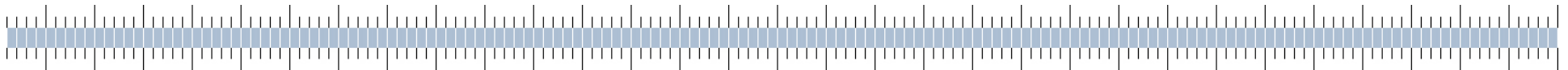
- **Recycling developments**
 - **Coin recycling □ expansion to include banknote recycling?**
 - **Cooperation between retailers and credit institutions**
 - **Cash back procedure in supermarkets**



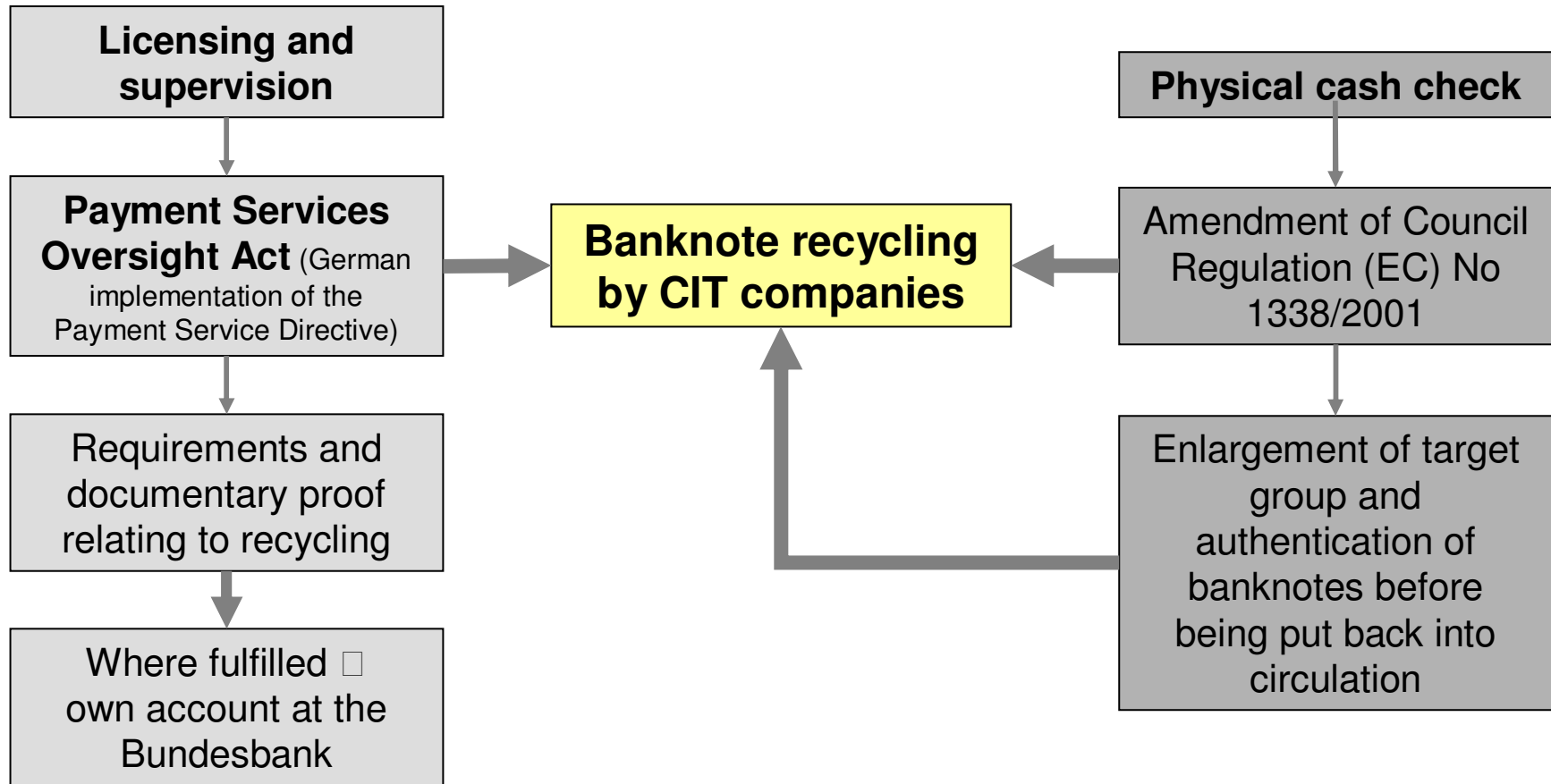
Measures by the Bundesbank



- **Promotion of cash recycling through**
 - **Streamlining its branch network**
 - **Fees and service level adjustments in November 2009**
 - **Single-denomination coin containers from 2011**
 - **Helping to draw up the new legal framework**



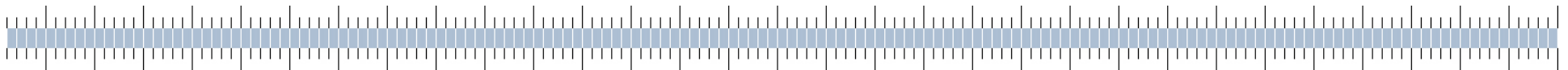
Legislation with implications for banknote recycling by CIT companies



Outlook



- **Private banknote recycling**
 - **Development of new business models**
 - **Bundesbank to remain an active partner**
 - **Bundesbank not working on alternative outsourcing models, such as NHTO schemes or incentives for CIT companies**
- **Solutions and innovation are required by the market participants**





**Thank you very much for
your attention**

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DEUTSCHE BUNDESBANK