

Increasing efficiency in central bank cash operations and its impact on the commercial sector - the Hungarian experience

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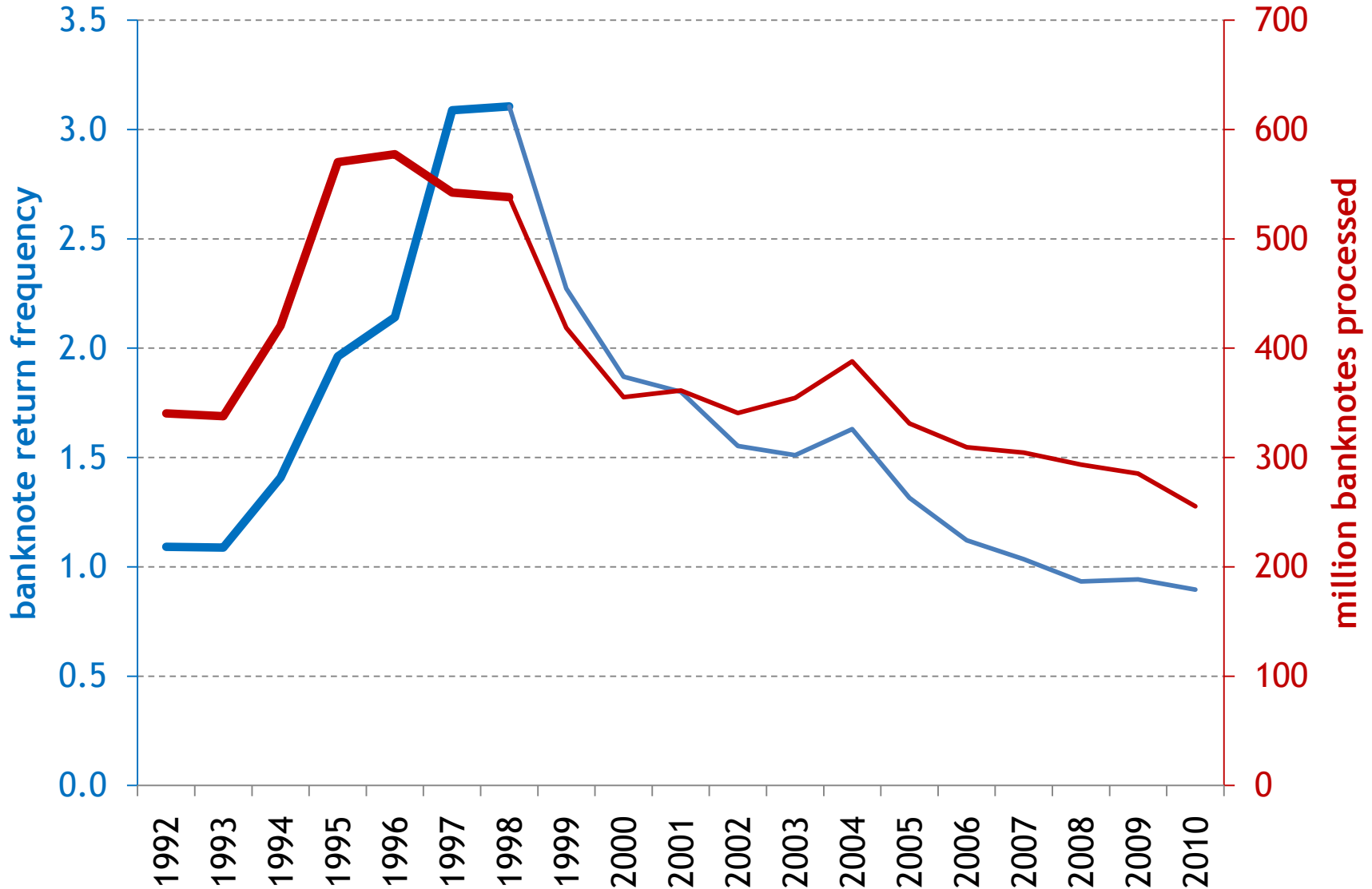


MAGYAR NEMZETI BANK

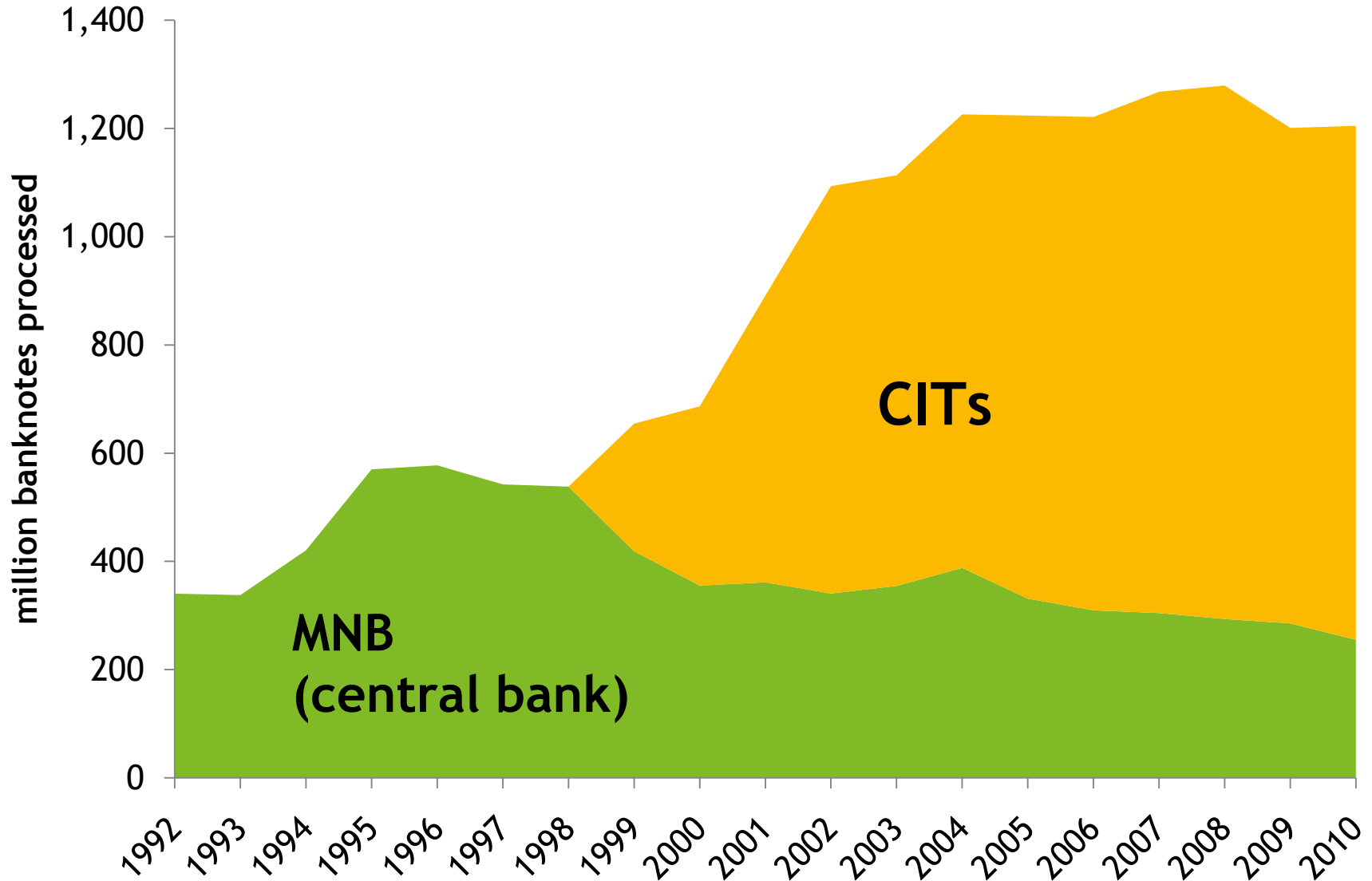
A decade of change

15-20 years ago	Now
<i>MNB (Central Bank)</i>	
Extensive: 19 branches, 300 staff	Minimal: 1 cash centre, 64 staff
Manual operations, paper-based admin.	Automated & standardized operations, paperless admin.
<i>Commercial Banks</i>	
In-house cash transport, vaults, sorting, ATM replenishment; no intra-bank trade	Transport, sorting, ATMs mostly outsourced to CITs; daily intra-bank trade
<i>CITs</i>	
Fragmented, mixed standards, manual sorting	Highly concentrated, logistical hubs facilitating trade, automated sorting

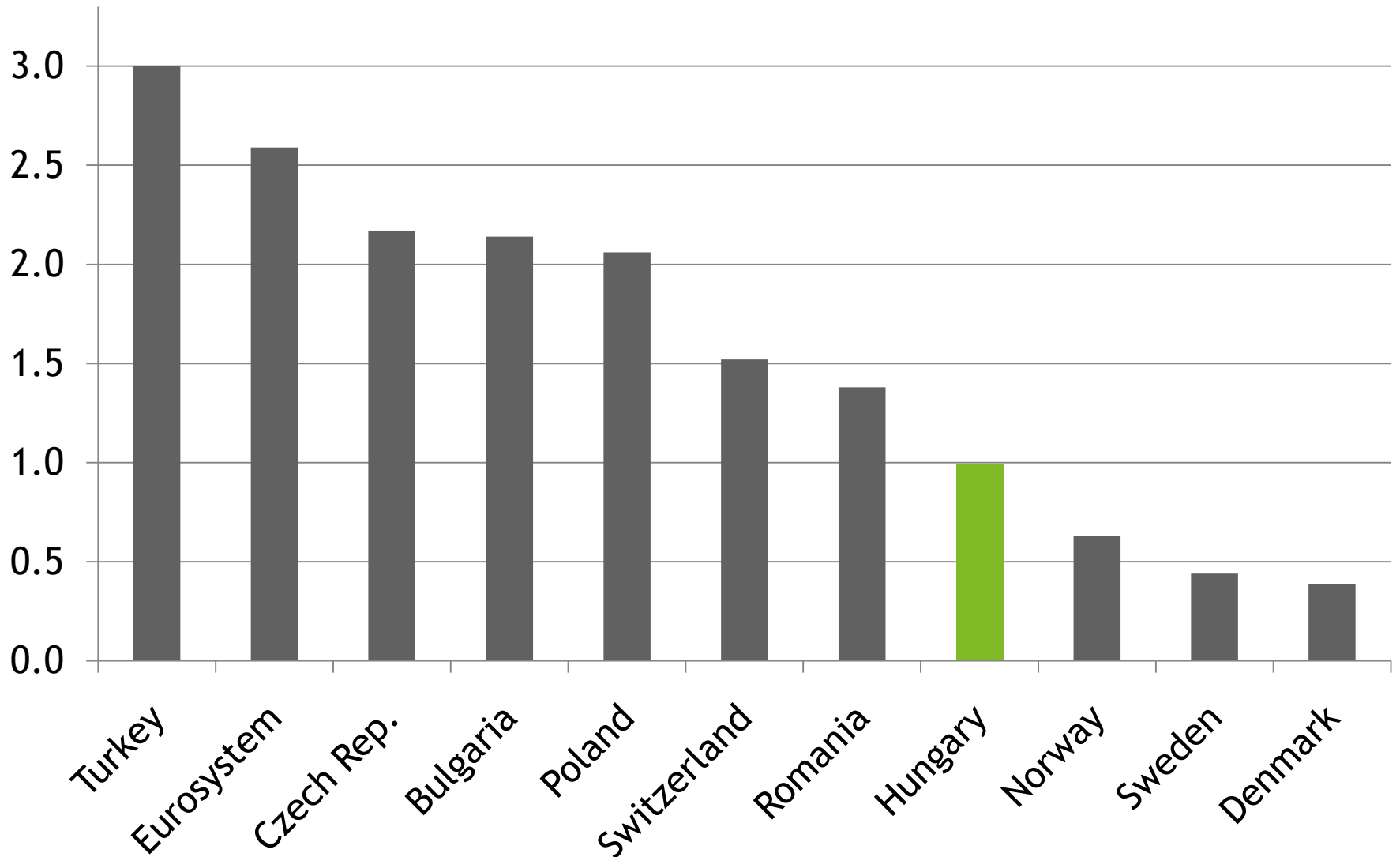
Motivation for MNB: capacity constraints



More commercial sorting & recirculation

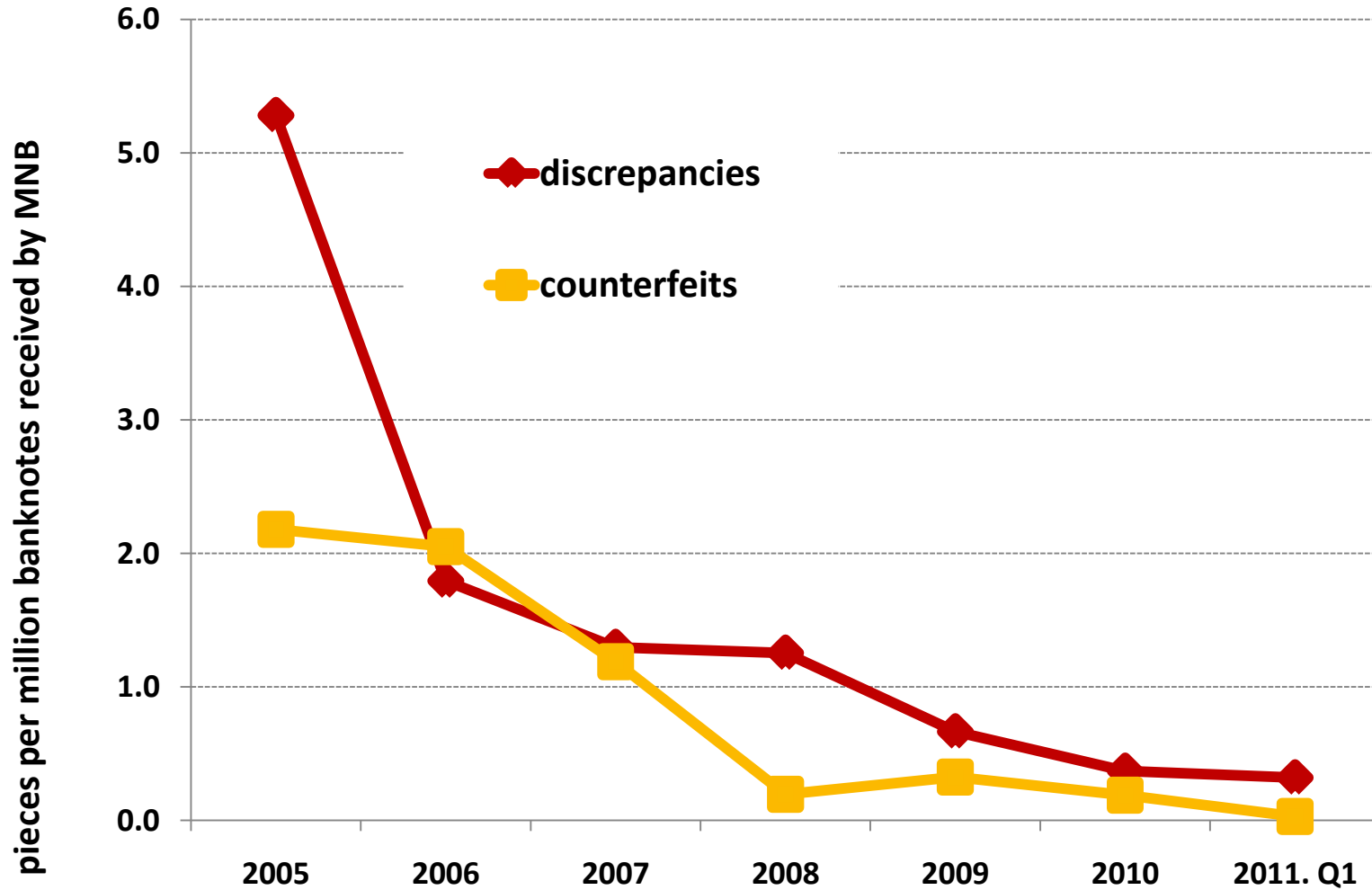


Result: low banknote return frequency in Hungary



Commercial sorting: 90% machine-based

► improved reliability



New MNB Cash Centre

- currently the most automated in Europe

Project: 2002-2008
Investment: EUR 50 million



Key issue: Container use to be extended



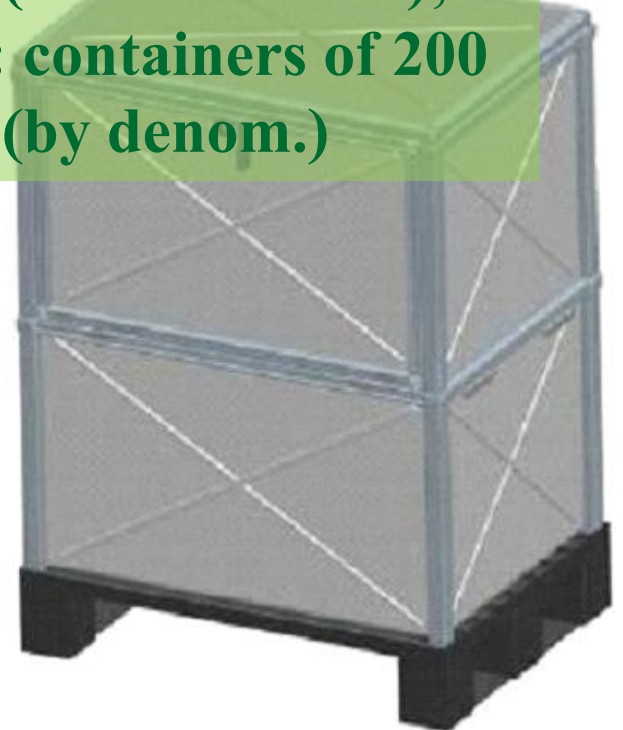
How to bridge the gap?

**COMMERCIAL
SECTOR prefer:**
single bundles,
small transactions



MNB prefers:

- ▶ **IN: containers of 50-250 bundles (mixed denom.);**
- ◀ **OUT: containers of 200 bundles (by denom.)**



Business innovation to support containerisation

Why larger standard units are difficult for the commercial sector?	Remedies offered by MNB
Lodgements separated by denomination	Multi-denomination banknote processing
Lodgements separated by account	Multi-account pooled lodgement >> reconciliation later vis-à-vis CITs
Holding banknotes is expensive	Fee discounts for containers
	Balance Sheet Relief Mechanism