



Banque de France 2020: A roadmap for cash stakeholders

ESTA CONFERENCE
MARSEILLE, 3 JUNE 2013

Intervention plan

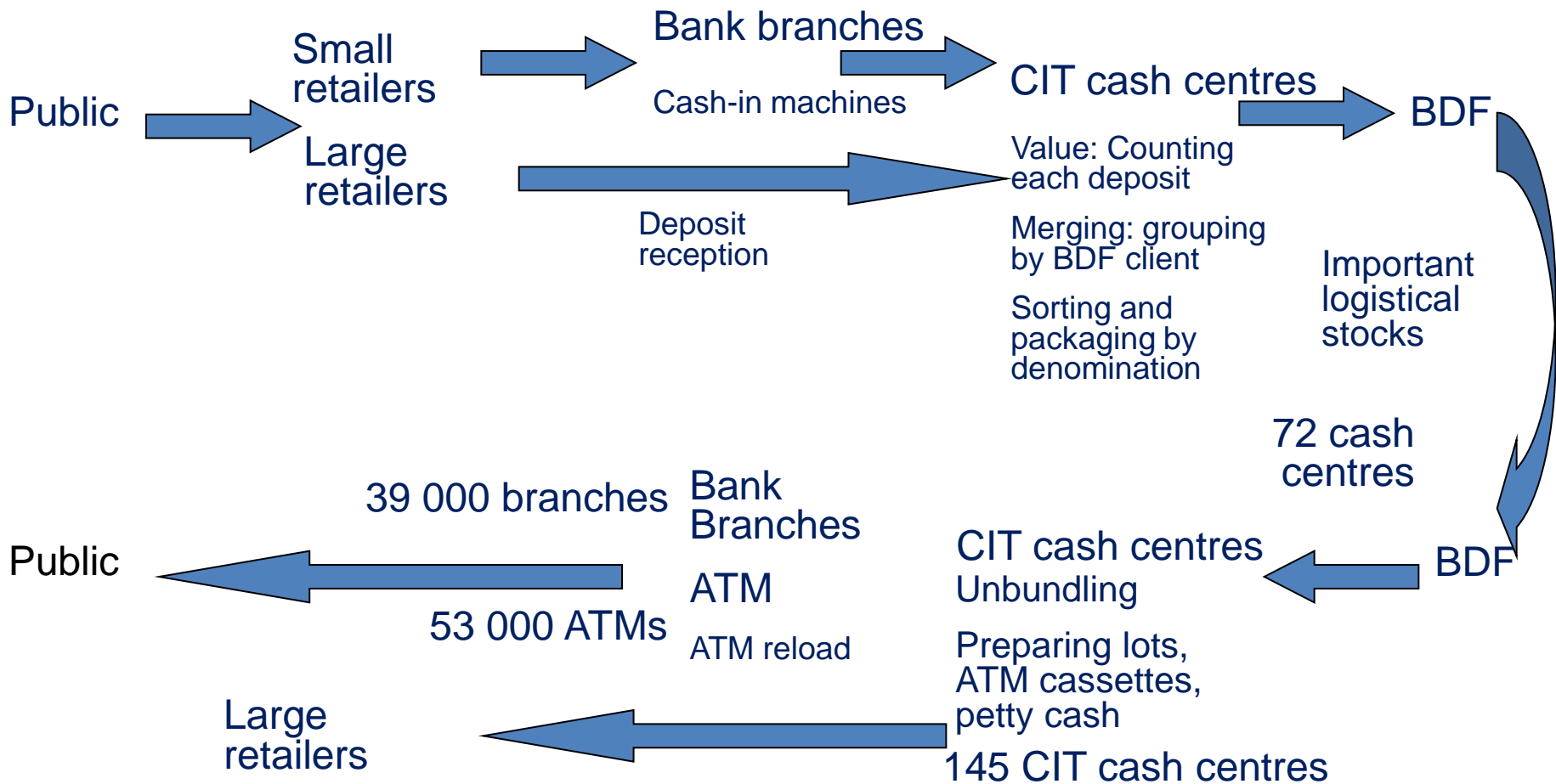


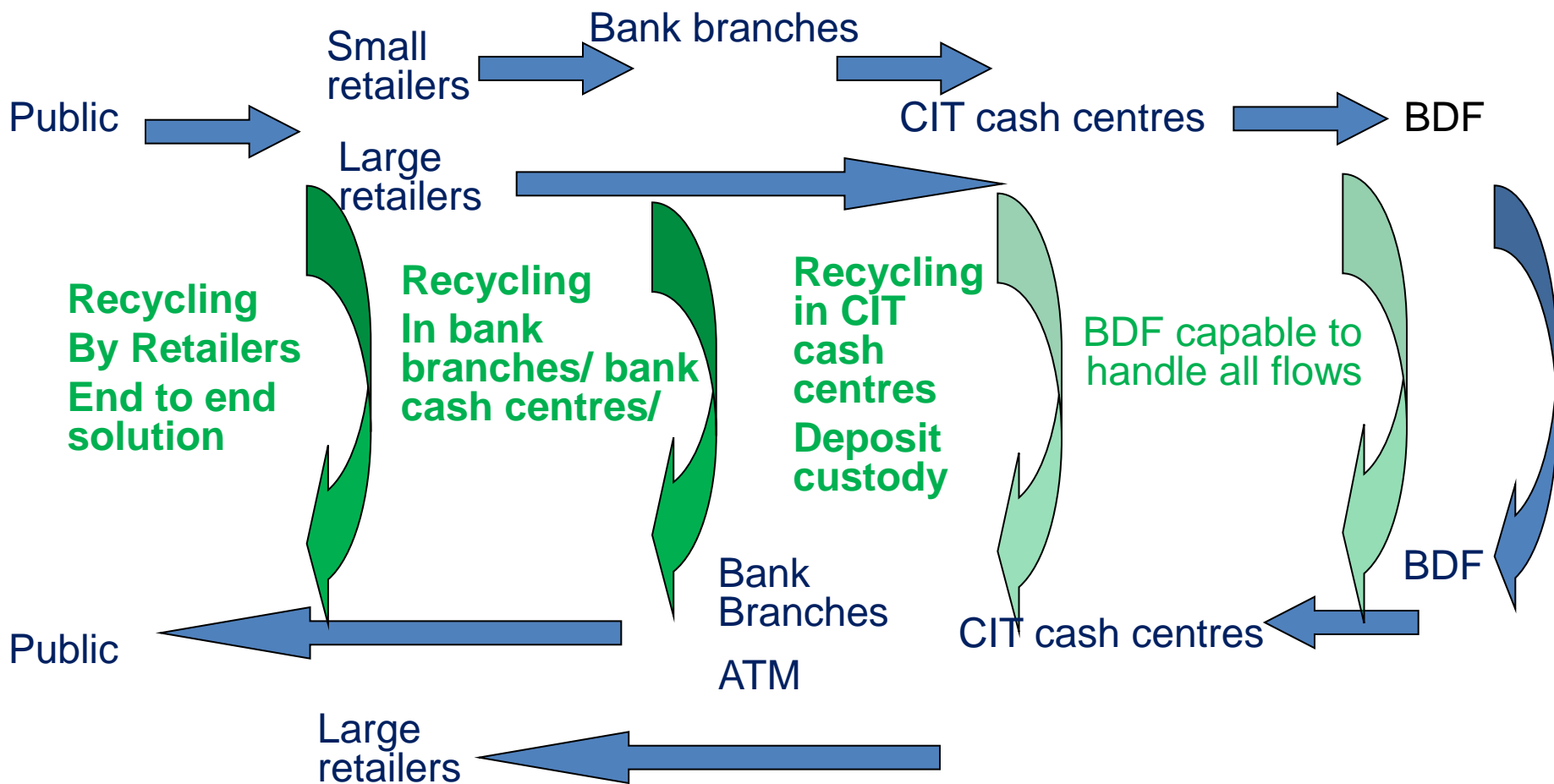
- I. The French cash cycle, ongoing major changes**
- II. The roadmap for cash: 8 structuring project for CIT activities**



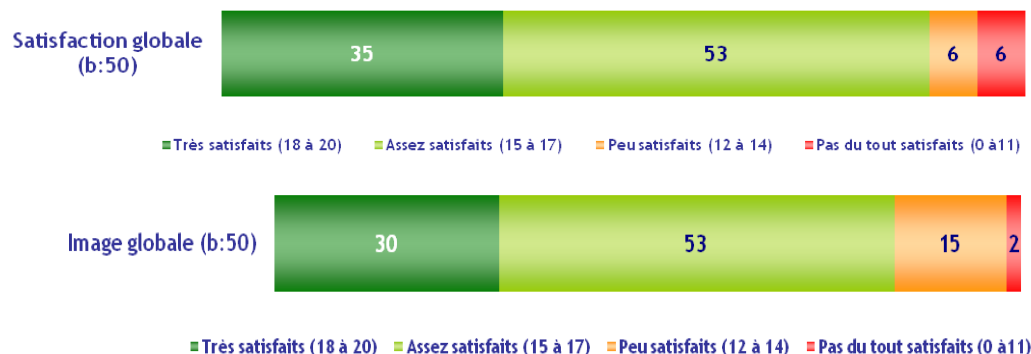
- The Banque de France
 - A dense network (72 cash centres)
- Clients: Mostly commercial banks
 - 6 banking groups (9 bank networks) account for 95.6% of all 2012 lodgements
- Service providers
 - 2 CIT companies (Brink's and Loomis) account for 82% of all flows, a 3rd one (Prosegur) for almost 10%.

Characteristics of the French cash cycle





Yearly Consumer Survey



The aggregate indicators of satisfaction and of image are encouraging

In detail...	Average 2012			Results	Recall 2011	
	Average 2012	Excellency zone(18-20)	Danger zone (0-11)		Average 2011	Results 2011
Serious and objective work	17	49%	6%	●	17	●
Close to needs and preoccupations	15	31%	15%		15	
Dynamic institution, which knows how to develop	14	26%	16%	●	14	●

BASE MAX : 50

JEAN DESFRÉTIÈRE
DEPUTY HEAD OF CASH MANAGEMENT
BANQUE DE FRANCE

Intervention plan



I. The French cash cycle, ongoing major changes

II. The roadmap for cash: 8 structuring projects for CIT activities

Cash policy: the Banque de France's orientations



➤ Strategic motivations

- ↳ Improve the robustness and resilience of the cash cycle
- ↳ The need to operate of strong cost reduction of sorting activities

➤ A favourable context

- ↳ A favourable demographic trend when narrowing the cash centres network
- ↳ Use the opportunity to renew our cash equipments

➤ Monitoring the network's targets

- ↳ Sorting targets: 7,000,000 bundles per year
- ↳ Authentication of banknotes: training 25,000 professionals in 2013
- ↳ Monitoring the cash cycle actors: auditing 360 recycling operators in 2013

Cash policy: The 8 projects



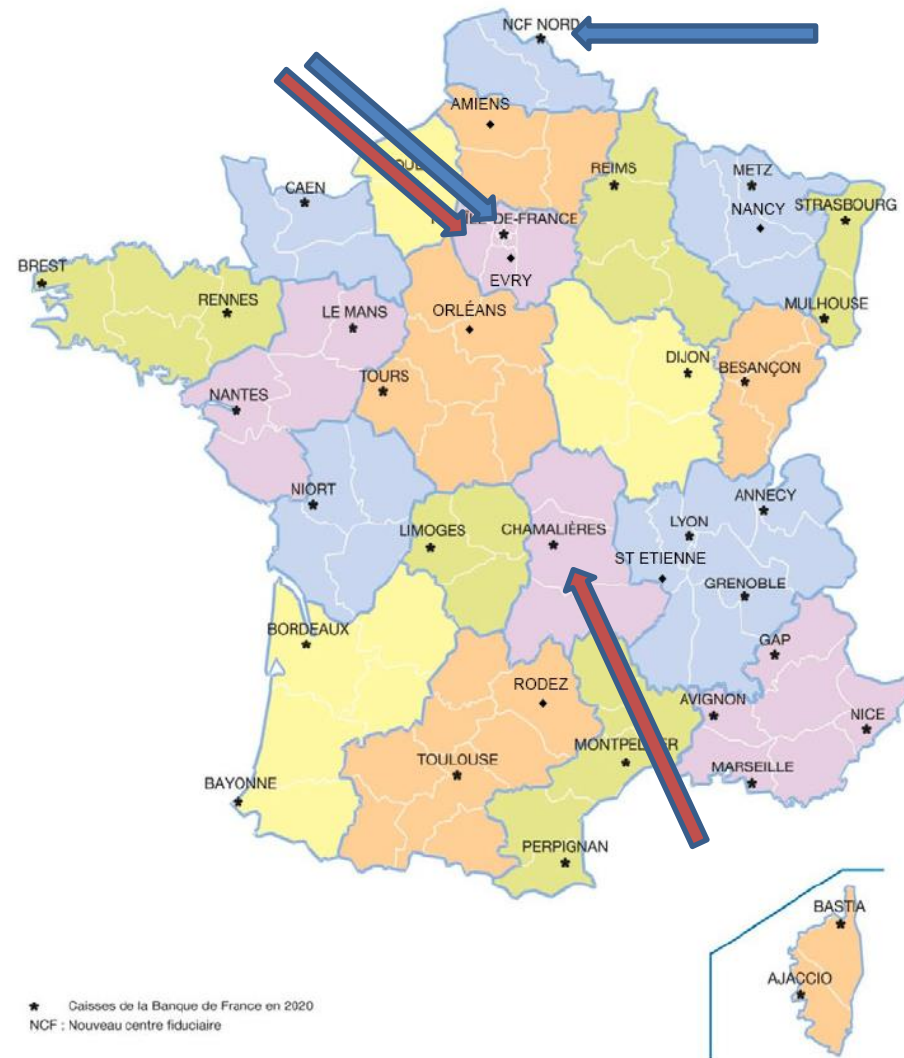
- 1) Reconsidering the Banque de France's networks
- 2) Automation of the Banque de France's processes
- 3) Revisit operational processes and IT systems
- 4) Recycling: A new market for CITs
- 5) Considering CHTO
- 6) Enhancing robustness
- 7) Introducing the ES2 series
- 8) A new regulatory framework

1. Reconsidering the Banque de France's networks



- ❑ Redesigning the Banque de France's cash centres network
 - ❖ Concentrating activities in industrialised branches
 - ❖ Changing from an "on-site" sorting policy to a national approach of handling values
 - ❖ Creating two New Cash Centres (NCC) : Lille and Paris
 - ❖ Redeploying around support hubs in Paris and Chamalières
 - ❖ Maintaining branches in peripheral locations despite low volumes of activity

Projet de Plan de financement 2003
cas 12-14-15-16-17-18-19-20



1. Reconsidering the BDF's networks: Impact on CITs' activities



❖ A dense network of CITs :139 cash centres of which 16 in Paris

❖ a need of modernisation and increased security on sites ?

Key

- Banque de France
- Brink's Évolution / Est Valeurs
- ▲ Loomis France / Loomis Cash Services
- Prosegur TV / Valtis
- Groupe Temis (Temis, GSI Valeurs)
- TAS / Comptage Distribution
- ▲ Garance (caisse interbancaire)
- Sazias
- Corstrans
- Esse / Fiduciaire Sécurité

2. Automation of the Banque de France's processes



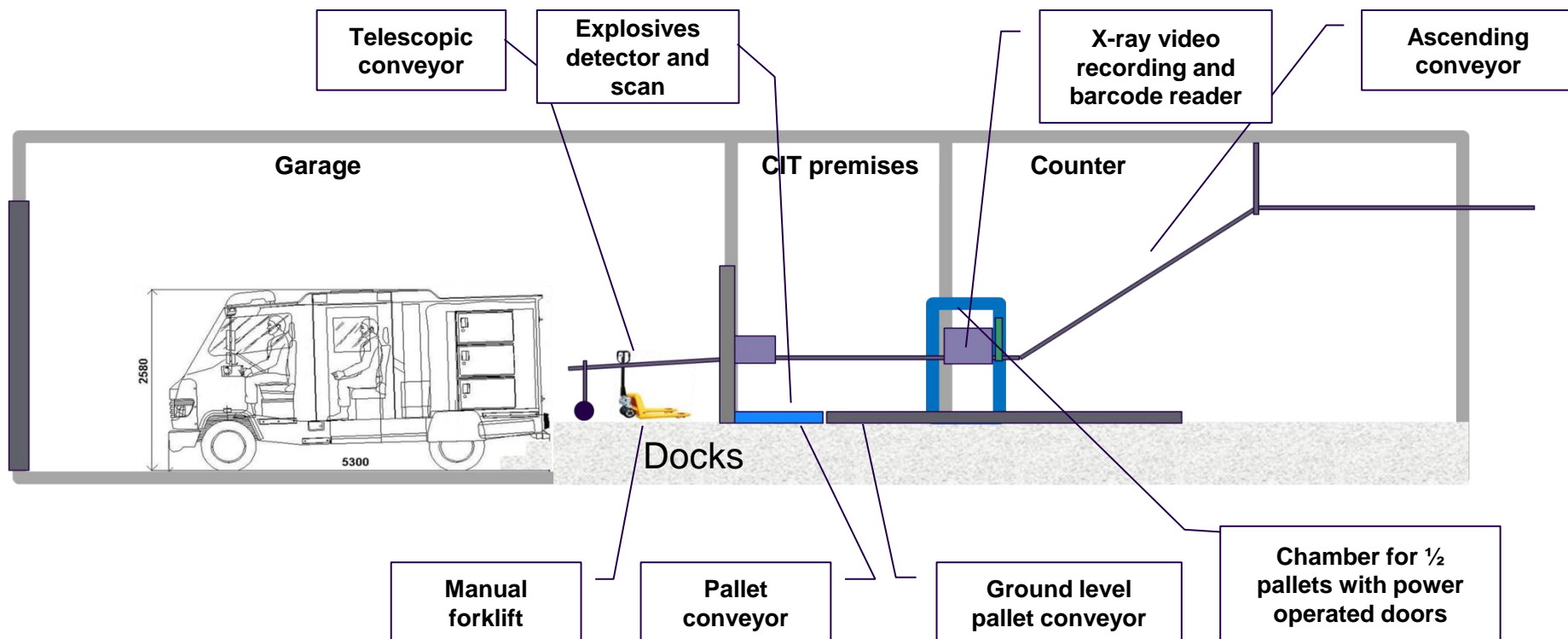
- The New Cash Centres (NCC) project
 - ❖ A first NCC near Lille (North of France). Centre in function in end of 2015 (anticipated flows in 2020: around 425,000 bundles/ year)
 - ❖ A second NCC to be installed near Paris (tentative date: 2017; anticipated flows: 1,500,000 bundles/year).

- Implementation of automated process:
 - ❖ 4 technical solutions selected for NCC's: stacker crane / AGVs / conveyors / automated arms
 - ❖ As frequently as possible, new technologies will also be installed in the remaining cash centres (after real estate works)

2. Automation of the BDF's processes: Impact on CITs' activities



Delivery dock schematic



3. Revisit operational processes and IT systems



➤ Renewing operational processes...

↳ Carrying on IT systems modernisation

- ✓ electronic portal to order and lodge banknotes and coins
- ✓ a new conception of working places and team work in line with the new sorting machines

↳ Renovating procedures

- ✓ removal of operators' personal liability
- ✓ reducing the stock inventory obligations

➤ ... To adopt a logistic approach

3. Revisit operational processes and ITSs: Impact on CITs' activities

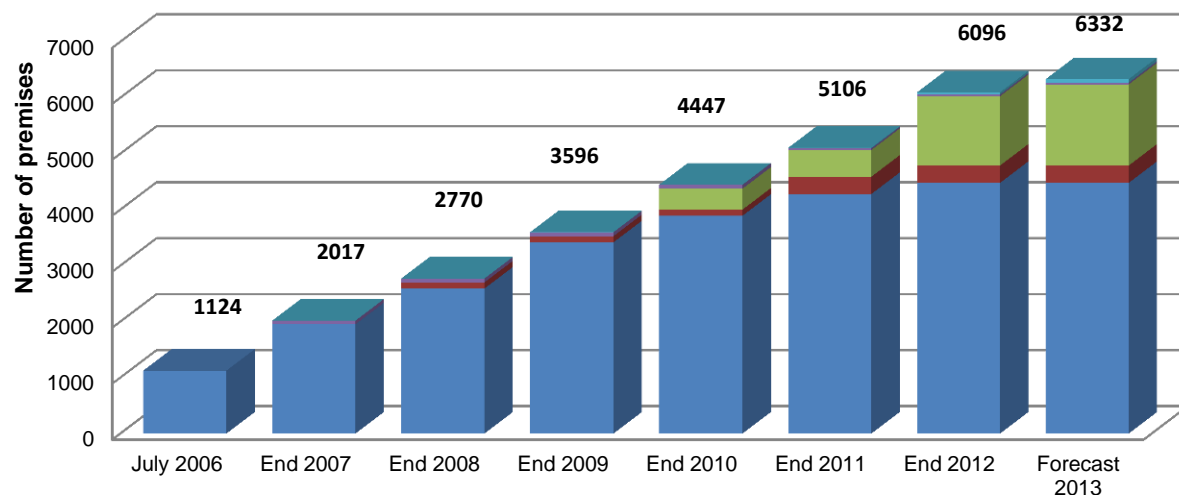


- Traceability
- Reconsidering remittance rules
- Packaging
- Potential consequences on IBNS ?



4. Recycling: A new market for CITs

Number of bank branches that load their ATMs with recirculated banknotes



- On-site
- Bank cash centres
- CIT cash centre
- Inter-branch shipments
- Bank branch like site

✓ Private recirculation is estimated to be around 20%, as more than 20% of all French ATMs are loaded with recycled banknotes

4. Recycling: A new market for CITs: Impact on CITs' activities



➤ First phase: 2006-2010

- commercial banks implemented cash recycling for their own need, mainly with back office machines
- CIT companies adopted a wait and see strategy

➤ Second phase: 2010-nowadays

- the number of bank branches that adopted on-site recycling is stable
 - an industrialised recycling appeared, through CIT companies cash centres
- The reduction of the Banque de France's network should stem an improvement of recycling profitability

5. Considering CHTO: Impact on CITs' activities



- CHTOs should be located in CIT' facilities
- All CITs which comply to Banque de France's regulations....
 - ↳ Separate stock
 - ↳ Minimum safety requirements
- ... will be allowed to hold a stock of coins
- Leading to lower overall transportation costs for all the involved actors
- Yet still under discussion



6. Enhancing robustness

- Weak points identification led to the elaboration of specific scenarios:
 - ↳ Failure or strike of a CIT company,
 - ↳ Electricity shortage, storm, pandemic, Seine river “century flood”,
 - ↳ General strike, terrorist attacks, cyber attack, industrial accident (NRBC),
 - ↳ Massive counterfeiting,
 - ↳ Sharp banknote demand increase.
- Test strategy:
 - ↳ Tests related to specific cash operations
 - ↳ Tests with the cash cycle stakeholders (Chambéry, November 2011)
- An ESCB level test is planned

6. Enhancing robustness: Impact on CITs' activities



- Experience of local crises : CIT strikes.
- The Banque de France enabled the implementation of crisis procedures with partners such as exceptional cash recirculation by Credit Institutions, custody process...
- Measures to strengthen the cash cycle resilience
 - ↳ External recycling
 - ↳ Cash back
 - ↳ NHTO
 - ↳ Audit from the control authorities on business continuity plans (PCA) of CITs

Hence, CITs are both a concern and a major partner for business continuity management

7. Introducing the ES2 series



➤ Why?

- Stay ahead of counterfeiting
- Increase durability

➤ How?

- Issuance scenario are decided on a national basis
- A parallel circulation period is scheduled
- Mixed lodgements
- 3rd parties allowed to consider recirculation of ES1

➤ When?

	Année	2013	2014	2015	2016	2017	2018
Coupures							
5€		5€					
10€			10€				
20€				20€			
50€					50€		
100€						100€	
200€							200€
500€							500€

- End of the ES1's legal tender is yet to be decided (but before ES3 !)
- Unlimited exchange

7. Introducing the ES2 series: Impact on CITs' activities



➤ Adaptation of equipment, training of operators

- The list of banknote handling machines (BHM)s and banknote authentication devices (BAD)s approved was posted on the ECB website for the new 5€
- The challenge of the training programme for cash handlers (target of 25.000 professionals in France)

➤ Lessons learned

- To dissociate cash handlers information from public communication
- Give more time to 3rd parties to budget and adapt their equipment
- And plan more time also for the training program



8. A new regulatory framework

- In a context of strong insecurity, 2 decrees amended the regulations from 2000:
- New concepts : secure area, secure locations; new regulations
- New provisions applicable to the Banque de France

8. A new regulatory framework: Impact on CITs' activities



- Transport: changing routes
- ATMs serviced by CITs
- Banknote neutralisation

Conclusion



□ How to monitor the right implementation of the strategy?

➤ Projects

- ❖ Close dialogue with stakeholders: banks and CITs

➤ Activity

- ❖ Ensure a smooth development toward a more balanced share of recycling by private operators and by the Banque de France, while being capable, at any point, to take over the cash cycle



Thank you for your attention

Questions ?