

True Cost of Cash

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European Payments Council (EPC)

EPC vision - contribute to the evolution of an integrated market for payments by helping in or facilitating the development and promotion of standards, best practices and schemes

EPC focus on cash

**Identify means of
reducing the overall
cost of cash**

EPC focus on cash

Demand versus cost

Demand for cash

It continues to grow even though it is perceived by banks as being expensive...

...but at the same perceived as being free by the public

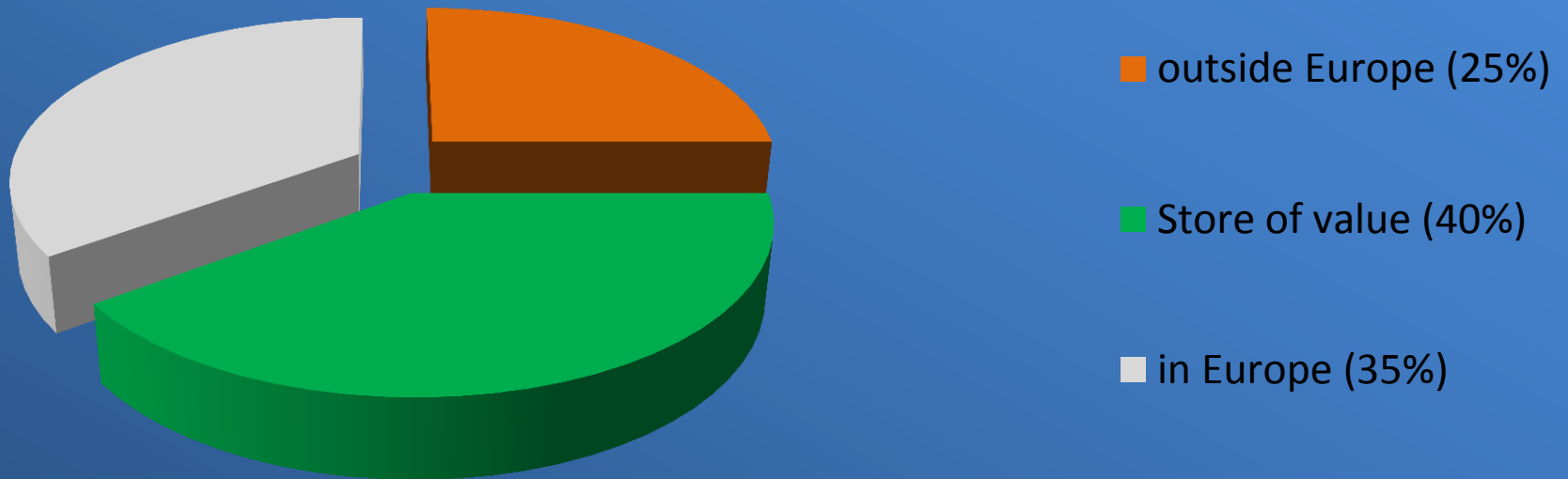
Demand for cash

Since introduction in January 2002, the value of the euro in circulation* has strongly grown from 221.5 billion EUR to 890 billion EUR in banknotes and from 12 billion to 23.5 billion EUR in coins

***ECB banknotes & coins statistics Nov 2012**

Demand for cash

Euro circulation



Demand for cash

Predominant retail payment means - accounted for 78% of the 388 billion retail payments in Europe in 2008 or nearly 301 billion transactions*

***Analysis for 28 countries conducted by Retail Banking Research (RBR) for its report The Future of Cash and Payments.**

Cost of cash

Social and private costs of retail payment instruments (approximately 1% of GDP = €130 billion) indicated that due to the high usage of cash, social cost of cash represents nearly half of the total social costs of all retail payment instruments*

Cost of Cash

2,5 days!



Cost of cash

Table 6 Social costs per stakeholder and payment instrument

(average of sample countries in percent of total GDP)

| | Central bank | Banks and infrastructures | Cash-in-transit companies | Retailers | Total |
|------------------|--------------|---------------------------|---------------------------|-------------|-------------|
| Cash | 0.02 | 0.19 | 0.01 | 0.27 | 0.49 |
| Cheques | - | 0.02 | - | 0.01 | 0.03 |
| Cards | - | 0.16 | - | 0.05 | 0.21 |
| - Debit cards | - | 0.08 | - | 0.02 | 0.10 |
| - Credit cards | - | 0.08 | - | 0.01 | 0.09 |
| - Combined cards | - | - | - | 0.02 | 0.02 |
| Direct Debits | - | 0.05 | - | 0.04 | 0.09 |
| Credit transfers | - | 0.07 | - | 0.06 | 0.13 |
| Total | 0.02 | 0.49 | 0.01 | 0.44 | 0.96 |

Source: European System of Central Banks.

Is this picture complete?

Cost of cash

Table 9 Unit social costs and social costs per euro of sales of retail payment instruments per country

| Measure | Cash | Cheques | Cards | Debit cards | Credit cards | Direct debits | Credit transfers |
|------------------------------------|-------|---------|-------|-------------|--------------|---------------|------------------|
| Unit social costs | | | | | | | |
| Minimum | 0.13 | 2.39 | 0.22 | 0.18 | 0.48 | 0.14 | 0.30 |
| Median | 0.39 | 3.46 | 0.63 | 0.45 | 1.97 | 1.14 | 1.01 |
| Maximum | 0.78 | 6.10 | 8.07 | 3.40 | 8.65 | 2.49 | 12.07 |
| Average | 0.41 | 3.86 | 1.34 | 0.81 | 2.79 | 1.07 | 2.22 |
| Weighted average | 0.42 | 3.55 | 0.99 | 0.70 | 2.39 | 1.27 | 1.92 |
| Social costs per €1 of sale | | | | | | | |
| Minimum | 0.013 | 0.000 | 0.008 | 0.008 | 0.018 | 0.002 | 0.000 |
| Median | 0.020 | 0.002 | 0.016 | 0.012 | 0.030 | 0.004 | 0.002 |
| Maximum | 0.034 | 0.012 | 0.081 | 0.035 | 0.137 | 0.011 | 0.006 |
| Average | 0.023 | 0.004 | 0.024 | 0.017 | 0.052 | 0.005 | 0.002 |
| Weighted average | 0.023 | 0.002 | 0.017 | 0.014 | 0.034 | 0.004 | 0.002 |

Source: European System of Central Banks.

Cost of cash

Social Cost (EUR)

| | Average cost per unit | Cost per EUR spent |
|-----------------|-----------------------|--------------------|
| Cash | 0,42 | 0,023 |
| Debit Card | 0,70 | 0,014 |
| Direct Debit | 1,27 | 0,004 |
| Credit Transfer | 1,92 | 0,005 |
| Cheque | 3,55 | 0,002 |
| Credit Card | 2,39 | 0,034 |

Cost reduction

**What we have been
doing recently**

Cost reduction

**EPC / ESTA paper
“Improving the efficiency
of the handling of cash -
Cash Cycle Models”**

Cost reduction

**ATMIA / EURICPA / ESTA
/ EPC stakeholder
interoperability:**

Cost reduction

Development of standard marker for cash protection systems

ATM Cassettes and cash protection systems

Investigation into short life cycles of ATM cassettes

Best Practices for ATM Replenishment

Cost reduction

What else can we do?

Cooperation is needed!

Thank you