

Commercial banks: is there is there a place for cash in their strategy of refocusing on their core business ?

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Belgian Finance Federation



ESTA – Marbella 22nd-24th May 2016

Febelfin: Belgian Financial Sector Federation

Febelfin represents > **250 financial institutions in Belgium**

- Banks
- Credit providers
- Asset managers and funds
- Stockbroking firms and stockbrokers
- Stock Exchange members
- Leasing companies
- Euroclear
- SWIFT
- ...

It consists of **5 constituent associations**



11 associate **members with a special status**



Content

- **Facts & figures**

- ✓ Retail landscape
- ✓ ATM's & cash withdrawals
- ✓ Cash centers
- ✓ Circulation of banknotes

- Is there is there a place for cash in the banks' strategy of refocusing on their core business ?

Retail landscape in Belgium (> 25 branches)



Number of bank branches
(May 2016)

Number of banks

> 500

8

101-500

3

25-100

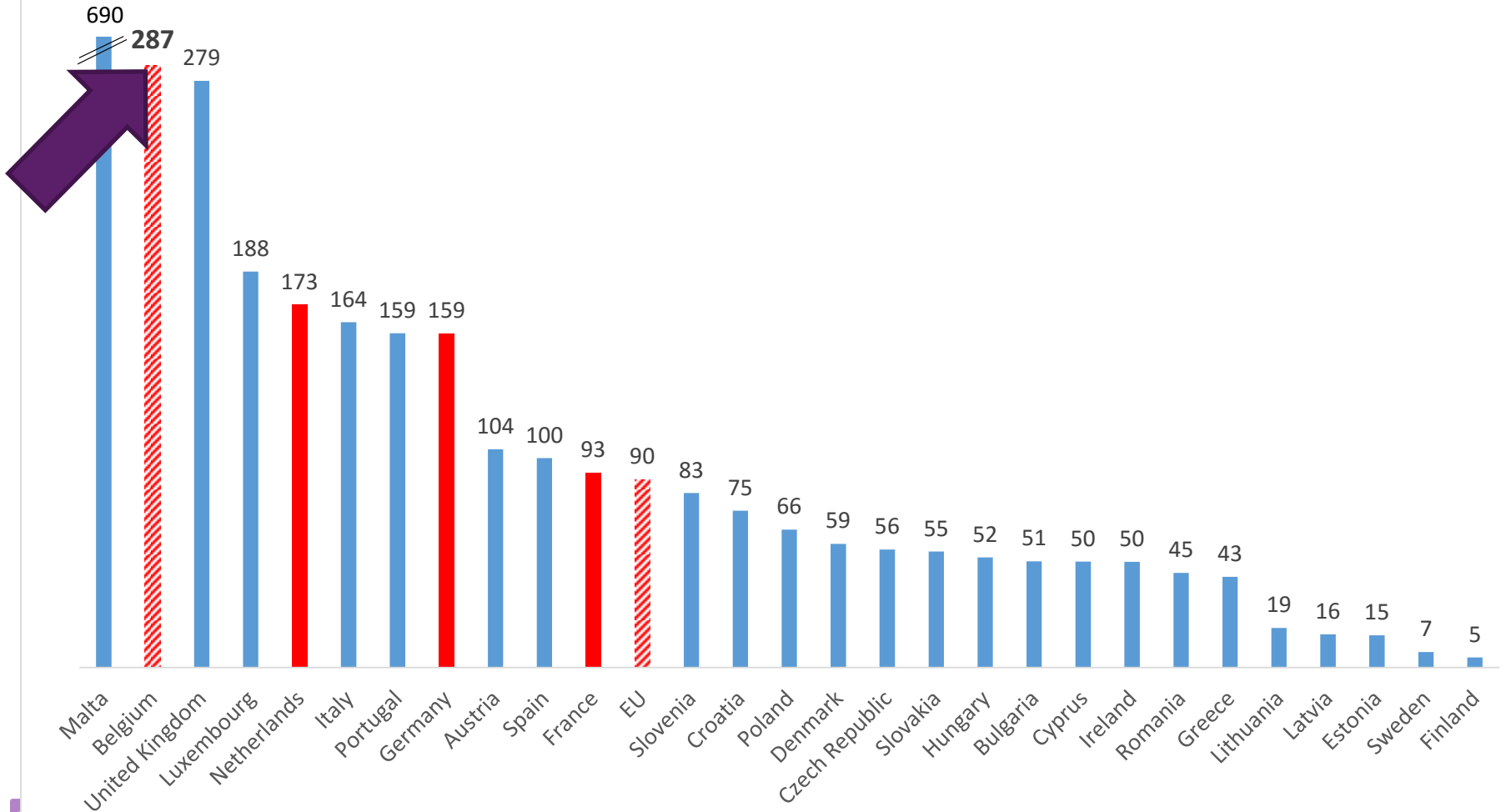
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Deutsche Bank

Belgium: high number of cash ATM's per km²

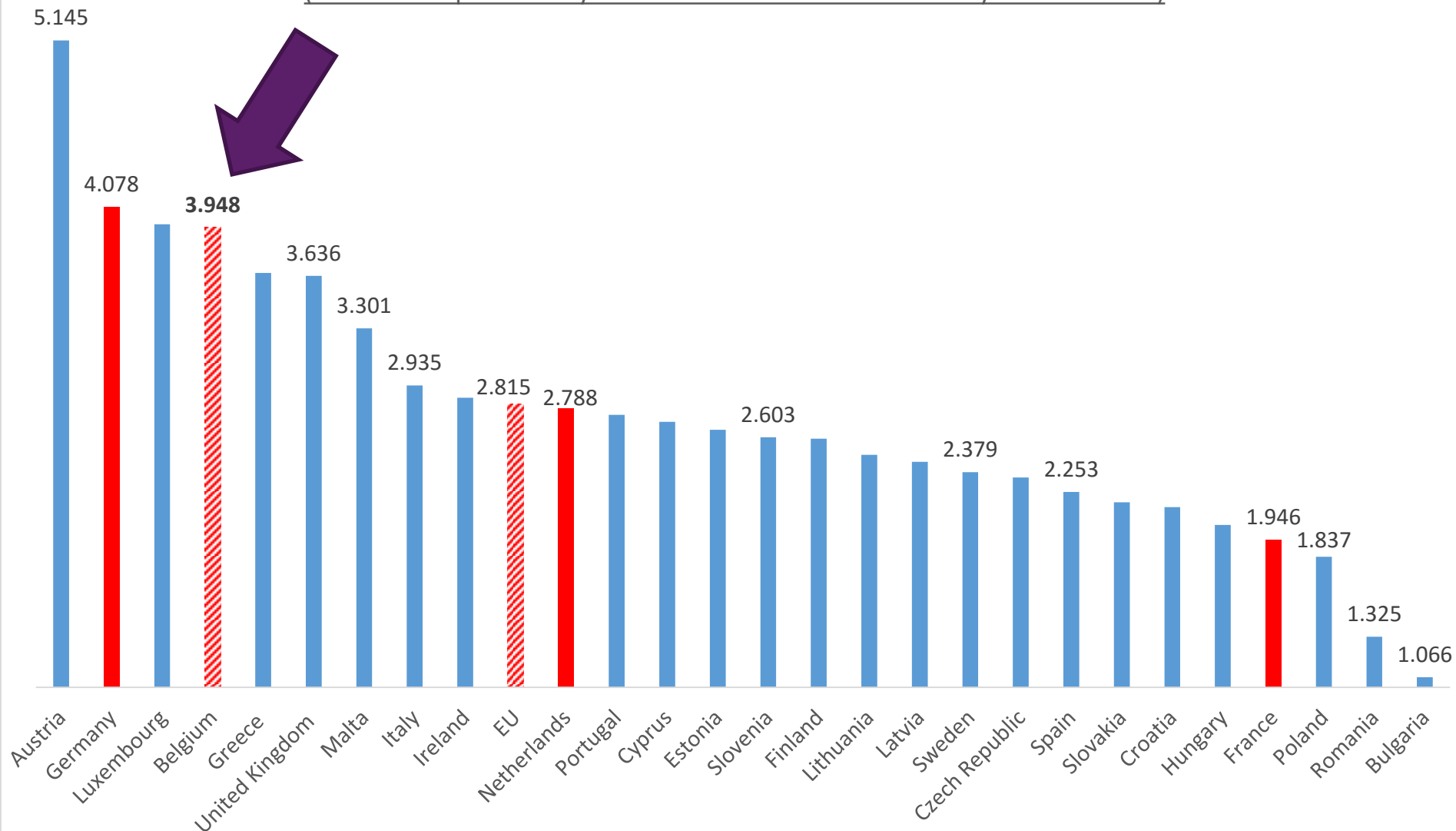
Number of ATM's with a cash withdrawal function, per 1000 km², 2014



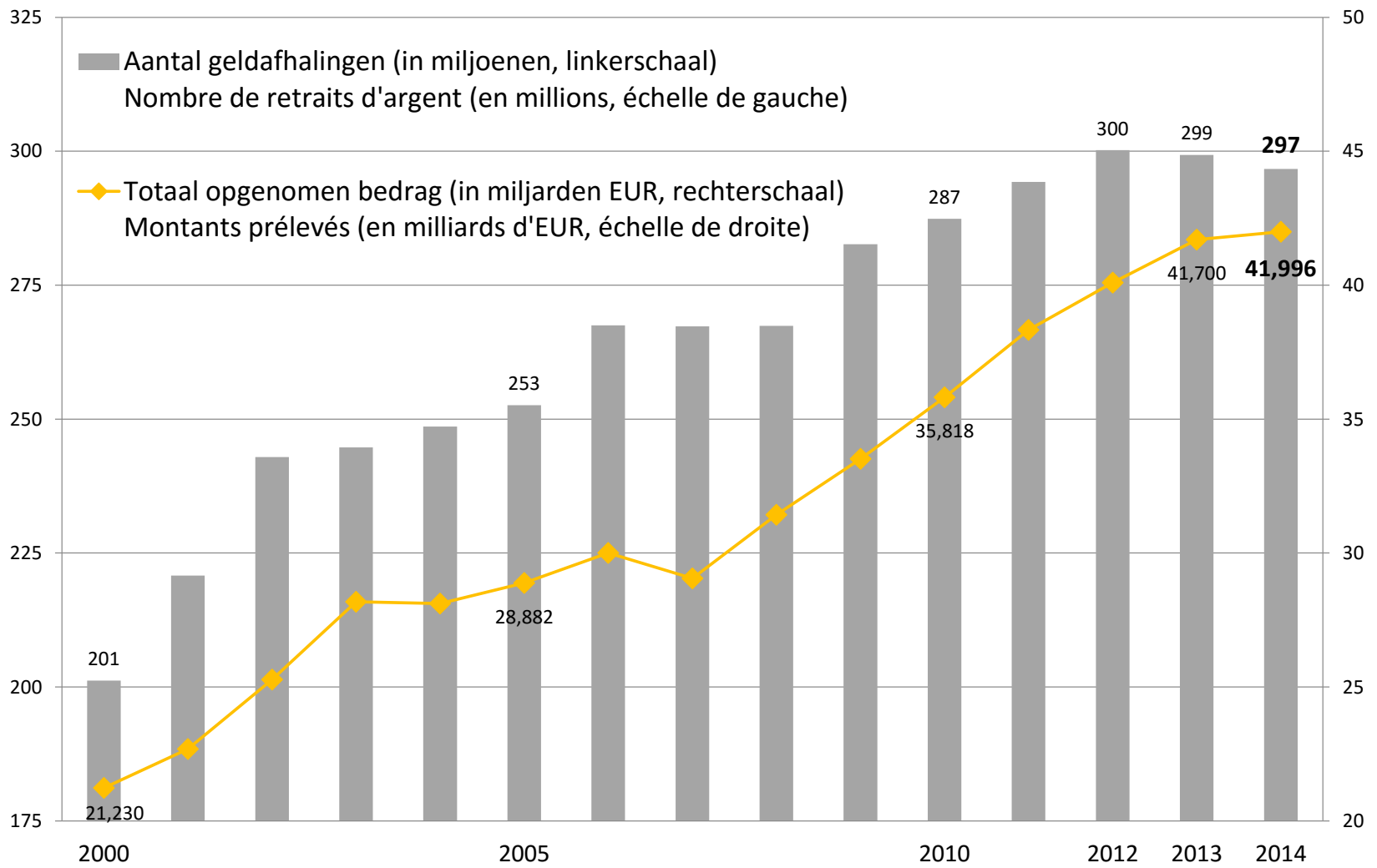
Value of cash withdrawals per capita relatively high in Belgium (4th after Austria, Germany & Luxembourg, 2014)

Value of ATM cash withdrawals (in euro) , per capita, 2014

(at terminals provided by resident PSP's with cards issued by resident PSP's)

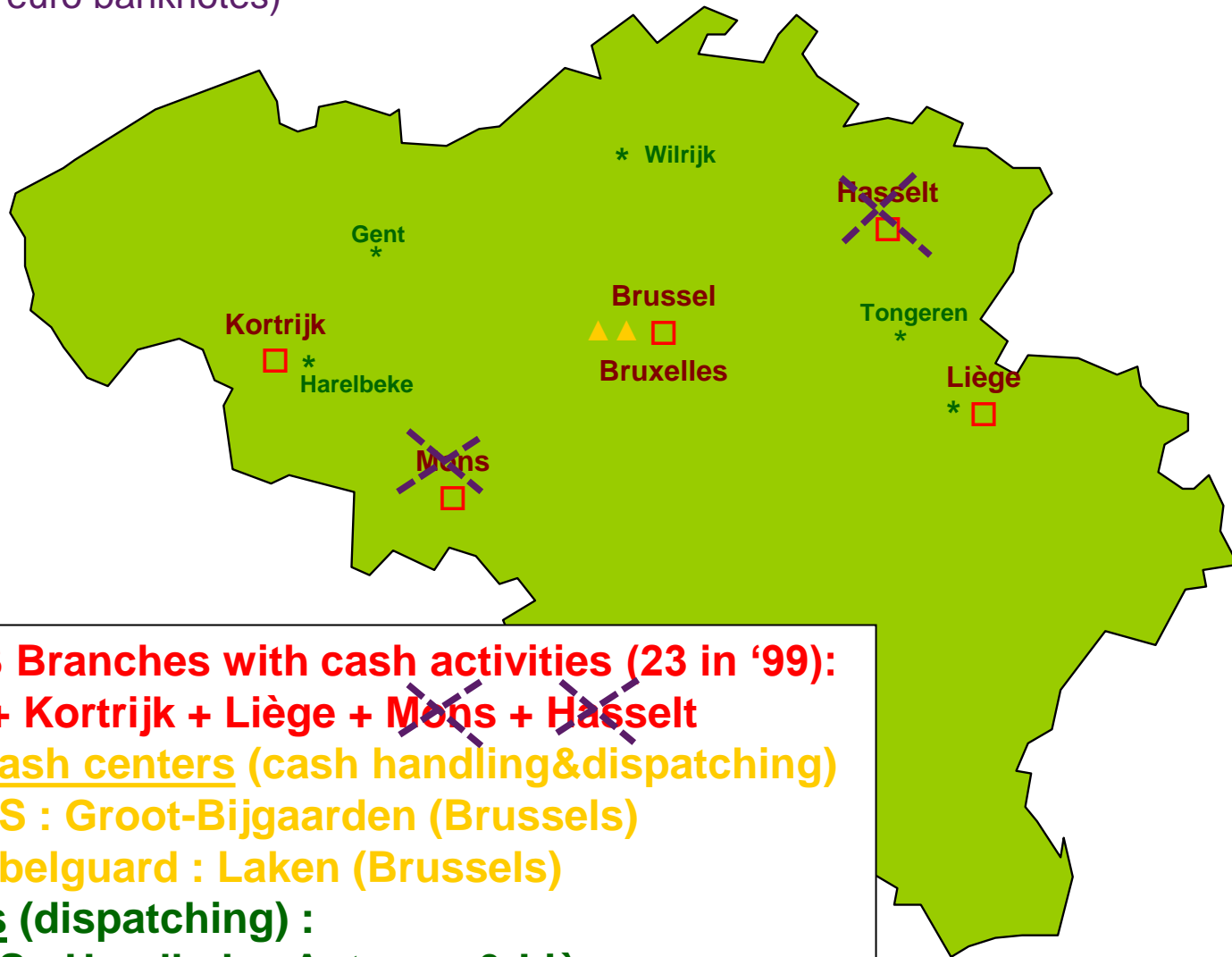


Total number & value cash withdrawals, Belgium only



Description AS IS situation: cash centers in Belgium

(May 2016; euro banknotes)



□ 5 (3) NBB Branches with cash activities (23 in '99):
Brussel + Kortrijk + Liège + Mons + Hasselt

▲ Private Cash centers (cash handling&dispatching)

G4S : Groot-Bijgaarden (Brussels)

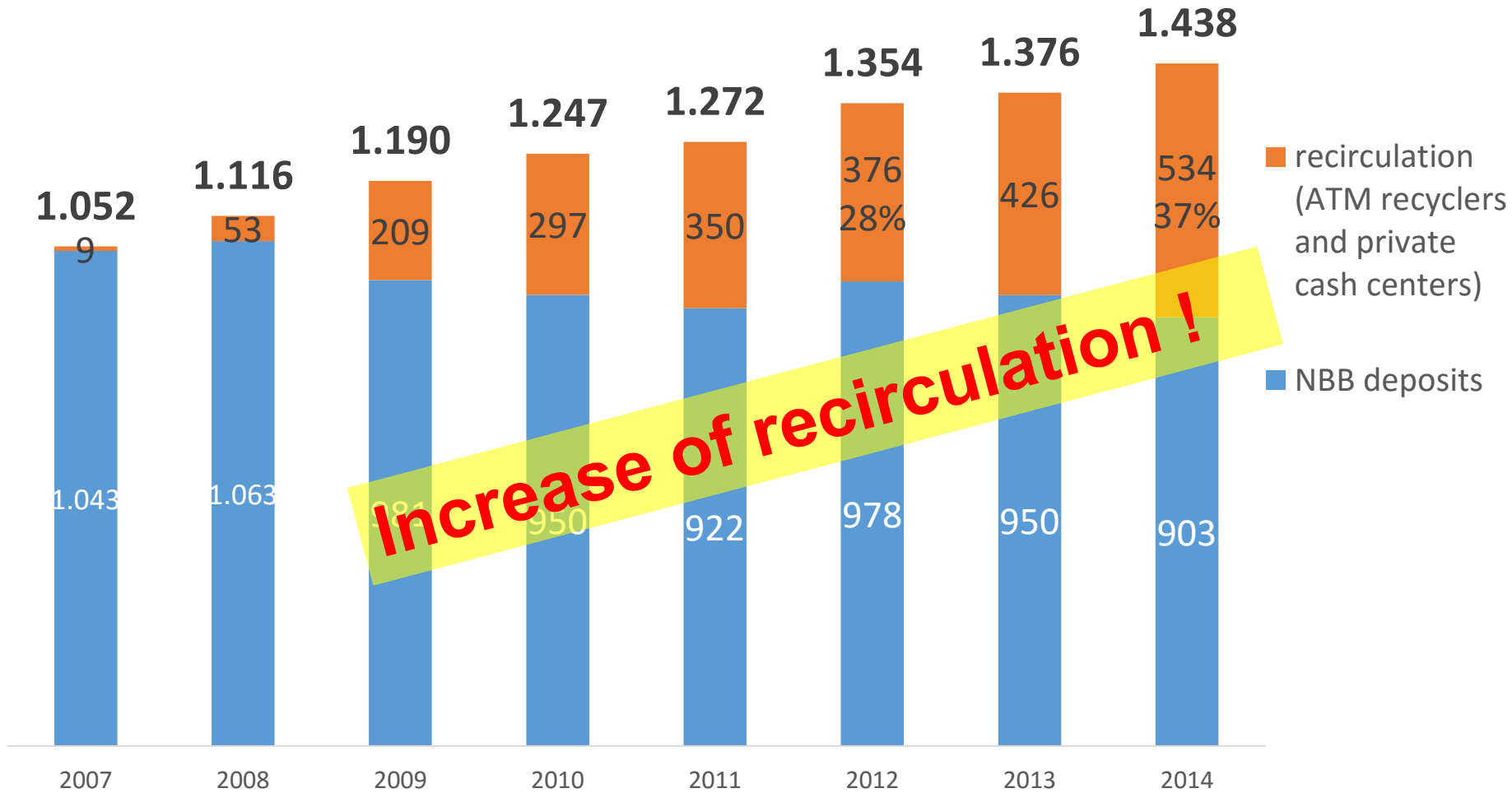
Cobelguard : Laken (Brussels)

* CIT depots (dispatching) :

G4S : Harelbeke, Antwerp & Liège

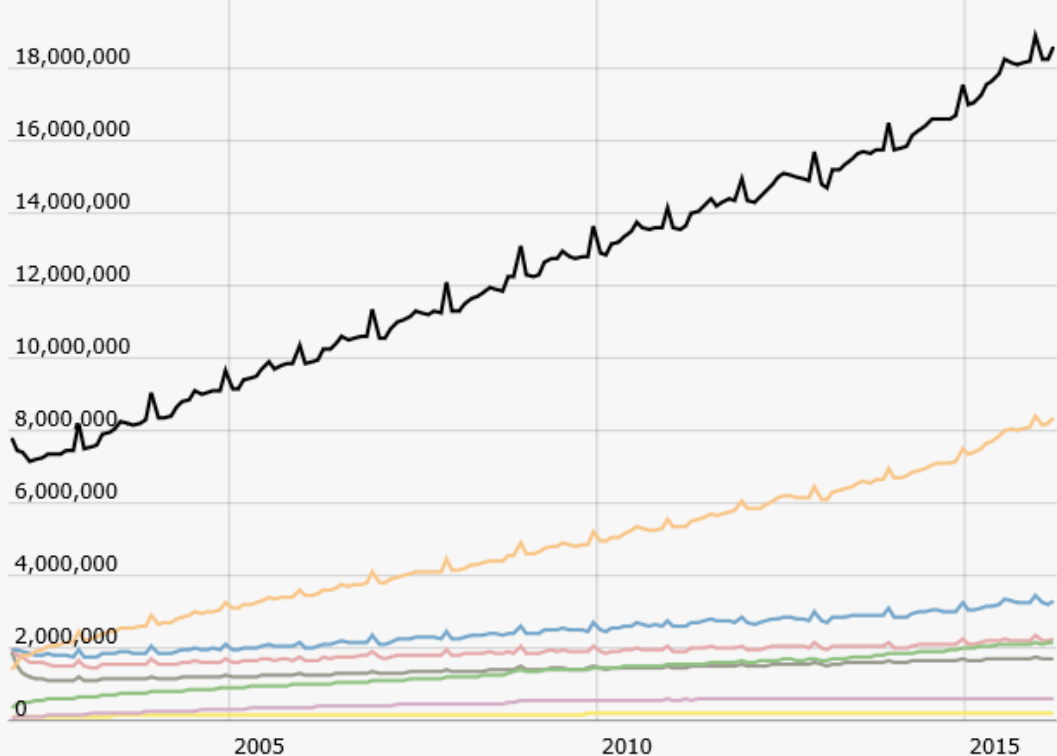
Cobelguard : Gent & Tongeren

Number of banknotes processed in Belgium (in millions)



In Belgium: > 8.500 ATM's (of which >50% cash recycling ATM's)

Source : NBB



Number of euro banknotes in circulation

(1-1-2002 to 1-4-2016, source: ECB)



- > Total
- > €5
- > First series
- > Europa series
- > €10
- > First series
- > Europa series
- > €20
- > €50
- > €100
- > €200
- > €500

ECB household survey on the use of cash (2011)

Table 3 Percentage of respondents always or often using cash for different kinds of purchases by country

(percentages)

	Average	BE	DE	ES	FR	IT	LU	NL	AT
Purchases less than €20 (e.g. newspapers, bread)	87	84	91	90	80	91	77	65	82
Purchases between €30 and €100 (e.g. fuel, groceries)	55	48	69	64	15	77	27	20	60
Purchases between €200 and €1,000 (e.g. clothing, furniture)	20	18	21	30	3	31	10	8	29
Purchases over €10,000 (e.g. a new car)	4	5	4	6	0	4	3	4	10

Source: ECB household survey on the use of cash.

Content

- Facts & figures
- **Is there is there a place for cash in the banks' strategy of refocusing on their core business ?**
 - ✓ evolving landscape
 - ✓ ATM's & cash withdrawals
 - ✓ Optimizing the cash cycle
 - ✓ Role of CMC companies

Is there is there a place for cash in the banks' strategy of refocusing on their core business ?

Branch & ATM network

- Transformation
- Outsourcing or inhouse ?
- Independent ATM deployers
- security: bank robberies, ATM attacks

regulations

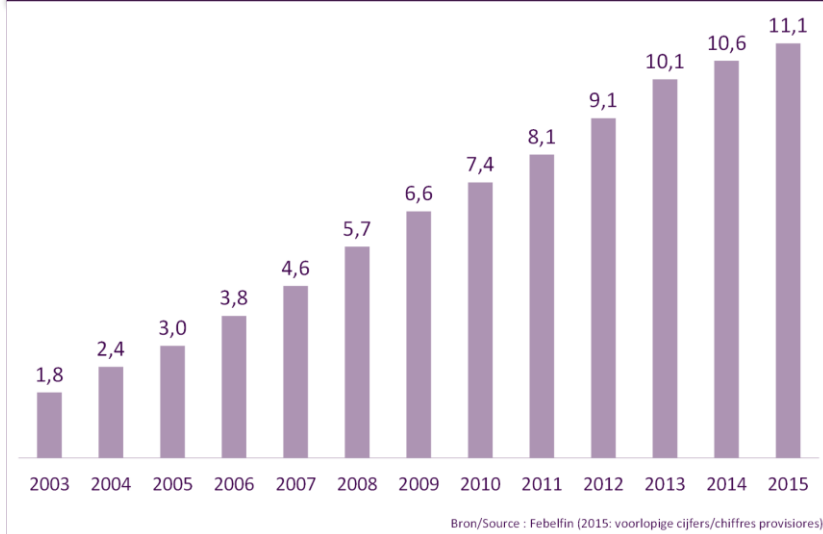
- AML / Counterfeit / Fight against terrorism
- CIT, X border transport
- Limits on cash payments
- 500 euro, ECB recycling framework, new euro banknotes
- 1/2 cent rounding rules
- Legal tender

Organisation of the cash cycle

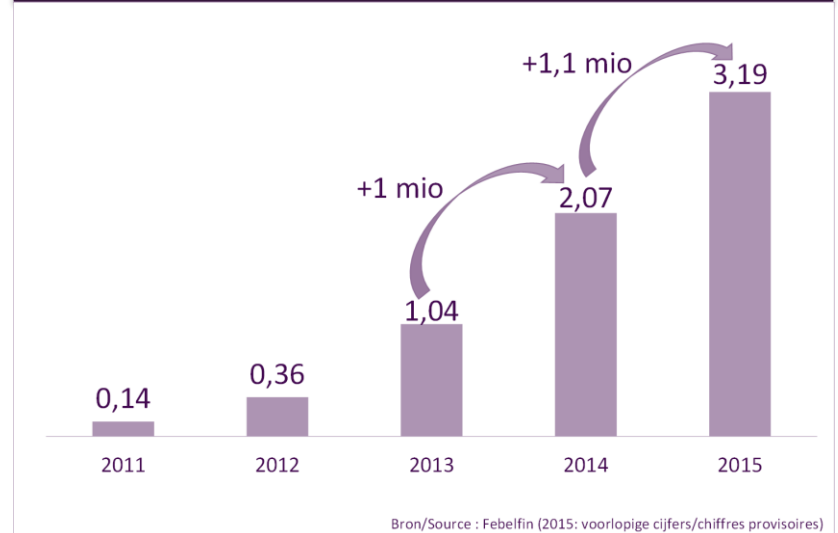
- CIT
- Use of IBNS
- Recycling (ATM's & cash centers)
- CHTO/NHTO

Banking landscape is evolving

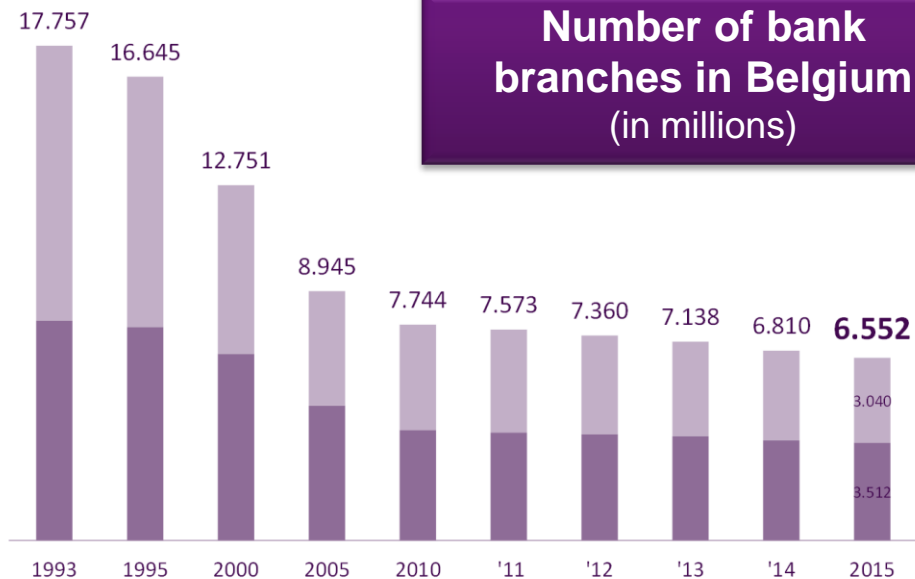
Number of internet banking subscriptions in Belgium (in millions)



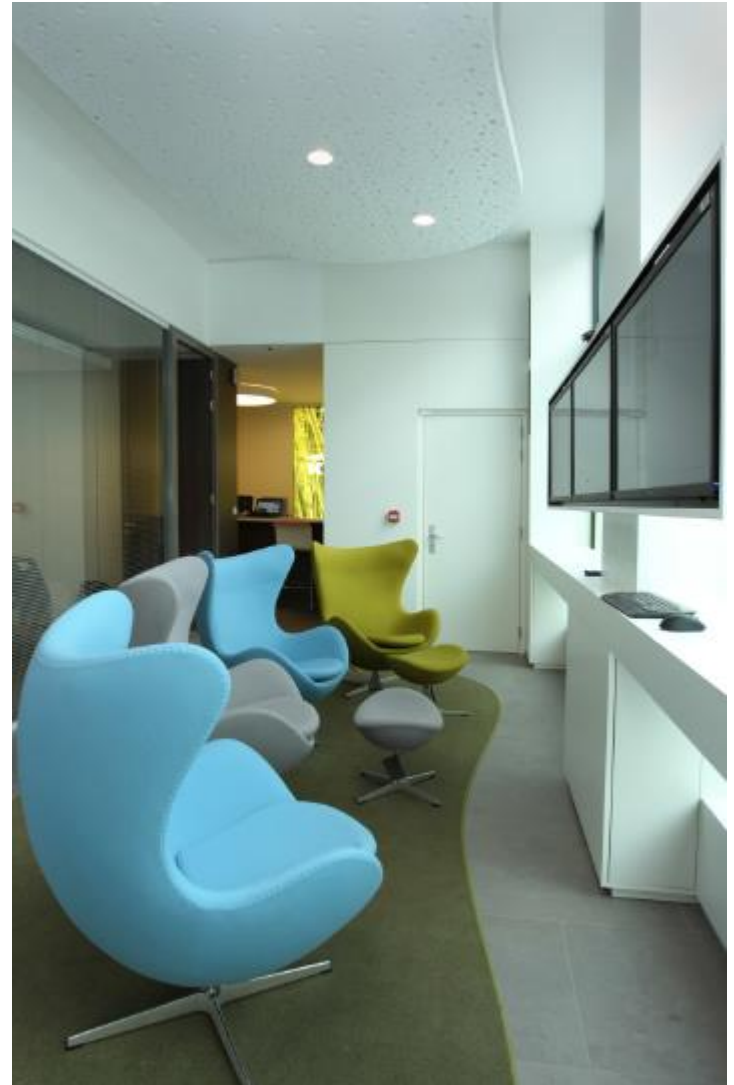
Number of mobile banking subscriptions in Belgium (in millions)



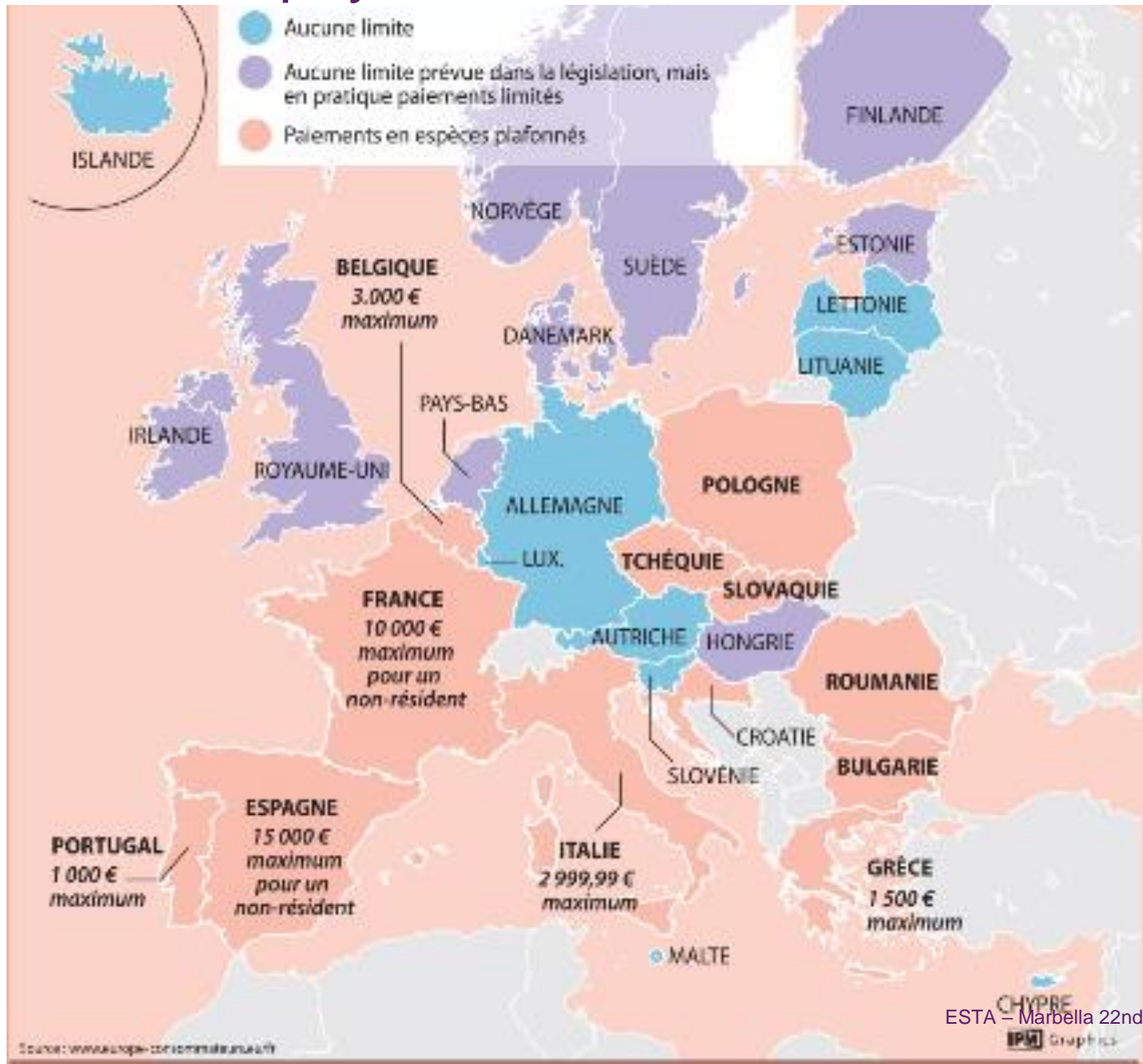
Number of bank branches in Belgium (in millions)



Bank branch transformation (commercial + security)



Limits on cash payments ?



Denmark moves step closer to being a cashless country

Danish government proposes getting rid of the obligation for certain retailers to accept payment in cash (The Telegraph)

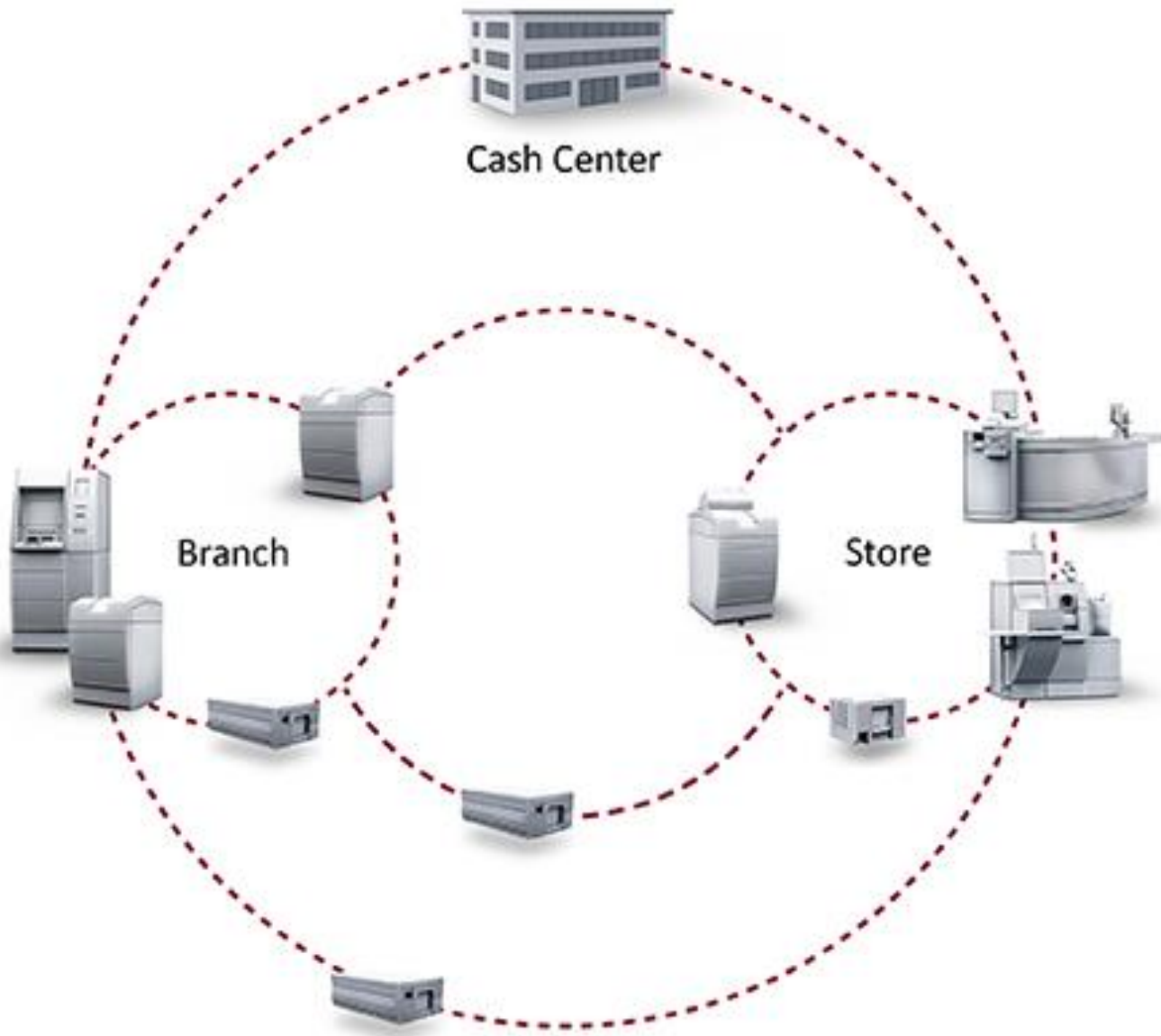
Le billet
de 500 euros
condamné.
Avant la fin du cash ?

Korea shifting to cashless society

The Bank of Korea is planning a "cashless society" by 2020. If a shopper buys a 9,500 won item and pays with a 10,000 won banknote, for instance, the shopper will be credited 500 won to his or her prepaid card instead of getting a 500 won coin in change.

THE KOREA TIMES

How to optimize the cash cycle ?



- BSR
- Recirculation
- joint use of infrastructure
- ...

ECB

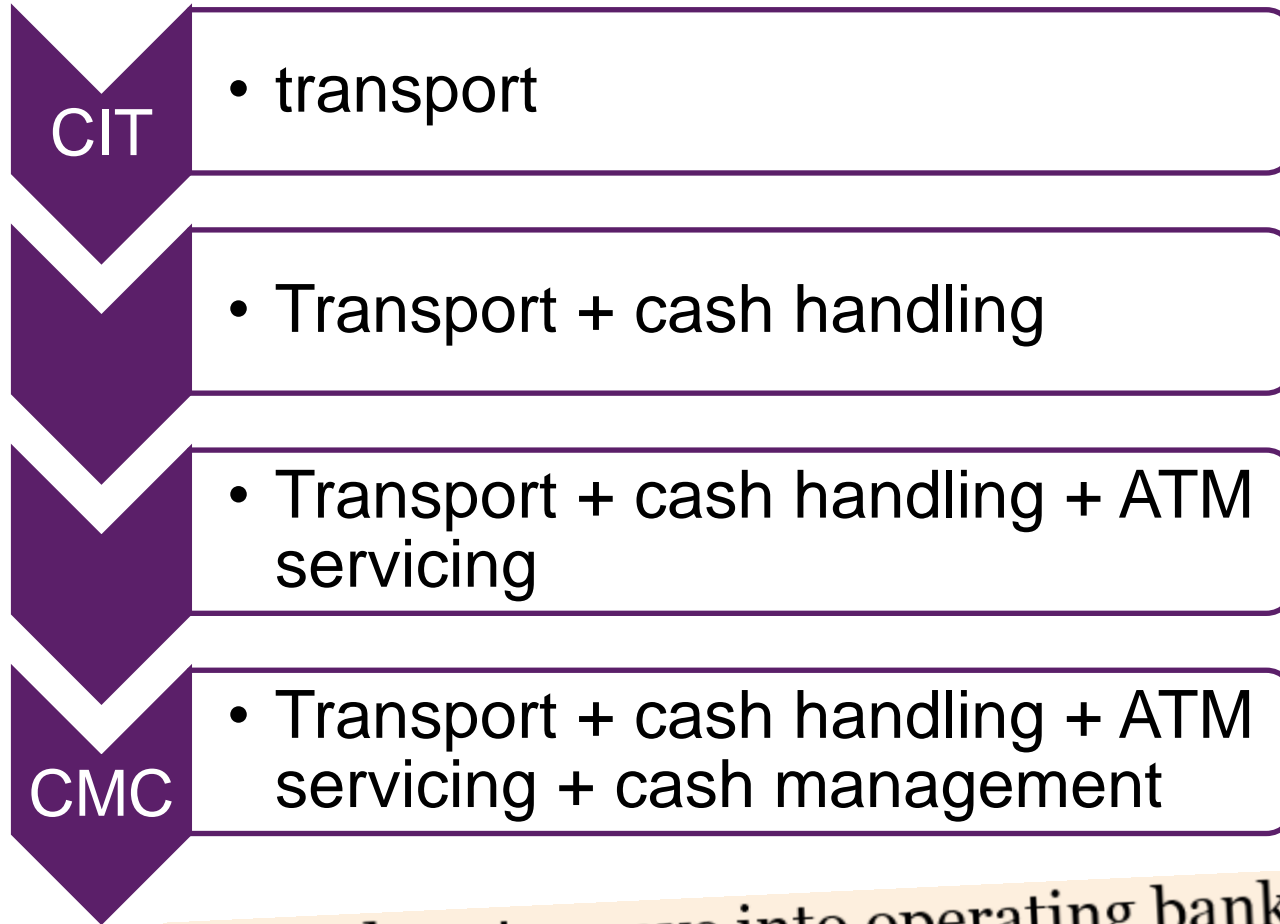
“The organisation of the cash supply chain varies from country to country and depends on, e.g.

- the structure of the local central bank, including its branch network,
- the banks and their branch networks,
- the legal regime,
- the payment habits of the public,
- the infrastructure of cash-in-transit companies operating on the market,
- and finally the geography of each country, **its history and traditions**.

For these reasons, a "one-size-fits-all" model to organise the national cash cycles in the euro area is not feasible.

Despite these differences, the Eurosystem continues to aim for a greater convergence of the cash services offered by euro area central banks. Stakeholders at both national and European level are consulted. Increased harmonisation and integration will allow stakeholders to obtain greater benefits from the single currency.”

Role of CMC companies in the cash cycle



G4S plans to move into operating bank branches



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