EXTRACT

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Banking Automation BULLETIN

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OPINION

EU harmonisation of cash payment limitations

Targeting terrorists or inconveniencing law-abiding citizens?

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12 EU member states to date have introduced general cash payment limitations. These limitations range from €500 in Greece to the equivalent of roughly €15,000 in countries such as Poland, Croatia and the Czech Republic. In most cases, these measures have been adopted for tax purposes. The limitation is particularly striking in the case of Greece, where it was introduced at €1,500, then subsequently reduced to €500.

In some member states, the cash limit is different for residents versus non-residents. For example, non-residents may pay up to €10,000 in cash in Spain and Portugal and €15,000 in France, while residents are allowed payments of no more than €1,000 to €3,000. Often, transactions between individuals are excluded from the limitations.

Cash limits are not deterring criminals

When one looks in more detail at which countries have implemented limitations, one sees that none of them are amongst the best-performing economies of the EU. Have the measures, however, at least helped in curbing corruption or illegal activities?

Unfortunately not! The six European countries where the black economy makes up the highest estimated percentage of GDP – Belgium, France, Greece, Italy, Portugal and Spain – all have cash payment restrictions in place. The same applies to corruption, where the countries with cash payment limitations are also amongst the countries with the highest rates of corruption. Even worse, research shows that countries which have strict cash payment limitations have experienced a worsening of their corruption index since the introduction of their limits (e.g. France and Spain). At the same time, countries without limits have seen an improvement in their situation (e.g. Germany).

Cash payment limitations are no panacea for public policy issues

According to Europol's data for 2015, countries with cash payment limitations have also suffered more terrorist attacks than countries without such limitations. However, there is no evidence to show that there is a causal relationship. A comparison of Europol's data for 2015 and 2016 shows that France, for example, has suffered significantly fewer attacks in 2016 compared to 2015, but this is most likely the outcome of the state of emergency declared after the November 2015 attacks rather than a consequence of the reduction of the cash limit from €3,000 to €1,000 in September 2015. Lowering the risk of terrorist attack is not simply a question of inconveniencing the use of cash for funding attacks, but the political factors and security countermeasures that are put in place.

The only conclusion that can be safely drawn from such statistics is that cash payment limitations are no panacea for public policy issues. No one can argue that cash payment limits have had any impact on terrorist threats. Adding illegality in the form of paying over the cash limit to something which is already a serious offence (organised crime, corruption or terrorism) indeed changes very little for perpetrators: if caught, their main concern will not be the infringement of rules on payments, but their more grievous criminal acts against society.

Worse from a public policy point of view, any suspicious financial transactions not yet caught by the EU's vast anti-money laundering arsenal are very unlikely to be exposed through cash payment limitations. Many transactions made by criminals, such as renting a flat, a car or a lorry, are perfectly legal. It is their intended use in conducting criminal or terrorist actions that makes them illegal, but this will only become apparent after the attack. No preventive measures can be expected to stop such cash transactions as they are small-scale, legal and self-financed through mostly legal sources. This makes them almost impossible to detect, and there are many other ways for them to keep below the radar.

EU cash limitations – not worth the effort

Cash limitations should not be imposed at the EU level as they are ineffective. The EU Commission, mandated by the EU Council to look at the potential of cash payment restrictions in the context of the fight against the funding of terrorism, has acknowledged that such measures *"do not have a significant impact on the funding of terrorism"*.

Still, the plan remains on the drawing board of the Commission, which claims that this is because different limits in each country create *"distortions to trade in the internal market"* and that therefore they ought to be harmonised.

But it is not that straightforward. The European Court of Justice has set very stringent tests for justifying any kind of EU-wide harmonisation: it would have to be shown that the existing cash payment limits in member states, which only affect a very tiny proportion of payments, i) create *"effective obstacles to trade"* ii) of 'an impact which is appreciable', not just 'abstract', and that iii) their harmonisation is a measure *"that aims at genuinely improving the functioning of the EU internal market"* and for which iv) *"harmonisation is the best response"*.

These requirements are not easy to satisfy. Not least because the justification of *"distortion to trade"* raises a serious issue in itself. If different levels are the issue, indeed harmonisation could then only be based on one single level for the whole EU.

Cash limits won't improve the security of law-abiding citizens – so why bother them with a measure that will deliver nothing? ■

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POLAND ATMS

Polish ATM numbers fall for the first time

According to figures from RBR's *Global ATM Market and Forecasts to 2022* report, between 2012 and 2016, Poland was by some distance the fastest growing ATM market in central and eastern Europe (CEE), with the number of terminals installed in the country rising by over 25% during this time. In 2014 and 2015, the annual rate of growth almost reached double digits in percentage terms, while in 2016, it slowed to a still respectable 3%. However, recent statistics released by the National Bank of Poland have shown that for the first time since the inception of ATMs in the 1980s, the installed base actually contracted in 2017. The sector is reorganising, and in the process there has been a drop of over 200 units.

Further consolidation and IADs take over bank fleets

During the period of fast growth before 2017, other changes were also occurring in the market. There was continual consolidation of the ATM estates, and the number of deployers was falling, as numerous banks no longer wanted to operate their own fleets and instead sold them to IAD operators Euronet or Planet Cash.

This trend has continued into 2017 and early 2018, with Euronet absorbing terminals from Eurobank into its already considerable-sized fleet. By the end of 2017, 140 terminals had been transferred to the IAD, representing the vast majority of the banks former fleet. By mid-2018, the remaining 30 machines will have been fully integrated into Euronet's operations, bringing an end to Eurobank's role as an ATM deployer in Poland.

This most recent example of estate takeover follows on from numerous other sales of smaller banks' ATM fleets to a larger IAD counterpart. For example, in 2015 Planet Cash took over BGZ BNP Paribas's estate following the latter's merger with BGZ, and Raiffeisen Polbank offloaded its terminals to Euronet.

Rather than completely outsource their ATM channels to an IAD, some banks have semi-outsourced their fleets. For instance, ING ▶

Numerous banks sold their ATM fleets to IAD operators