

International Perspectives on CIT

Ken Niven

Agenda for this session

- Ken Niven – background
- Cash management: transportation and processing
 - Operational similarities between countries and SLA considerations
 - Pricing drivers
 - Security aspects
 - Regulatory environment
- Summary

The Global View

- Most CITs have similar customer base – banks, retailers and ATM operators
- Cash operations around the world remarkably similar – operating branches and trucks
- Markets at different stages of development
- Main differing characteristics:
 - Number of crew: many or few (even one)
 - Trucks: soft+intelligent OR heavy armor and guns
 - Regulation: strong or light touch
- Processing very similar country to country:
 - Cash out and cash in: counting and counterfeit detection
 - ATM cash preparation and reconciliation

Operational KPIs

- Operational KPI's are the same around the world
 - Transportation: stops per hour
 - Cash processing: notes processed per hour
- Care should be taken in comparing KPI's between countries
 - Widely differing geographies and demographics

Country	Population/km2
Poland	123
Canada	3
Netherlands	407

Factors affecting operational productivity

- Customer time windows: help customer to plan but can destroy productivity
- Rules and regulations can impact productivity:
 - Crew levels
 - Truck carrying limits
 - Processing cut-off times
 - Cash presentation (notes faced etc)
- All CITs operate within a framework of regulations set by:
 - Central Bank
 - Interior ministry/police

National Cash Markets

Two Key Drivers

Central Bank Strategy

- Central bank view on need to closely control cash
- Central Bank infrastructure:
 - Many cash branches
High control
 - Few cash branches
Low intervention and increased outsourcing
- Central Banks moving towards less intervention, more currency management outsourcing + local recycling (NHTO)

Security Regulation

- Some countries reluctant to permit private security operators
- Government intent to regulate?
“light touch or detailed requirements/regulations”
- Armed crews generally mean lower operating costs
 - Lower investment
 - Lower crewing levels
- Technology increasingly a basis for regulation
 - Operating centers
 - Trucks

Service Level Agreements

SLAs

- The SLA is simply the agreement between CIT and customer about certain aspects of the service: usually excludes price and contract term
- SLAs should be designed to protect and improve operational performance
- Generally the same the world over
 - % service delivery/failed services
 - Adherence to time windows
 - Response times for ATM fixes (mostly FLM)
 - Cash counting accuracy
 - Cash presentational quality
 - Call center responsiveness and billing accuracy

Service Level Agreements

SLAs

SLAs are great if they can drive and protect performance

BUT, counter-productive if not sensibly constructed

Both parties need to be comfortable with SLA structure for it to work effectively



Market Dynamics and Pricing

- Cash markets with profitable CITs will serve customers best
- Less profitable CITs likely to have service delivery and security problems
- Constructive partnerships between CIT and customer are essential – should not be adversarial in terms of price or SLA
- Sensible prices result in profitable CITs which can invest in infrastructure, IT, trucks, security and people

Market Dynamics and Pricing

- Prices vary significantly from country to country
 - Poland 100 base for retail collection
 - US 200
 - UK 300
- Main pricing drivers are:
 - Crew levels
 - Wage rates and labor availability
 - Productivity
 - Regulatory environment and capex requirement
 - Market competition
- Market prices can be driven to uneconomic levels by:
 - Customer pressure
 - Intense competition – over supply or price wars

RESULT = POOR CUSTOMER SERVICE

Market Dynamics and Pricing

Profitable cash companies deliver:

- Quality service
- Innovation
- High levels of security
- Motivated employees
- Sustainability and resilience

Creates the platform for outsourcing complex services and more efficient cash logistics

Provides cash market stability

Security in cash management

- Entire CIT model is based on security and insurance
 - Need to fully cover risk (high exposure)
 - More security, less insurance and vice versa
 - Security = capex and operating controls
 - Capex only available to profitable CITs
 - Unprofitable companies invest less in security
- Stable market is essential to enable CITs to invest in security capex

Security in cash management

- Security systems in CIT range in complexity, from weapons through to complex electronic and IT products
- Usually one or the other – weapons or systems - binary
- And usually intelligent systems security requires less crew on trucks
- The weapons based security deterrent is normally associated with lower capex:

Capex investment + Insurance = RISK MINIMISATION
Guns

Money Authorities in cash cycle

- Central cash strategy of Central Bank is to ensure confidence in the currency:
 - Currency quality and availability
- CITs operate to support this CB strategy
- Central Banks have different approaches to delivering their core cash strategy
 - CB branch structures
 - Recycling frameworks and NHTO
 - Detailed requirements for bulk notes presentation at CB branches
 - note facing, orientation, strapping, charge for truck visits, thresholds for note destruction etc

Cash cycle developments

- General Central Bank trend in cash cycle is:
 - Less CB branches
 - Introduction of NHTO to support less branches
 - Local cash recycling
- Commercial banks increasingly outsourcing cash management and cash centers
- Result is that CITs around the world are taking a more central role in the management of cash

Factors that Impact Cash Market Characteristics

1. GOVERNMENT STRUCTURE

- Unified or federal

2. CENTRAL BANK INFRASTRUCTURE

- Centralist or devolved: many branches, few branches

3. COMMERCIAL BANKING STRUCTURE

- National players or regional

4. SECURITY REGULATIONS

- Light touch or significantly interventionist

ALL ABOVE SHAPE LOOK AND FEEL OF
CITs

Summary

- Many factors shape a country cash market
- CITs focus on customer service and supporting aims of Central Bank and Interior Ministry
- Security is always paramount
- Cash market stability achieved by ensuring CITs are profitable and able to invest in capex and people

International
Perspectives on CIT

THANK'S