ACMA CURRENCY NOTES

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A FOREWORD FOR THE INAUGURAL ISSUE

Óscar Esteban

Nothing is permanent especially today in so dynamic and evolving a world as the one we are witnessing. As part of that dynamic, no doubt the world is moving its axis towards Asia, as a present reality, and Africa, as the future one. The previous statement is beyond demonstration to date, and some staggering data might suffice to illustrate this: *today Asia represents 35% of the global GDP; Asia exceeds the joint GDP of the EU and USA; one third of worldwide exports are produced by Asia; by 2050 China will return to its economic worldwide supremacy, as once it was in the 18th century.*

The above reality cannot depict a brighter scenario for the cash management industry. Cash management industry growth is, typically and basically, driven by GDP and inflation growth. When summing up both macro variables, it results that several Asian markets are at double digit growth. However, this excellent macroeconomic foundation for our industry is not in parallel with our industry's professionalism and maturity levels. Regrettably, in Asia and

Asia's ascent foretells a bright future for the cash management industry.

Africa, with very few exceptions, our industry is young, extremely fragmented, inefficient, poorly regulated with a diversity of operational models, and as a consequence, not recognised and frequently ignored.

A problem is always an opportunity for managers to demonstrate and improve, the catalyst that fuels creative thinking and action. The gloomy paradoxical reality of our industry, was the seed that motivated some cash management industry believers to set up ACMA (Asia Cash Manage-

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ment Association), with the vision of a future for our industry aligned to the present importance of the Asian economy and the further African one, by allowing cash management companies to occupy a place that serves as an indispensable link in the cash value chain, for the benefit of all stakeholders, including citizens. In line with the rapid introduction of technology and electronic payment methods, our industry gap in Asia and Africa has to be rapidly narrowed to improve cash efficiency, to maintain cash as the preferred method of payment, and as a consequence, to decrease the cost of the whole cash value chain, while increasing its speed, availability and reliability.

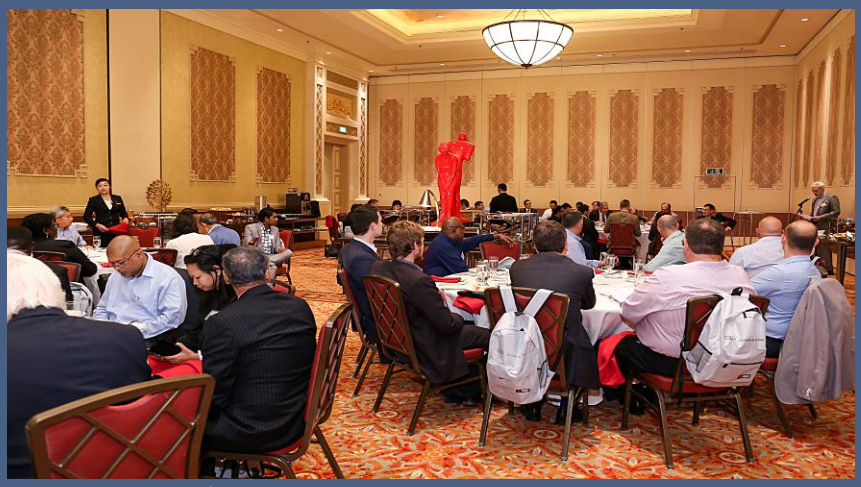
After two years of official existence, ACMA has today 32 members operating in 17 countries across Asia and Africa, which daily employ more than 60,000 staff and move currencies and valuables with around 10,000 operational vehicles. This means that every day the fleet of ACMA members makes approximately 25 trips around the Earth, or one and half round trips to the Moon.

Thanks to all of you ACMA is today a reality; let us work together on getting ACMA to the next level, as the authorised cornerstone and the reference for the cash industry in Asia and Africa.

ACMA EVENTS COMING UP

ACMA ANNUAL GENERAL MEETING AT THE ASIA CASH CYCLE SEMINAR IN BANGKOK

11 SEP 2017
12:00 PM - 2:00 PM



ACMA Chairman Óscar Esteban speaking at the 2016 ACMA Annual General Meeting.

ACMA WORKSHOP AT THE ASIA CASH CYCLE SEMINAR IN BANGKOK

11 SEP 2017
2:00 PM - 4:30 PM

Part I: Industry Legislation, Attacks and Losses

Part II: Cash Services - Crafting of a Master Service Agreement

Last year's ACMA Workshop.

THE FUTURE OF THE CASH MANAGEMENT INDUSTRY

Ted Devereux

We constantly hear that cash is under threat from the digital payment world we live in and that it is no longer "King".

It is true that digital forms of cashless payment are gathering pace and in some countries, have become the preferred form of payment. For example, Sweden.

However, I find it difficult to reconcile the global growth in cash in circulation, around 5% year on year; the global growth in Self Service Terminals (SST's); and the fact that over 2 billion people in our world today, do not have a bank account!

Another anomaly is South Korea. South Korea has the most SST's per million population (2780 per million) and yet has a very high percentage of internet banking usage.

It is interesting to note that a large part of the SST growth in recent years has been through the introduction of independent SST Deployers. This has changed the landscape in a number of countries. For example, the UK where the number of SST's per million population has grown, over the past 10 years, from around 500 to 1300 per million population. This growth is even more incongruous given the UK supermarkets' "Cash Back" policy and that the individual amounts withdrawn from the SST's has reduced!

Perhaps it is a function of SST's being deployed over a wider base (Retail and Fast Food outlets to drive footfall) and thus withdrawals being more convenient? Hence smaller amounts being withdrawn at any one time and perhaps more often.

What is clear is that Central Banks want more financial inclusion and to limit cash returned to their cash centres to unfit notes and excess notes to requirement. In some countries, excess notes returned cannot be withdrawn for a specified time without attracting a penalty. This encourages the Commercial Banks to manage their cash in circulation more efficiently and, if they have an excess of notes, sell to banks who have a deficit.

It is clear that in the more developed markets, the physical amount of cash moved, and notes processed, is reducing. This appears to be a function of retailers providing "cash back" to shoppers and the implementation of electronic deposit safes with same day credit. As a result, collections can be reduced from

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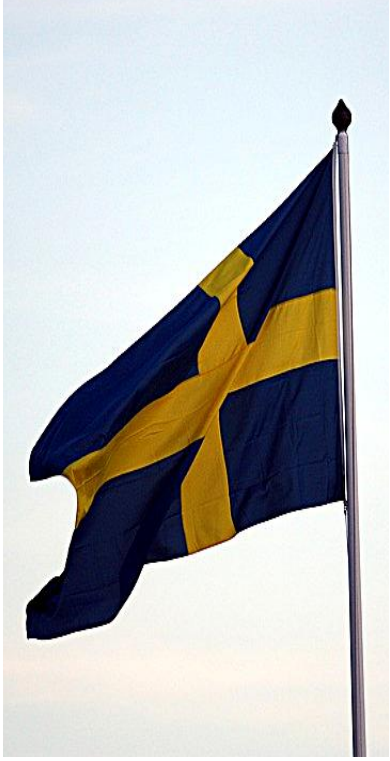
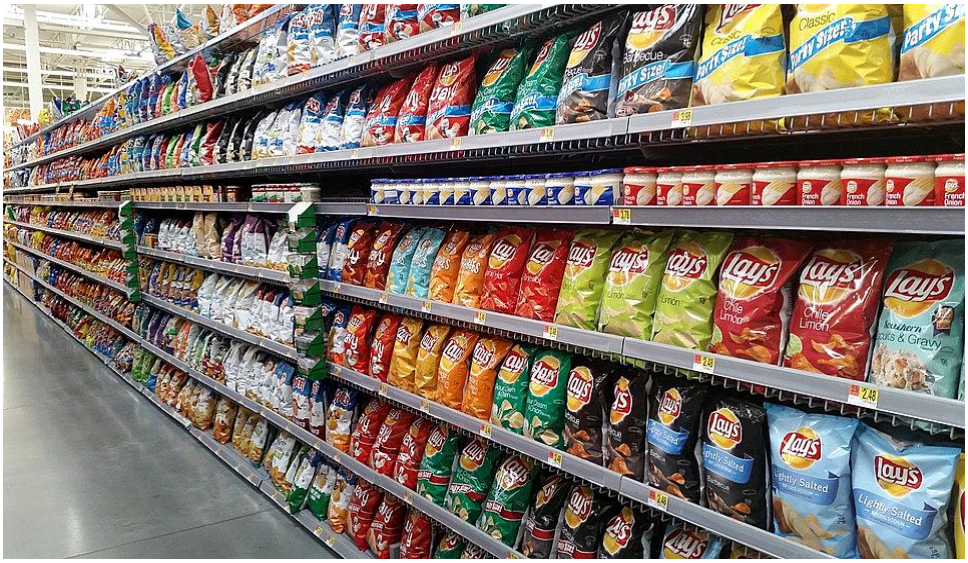


Cashless payment is currently flying high in Sweden

*The Cash Management industry needs to **embrace** the change and **explore** other related services and products in order to maintain and **grow** their businesses.*



In the UK, SST's are now being deployed widely in retail and fast food outlets.

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daily to twice weekly or even to once a week. As well as the increased usage of debit cards and other digital forms of payment.

Even without same day credit, the installation of a deposit safe allows the retailer to reduce collections as the cash is protected. Reduced collections have also been driven by low interest rates (low cost of holding) versus the cost of collection.

Commercial banks are rationalising and reducing their branch networks by building Self Service branches, replacing ATM's with Cash Recyclers and extending their SST touch points through Independent Deployers. This has resulted in reduced branch cash movements further driven by reduced retail deposits and cash optimisation.

What does this all mean to the Cash Management Industry (CIT to us older folk)? It means our revenues and profit will come under pressure from less movements/processing and competitive pricing.

So, what can be done? Rather than bemoan the pressure on revenue and profit, the Cash Management industry needs to embrace the change and explore other related services and products in order to maintain and grow their businesses.

For example, Second Line Maintenance (or what has morphed into Single Line Maintenance), SST Monitoring, become an independent SST deployer, deploy, service, and maintain Deposit Safes, Cash Optimisation and potentially invest in digital payment methods.

Whilst I have every confidence cash will remain a preferred method of payment for many years to come, and remain "King" in the developing countries, we as an industry must move with the times and invest in our businesses and the services and products we offer.

Therefore, as an industry we must embrace the inevitable change that will take place in the way people now, and in the future, make payments, and the speed with which technology is changing our lives and in many places leap-frogging existing technology and practices - which could well impact cash.

Change is inevitable, but if we as an industry embrace it, we will continue to play a very important role in the way payments are made.

Cash will remain a preferred method of payment, particularly in developing countries.

INDIA MULLS 100% FDI IN CASH, ATM MANAGEMENT COMPANIES

Suneel Aiyer, Manosh Bhattacharya

The Government of India may further liberalise and allow 100 per cent foreign direct investment (FDI) in cash and ATM management companies, since they will not be required to comply with the Private Securities Agencies Regulations Act (PSARA). This will be an advantage for cash management companies as well as for companies making currency authenticators and sorting devices and currency counting machines. In 2015, the government allowed 100 per cent FDI in white label ATM operations under the automatic route, with an aim to promote financial inclusion. White-label ATMs are owned and managed by private operators that charge the card-issuing bank a small fee for the transactions. The government in its note had stated that Foreign investments help in improving balance of payments and strengthening of rupee against the dollar among other global currencies. FDI in India grew by 22 per cent to reach US$ 35.85 billion during Apr-Dec 2016.

There has been a great degree of confusion among firms in cash and ATM management space, relating to compliance with the Act, under which they can receive FDI only up to 49 per cent. The issue has been raised in the past many occasions to the attention of Ministry of Finance, Ministry of Home and PMO by various bodies.

According to experts, companies managing cash for banks have so far been caught in a policy tangle, with the home ministry insisting that 100 per cent FDI could not be allowed for them if they provide private security guards or armoured vehicles. "Further, the Ministry of Home Affairs had stated that there is no provision under the PSARA for hiring security services and providing it to a third party on sub-contracting basis. Any agency taking such action is circumventing the provisions of the Act," it stated. The latest consolidated FDI policy, it said, also explains 'private security' and 'armoured car service' will have the same meaning as provided under the PSARA Act 2005 for the FDI purpose.

The issue of 100% FDI in cash management services was discussed at a meeting convened by the Prime Minister's Office (PMO) in March 2017. "In that meeting, it was decided that the home ministry would be asked to issue a clarification that these companies will not have to comply with PSARA and would be eligible to attract 100 per cent FDI," an official said, as quoted by PTI.

There are about a dozen cash management players in the country, including Writer Safeguard, SIS Securitas, CMS, Secure Value, Logicash, Brinks Arya, Securitrans and Scientific Security Management Services. These Cash Management companies handle over Rs 40,000 crore of cash per day. The country today has around 208,000 ATMs of which around 140,000 are outsourced, 120,000 Cash pickup points which are outsourced and around 4300 currency centres, most of which are operated by the banks themselves.

The liberalisation of India's FDI policy could pave new roads towards business opportunities for the cash management industry.

	Market Size	Outsourced
ATM	208 000	140 000
Cash Pickup Points	120 000	120 000
Currency Chest	4 300	38

Companies that make devices such as currency authenticators and sorting and currency counting machines will also benefit from this clarification, they added. Several players, including TVS Electronics and ITI, are in such businesses.

The Central Association of Private Security Industry (CAPSI) pressed forward its case for retaining FDI limit at 49 per cent in cash and ATM management companies to ring-fence the domestic industry.

In a representation to Finance Minister Arun Jaitley, CAPSI, the body of cash management service providers, said services rendered using armoured car, cash van and guards fall under the purview of the Private Security Agencies Regulation Act 2005 (PSARA) and hence, raising FDI beyond 49 per cent will be in contravention of law.

The representation comes in the wake of a proposal to raise FDI limit to 100 per cent in cash and ATM management companies as they are deemed as a vital cog in pushing financial inclusion.

It remains to be seen what would be the official stand of the government on this issue, since no official policy release has been done post the meeting at PMO in March 2017.

The Ministry of Home Affairs may soon issue clarification in this regard, said the PTI report.

	Number of Units	Transactions	Transactions per Unit
Credit Card	30 856 236	115 876 892	3.76
Debit Card	880 025 945	922 985 687	1.05
ATMs	208 476	656 018 090	3146.73

Comparing the popularity of payment methods in India.

BANK INDONESIA REGULATIONS - NEW STANDARDS FOR CASH MANAGEMENT IN THE REPUBLIC

Tan Jit Kent

The first of its kind in Indonesia, this new regulatory framework is expected to bring improvements in cash management.

The Bank Indonesia Regulations came into effect on 31 October 2016, as a means to improve quality and standardisation in cash management. As is often the case when new legislation is introduced, businesses must now pass through a transition phase as they begin to understand the new requirements of the law. Being able to quickly and clearly grasp these requirements will be key to ensuring a smooth transition and compliant operations. In light of the fact that the Regulations are in Bahasa Indonesia (and quite lengthy), here are some highlights which will provide a quick overview.

To begin, it will be helpful to go over some of the recurring terms in this article:

- Security Services Company (SSC) – These are Indonesian non-bank business entities authorised as cash and valuables transport service providers by Police of the Republic of Indonesia
- Rupiah Management Service Provider (RMSP) – These are SSCs authorised by Bank Indonesia to carry out Rupiah Management Services
- Rupiah Management Services – These are services rendered by RMSPs and include:
  - Distribution of cash
  - Processing of cash
  - Storage of cash in treasury/vaults
  - Cash filling and retrieval, and/or cash level-monitoring on Automated Teller Machines, Cash Deposit Machines, and/or Cash Recycling Machines

*In accordance with the regulations, Bank Indonesia's **authorisation** is now required for SSCs wishing to become **RMSPs**.*

In accordance with the Regulations, Bank Indonesia's authorisation is now required for SSCs wishing to become RMSPs. For applicants, the requirements are:

- Applicant must be an Indonesian limited-liability business entity.
- Applicant must employ infrastructure which meets the standards set by Bank Indonesia for the Rupiah Management Activity in question.
- Sound financial status
- Company management of good integrity and reputation
- Applicant must be authorised as an SSC by the Police of the Republic of Indonesia.

Standards have been prescribed for cash management processes.

Bank Indonesia is also the go-to authority for already-authorised RMSPs wishing to open up Branch Offices. Here, the requirements are:

- Applicant must be authorised as an RMSP.
- Applicant must employ infrastructure which meets the standards set by Bank Indonesia for the Rupiah Management Activity in question.
- Applicant must possess human resource of good integrity and reputation.
- Applicant must possess authorisation for expansion of business from the Police of the Republic of Indonesia.

Once authorisations are secured, Rupiah Management Services will need to commence within 90 calendar days of the date of authorisation. The Regulations state that RMSPs must notify Bank Indonesia (in writing) when Rupiah Management Services have commenced, or if such services have yet to commence within the 90 days. However, before carrying out any such service, a Written Service Agreement must be in place between RMSPs and Banks/other clients.

The Regulations also have provisions for the Monitoring of RMSPs. Bank Indonesia conducts two forms of Monitoring: direct and indirect. Direct Monitoring is performed via an inspection of the RMSP. Performance of this inspection may be delegated by Bank Indonesia to other parties. Indirect Monitoring, on the other

hand, is performed by reviewing periodical reports, incidental reports, statements, commentary, recordings, and documents relevant to the RMSP's Rupiah Management Service. These are to be supplied by the RMSP at the request of Bank Indonesia. Bank Indonesia may also request such materials from other parties which are in collaboration with the RMSP.

In addition to Bank Indonesia, RMSP clients also conduct Monitoring in order to ensure the RMSP's compliance with:

- their Written Service Agreement, and
- the standards set by Bank Indonesia

The Regulations indicate that Bank Indonesia's standards form the basis for reviewing applications for authorisation and evaluating RMSPs during compliance Monitoring. These standards encompass aspects such as: building in general, loading bays, search area, cash processing areas, vaults, packaging of cash, vehicles, sorting machines, counting machines, as well as banknote quality and authenticity. Also, whenever banknotes of questionable authenticity are encountered, RMSPs must consult Bank Indonesia for clarification or return these notes to the client Bank.

Under these Regulations, Bank Indonesia also has control over the movement of foreign banknotes into and out of the country. RMSPs which are authorised to carry out Distribution of Rupiah may also bring foreign banknotes into or out of Indonesia. However, such activity must be registered with Bank Indonesia and performed in accordance with the terms set by Bank Indonesia.

Bank Indonesia has released a Circular which povides further details on the requirements set forth in the regulations.

Bank Indonesia has also prescribed a process for service providers which were already carrying out Rupiah Management Services prior to the enactment of these Regulations. For such service providers, an application for authorisation must be submitted to Bank Indonesia no later than 9 months after the enactment of these Regulations. During this application period, the service provider is allowed to represent its Bank(s) in carrying out Rupiah storage and/or withdrawal at Bank Indonesia. The service provider must also submit periodical and incidental reports, statements, and other documents to Bank Indonesia. As is the case for an authorised RMSP, the service provider must comply with relevant Rupiah banknote quality, security, efficiency, and risk mitigation standards.

The Bank Indonesia Regulations prescribe several sanctions for non-compliant parties. These sanctions range from a written warning, to partial/full suspension, to total revocation of authorisation. Bank Indonesia also imposes fines for certain offences. For instance, an RMSP failing to detect counterfeit Rupiah shall be fined 5 times the nominal value of the counterfeit.

In summary, the Bank Indonesia Regulations provide a guide for the rendering of cash management services in the country. The scope of the Regulations includes: the requirements for obtaining authorisation, the performance of service, and the assurance of service quality through Monitoring. Bank Indonesia has also followed up on these Regulations with a Circular, which provides further details on the Regulations' procedures and requirements.

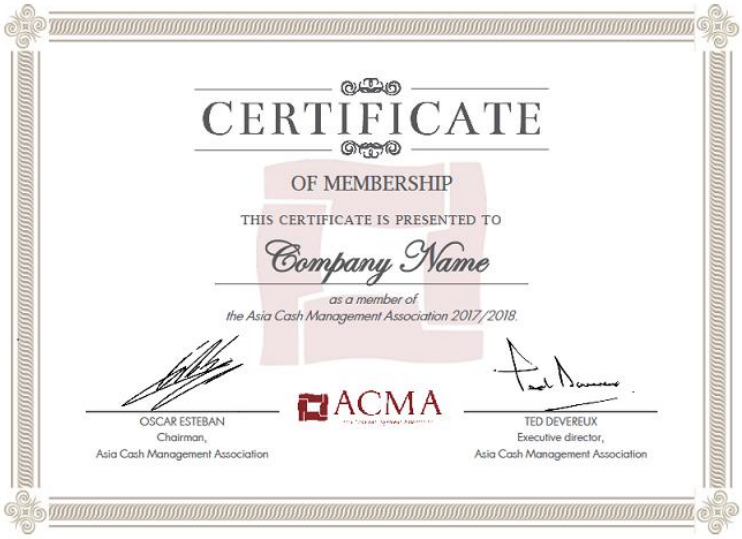
Further Reading:

- Bank Indonesia Regulation: Peraturan Bank Indonesia Nomor 18/15/PBI/2016
- Bank Indonesia's Circular: Surat Edaran No 18/25/DPU Perihal: Penyelenggara Jasa Pengolahan Wang Rupiah

ACMA ANNOUNCEMENT: MEMBERSHIP CERTIFICATES NOW AVAILABLE

Starting this year, ACMA will be issuing exclusive certificates of membership in acknowledgement of the association's members. This initiative is part of our effort to reinforce a sense of belonging and identity within the association, and also in response to suggestions received from several member companies. The certificates will be delivered to ACMA members during the next general assembly in Bangkok on 11 September 2017.

ACMA membership certificates are valid for one year and will be re-issued on an annual basis to companies that renew their memberships.


CERTIFICATE

OF MEMBERSHIP

THIS CERTIFICATE IS PRESENTED TO

Company Name

as a member of

the Asia Cash Management Association 2017/2018.

ACMA

OSCAR ESTEBAN
Chairman,
Asia Cash Management Association

TED DEVEREUX
Executive director,
Asia Cash Management Association

ACMA's membership certificate

ABOUT ACMA

Mission

To provide a platform for Cash Management Companies (CMCs) in Asia, Africa and Australia & Oceania to raise their professional reputation and standing in the Cash Handling and Cash Management Industry, and to act as a representative with the appropriate authorities on issues of common interest.

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ACMA CURRENCY NOTES

SHARE YOUR INSIGHTS

If you would like to have an article published in the ACMA Currency Notes, please write to Tan Chee Meng at: tancmsia@gmail.com

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