European Payments Council

EPC Newsletter

SEPA FOR CASH

The Road Show

EC expected to harmonise rules for cross-border cash transport by road

29.01.10 BY LEONOR MACHADO

As reported previously in this Newsletter, the EPC advocates the creation of a Single Euro Cash Area (SECA) with a view to increase the efficiency of the wholesale cash processing cycle; e.g. the processes required to put euro banknotes and coins in circulation and to transport them. In SECA, as envisioned by the EPC, cash-in-transit companies (CITs) should be able to establish cross-border cash transporting routes. However, eight years after the introduction of euro coins and banknotes CITs continue to operate exclusively within national boundaries due to existing differences between related legal regimes in Member States. To remediate the situation, the European Commission intends to introduce a proposal for a Regulation on cross-border euro cash transport by road during the second quarter of 2010. Leonor Machado reports on a set of principles developed by the EPC with a view to ensure greatest possible effectiveness of legislation in this matter.

Cross-border cash transport: a precondition for effective wholesale cash processing

The possibility to transport cash across borders would enable CITs to use routes between and among retail points (bank branches, ATMs and merchants, for example), National Central Bank (NCB) branches and CIT cash centres located in different Member States. To date, differences between national legal regimes on multiple aspects of cash transport including carrying of firearms by CIT staff, armouring and equipment of transport vehicles or the number of staff required during the transport, impede cross-border transport of euro cash in the internal market.

It is widely recognised however that harmonisation of related rules would significantly improve the efficiency of the wholesale cash processing cycle whilst increasing competition in the CIT market, particularly in the border regions. In addition, such harmonisation would support a main objective of the SECA initiative, e.g. convergence of National Central Bank (NCB) cash services in the euro area (see also the article "Cashing out. National Central Banks commit to optimise cash handling in SECA: a progress report"; a link to this article is set out below). Perhaps most importantly, a common legal framework would reduce the risks involved in the business of cash transport as CITs could choose the shortest and most secure route to their destination.

Following publication of a related White Paper in May 2009, the European Commission intends to introduce a proposal for a Regulation on cross-border euro cash transport by road during the second quarter of 2010. The EPC advocates taking into consideration the principles outlined below to ensure greatest possible effectiveness of such legislation.

Widest possible value type scope

Whilst the Commission's White Paper proposes to limit the scope of a Regulation on cross-border cash transport to cover euro coins and banknotes only, the EPC recommends extending the value type scope also to non-euro currencies and other precious values. The movement of these values should be allowed during any single cross-border transport together with euro cash picked up at retail points resulting in the rationalisation of daily value transports by CITs and less costs for their clients.

Geographical applicability

Regulation on cross-border euro cash transport should apply in all EU Member States, whether they are a euro country or not. This would provide equal opportunities to CITs from euro and non-euro countries to compete for cross-border routes involving various value types. In case the European Commission considers limitation of the geographical scope to the euro zone as a first step in a phased process of harmonisation, it should be ensured that CITs from neighbouring non-euro countries are allowed to compete for cross-border euro zone cash transport. The Commission, however, currently considers introducing two separate pieces of legislation: one comprehensive regulation applying to the euro-zone countries and a second regulation giving non euro-zone countries the possibility to "opt in".

License and registration validity

A CIT validly licensed and registered in one Member State should be allowed to perform cross-border cash transport if the CIT complies with the security dispositions (means of transport, firearms, personal, convoy and accompanying procedures) in force in the visited Member State. The same should apply to a CIT located in a Member State where licensing is not required if the CIT has equivalent authorisation and has effectively provided cash transport services for at least 12 months.

Duration of transport and return of a security vehicle to its Member State of origin

As regards to the duration of the journey and the return of a security vehicle to its Member State of origin, security vehicles should be granted full flexibility to leave the Member State home base, execute its itinerary throughout multiple border zones, deliver its content at a CIT centre in a neighbouring Member State at end of day and stay overnight at this particular centre (to start a new border route early next day). Constraints set by the visited Member State for cash transporters licensed in this Member State should apply to the visiting CIT security vehicle as well. Such flexibility would motivate CITs to expand their network and plan new routes in neighbouring countries resulting in increased choices for their customers.

Legal framework

Different options are currently considered with a view to achieve the necessary harmonisation: mutual recognition of national legal regimes, full harmonisation of CIT transport in the Member States or common rules on cross-border transport only. The approach of choice should ensure that the following objectives are achieved:

1. As a minimum, professionals should have the possibility to transport cash cross-border within set "corridors" of a wide kilometre range on each side of a border. Within these corridors, professional cash transporters of one Member State should be free to service merchants and retailers, financial institutions and their branches as well as National Central Banks branches in another Member State, provided they comply with the security dispositions mandated by the visited Member State.
2. If, as a transitional measure, cross border corridor boundaries would have to be determined, these corridor

limitations should be lifted in the long term so that any professional cash transporter would be allowed to render services anywhere in the EU.

Last but certainly not least, EU legislation on this matter must not lead to dispositions which could negatively impact the current security levels and/or increase the cost for the users of professional national cash transport by road in the Member States concerned.

Way forward

The market is now awaiting the European Commission's proposal for a Regulation on cross-border euro cash transport by road during the second quarter of 2010. Hopes are high that in the foreseeable future the principles governing the concept of the internal market will apply to the daily business of making available cross-border cash transport by road to consumers and enterprises throughout the EU as well.

Leonor Machado is the Chair of the EPC Cash Working Group.

Related link:

European Commission: White Paper on professional cross border transportation of euro cash by road between Member States in the euro area (May 2009)

Related article in previous issue of the EPC Newsletter::

Cashing out. National Central Banks commit to optimise cash handling in SECA: a progress report (EPC Newsletter, Issue 4, October 2009)

ARTICLE97