

Integrated **Cash Management** Services Ltd

Knowledge **Leaders**

MANAGING COST AND RISK OF CASH

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Outline



Integrated **Cash Management** Services (Ltd)

- Introducing ICMS
- Cash survey
- Status quo
- Cost situation
- Risk situation
- Way forward
 - Risk
 - Cash

Introducing ICMS



Integrated **Cash Management** Services (Ltd)

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- ICMS is the result of a 50% Joint Venture between XL Cash Management Services (Nigerian) and SBV Services (South African)
 - XLCMS
 - Expertise and knowledge of the local market
 - Existing infrastructure
 - Contracts / contacts
 - SBV
 - 22 years experience in multi bank cash management
 - 21 national cash centres serving all banks
 - Rated by Lloyds of London as the CIT company that manages its risk the best in the world
 - Core business = managing risk and cost of cash
 - Moving of cash: Cash in Transit (CIT)
 - Holding of cash: Cost of funds
 - Processing of cash: Sorting / packing

Cash survey



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- The cashless society is about as real a possibility as the paperless office. At this stage, it belongs in the realms of science fiction.
 - All the indicators showed that cash appears to have a bright and unlimited future;
 - More people feel less secure today about the safety of their funds than they did one year ago;
 - As banks and institutions lend less, people are forced to rely on the money they actually have on hand;
 - Collectively, debit cards and cash together are viewed as the vehicles best poised for more growth, as consumers limit spending and worry about their future earning abilities;
 - We have not seen any decrease in the amount of cash we are loading in ATMs. Cash is still king.

» **Source: Survey by ATM Marketplace**

Status quo



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- Nigeria is a cash based economy
- Rapidly growing banking infrastructure
- CBN planning to outsource currency processing and distribution
- High risk cash environment
- High cost cash environment
- Fragmented, non integrated cash supply chain
- Insufficient systems / software / equipment
- Well-organised crime syndicates thrive in the vacuum of structured counter attack strategies

Cost situation



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- Independent research by Tower Group showed that savings of up to US\$12m (NGN1,5bn) per annum could be made by larger Nigerian banks by following a holistic approach to cash supply chain management
- Own research conservatively showed possible savings of NGN900m per bank by implementing an integrated cash supply chain model:
 - Vault holdings management (cost of funds)
 - Shared CIT services
 - Introducing and sharing of software
 - Retail processing
 - Insurance
- Cash held to order vaults by CBN (20 at NGN2bn) - saving of NGN8.8bn per annum

Risk situation



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- Attacks on banks

	Attacks	Estimated fatalities
▪ 2007	65	40
▪ 2008	133	240
▪ 2009 (YTD)	3	14

- Attacks on CIT vehicles

	Attacks	Estimated fatalities
▪ 2007	9	13
▪ 2008	53	171
▪ 2009 (YTD)	8	65

- Estimated losses 2008 – NGN15.9bn

- Estimated losses YTD

- Bank – NGN27,5m

- CIT – NGN350m

Cost and risk: Way forward



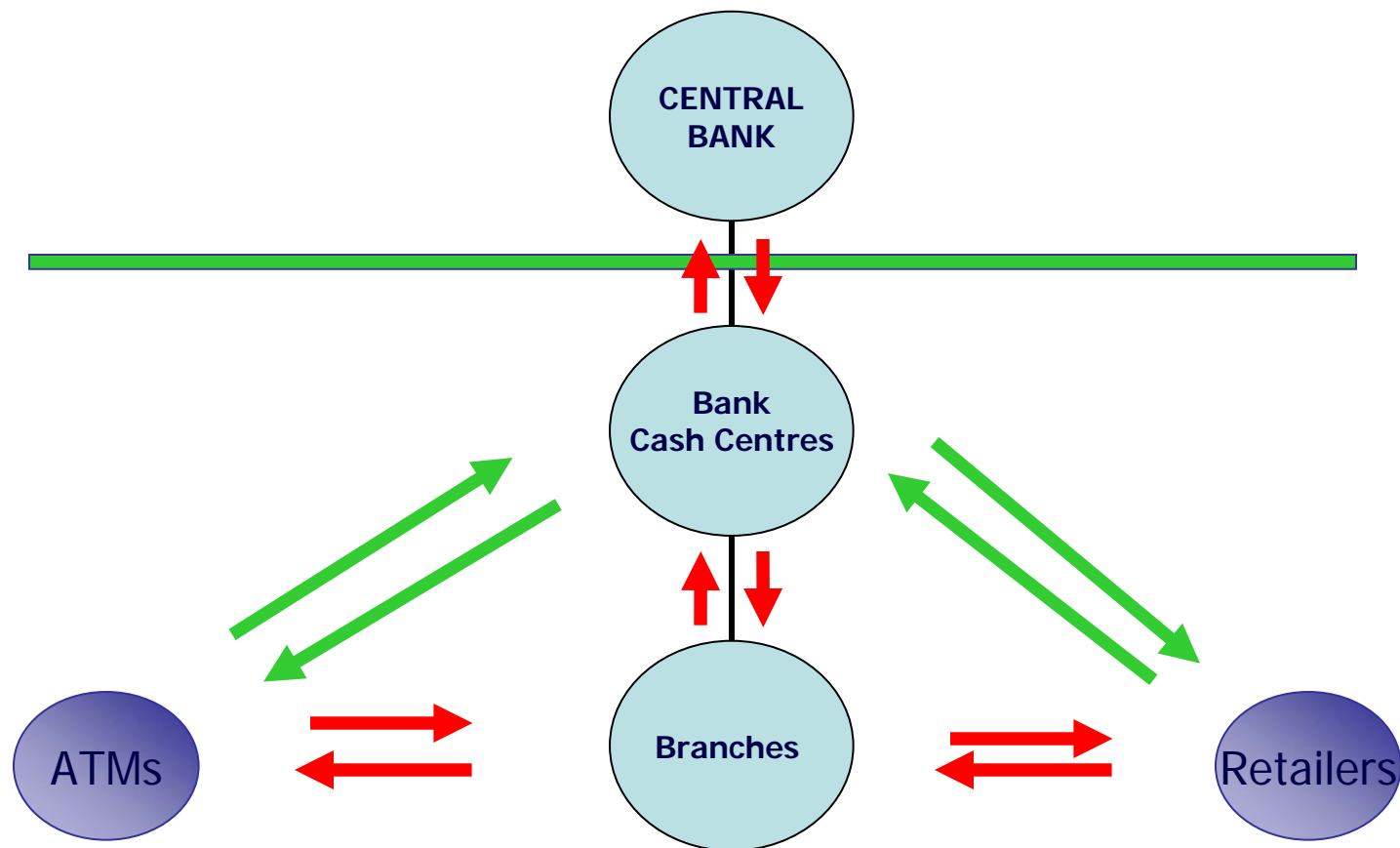
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- Priority 1: Need to focus on establishing an integrated cash supply chain to managing cost and risk
 - Industry approach
 - Multi bank
 - End-to-end
- Priority 2: Need a partnership approach to proactively manage risk
 - Public private cooperation / partnerships
 - Minimum standards for total cash industry
 - Integrated software / technology to manage / support processes
 - Intelligence repository and analysis
 - Trend analysis (lessons learned)

Present cash model



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Integrated cash supply chain



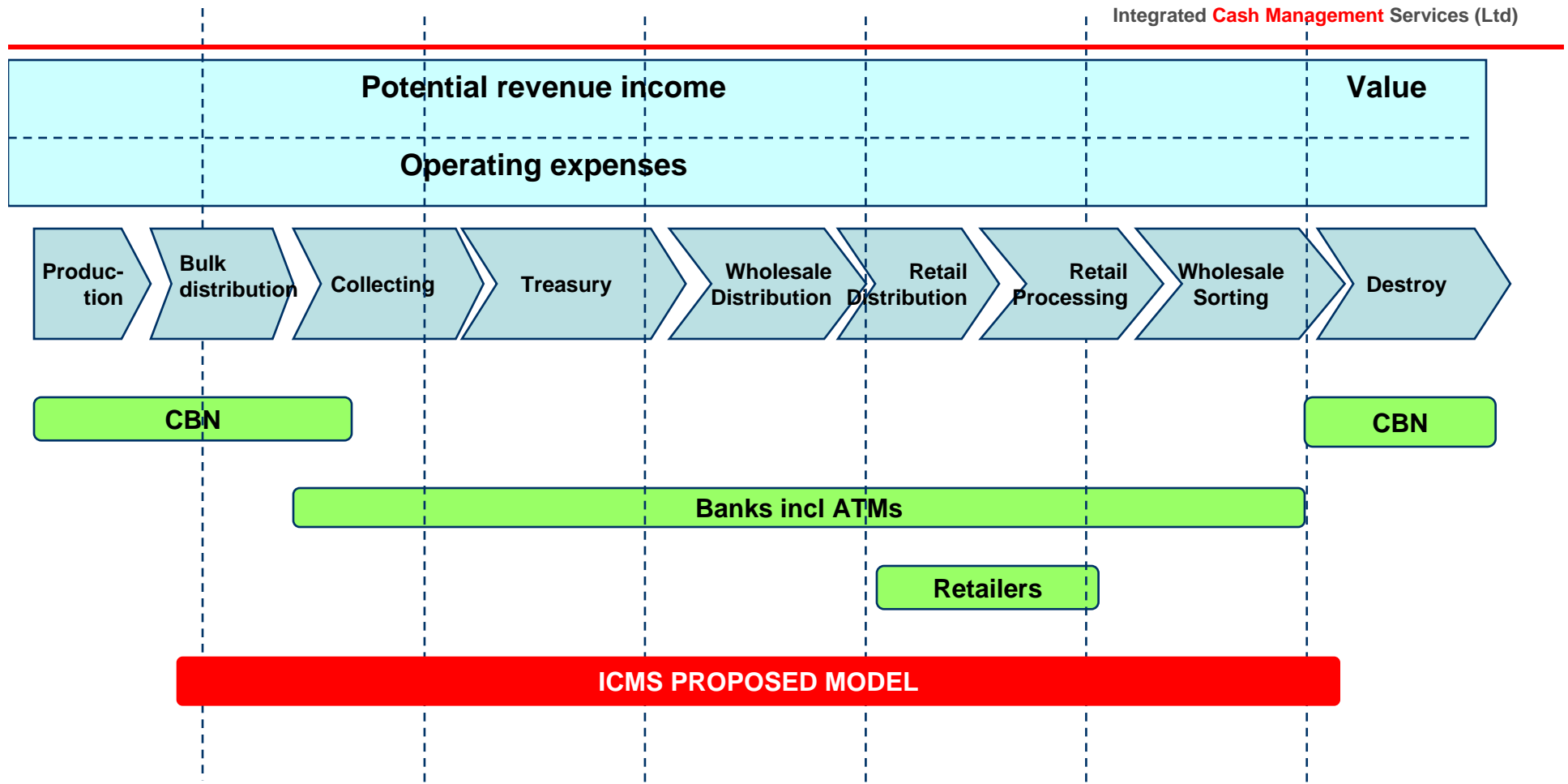
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- (1)Integrated (2)end-to-end (3)multi bank (4)cash (5)supply chain (6)management
 1. Integrate all aspects / contributors in the moving, holding, and processing of cash
 2. From where it begins (printing) to where it ends (destruction)
 3. A number / all banks participate on an equal basis
 4. Notes as well as coin (including forex)
 5. All as per above
 6. A continuing process

Nigerian cash supply chain



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Source:

Operational aspects



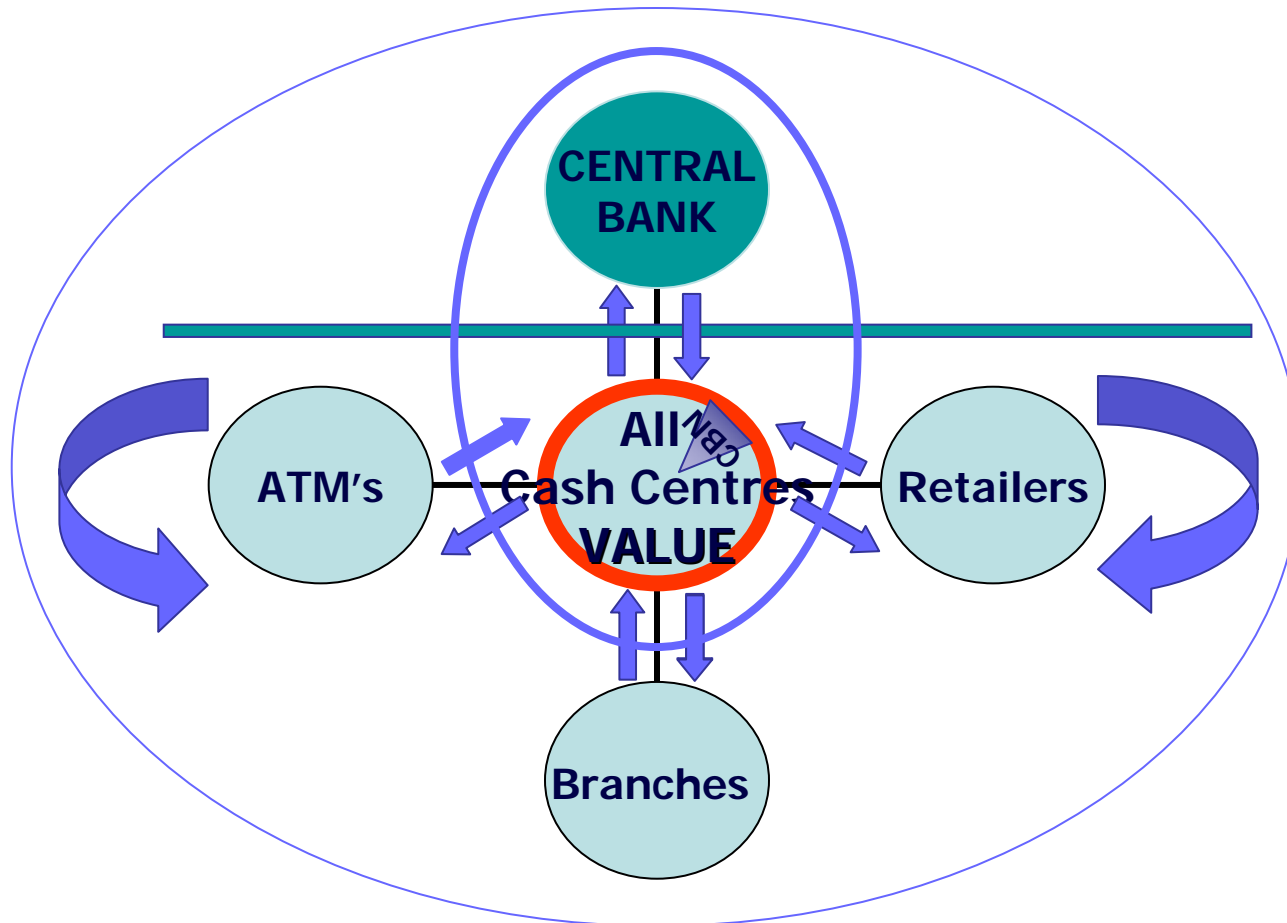
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- Focus on establishing a low risk environment
 - Moving cash out of bank branches to cash centres
 - Designed to manage bulk cash
 - Multi bank model
 - Hub and spoke model
 - Lower risk of attacks on bank branches
- Integrated multi bank approach
 - Holding of cash (vault management)
 - Processing of cash (sorting, counting, packing)
 - Moving of cash (CIT / air)
- Supporting software / technology
 - Management information
 - Operational savings

Envisaged model



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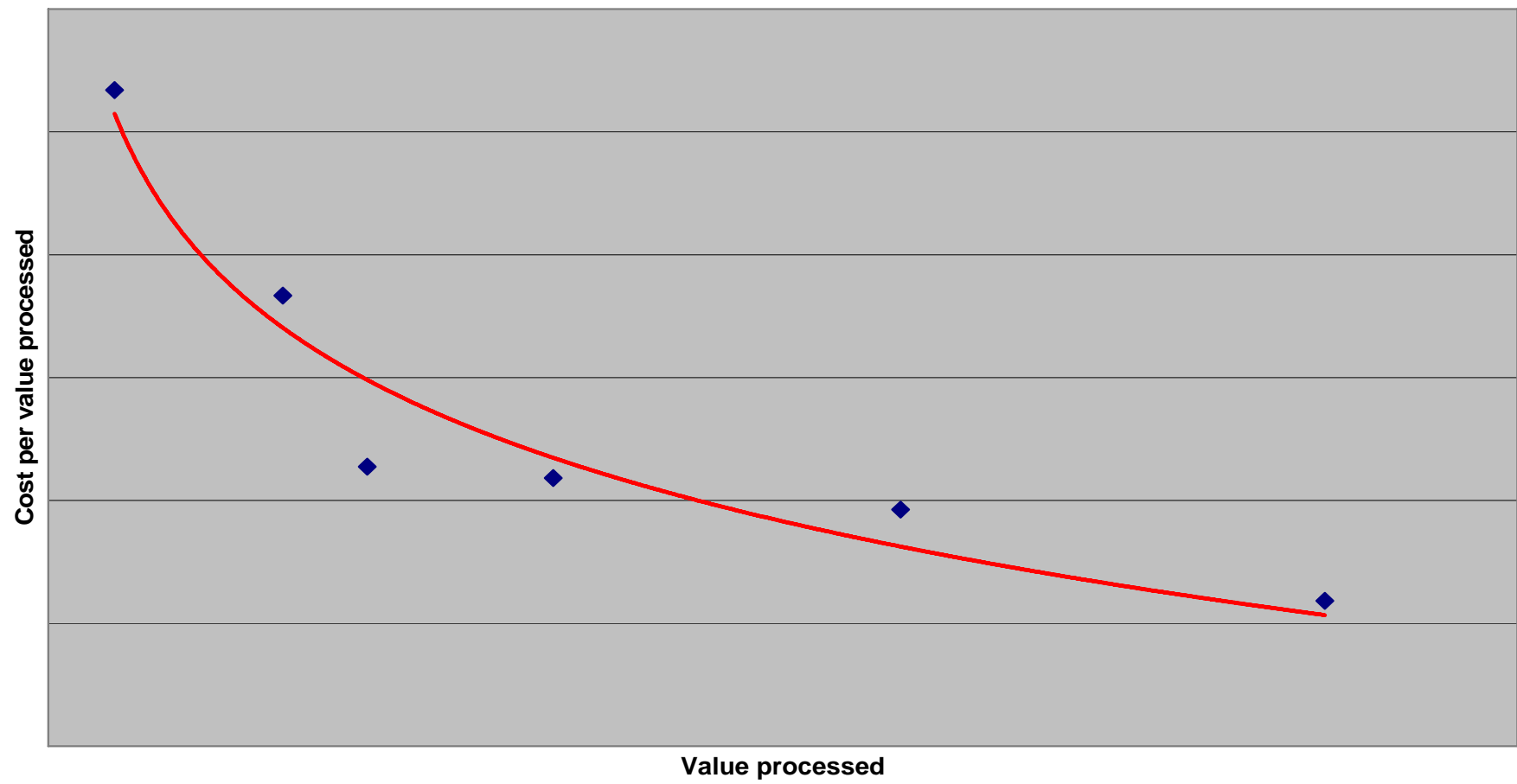


Cost factors



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Cost Volume Relationship



Benefits to the industry



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- Multi bank scale economies
 - Reduces cash in circulation and bank holding costs
 - Reduction in risk to the banks
- Increased service levels to end users
- Combination of distribution and processing
- Supply chain optimisation
- Cash management systems
- Focused expertise

Partnership approach



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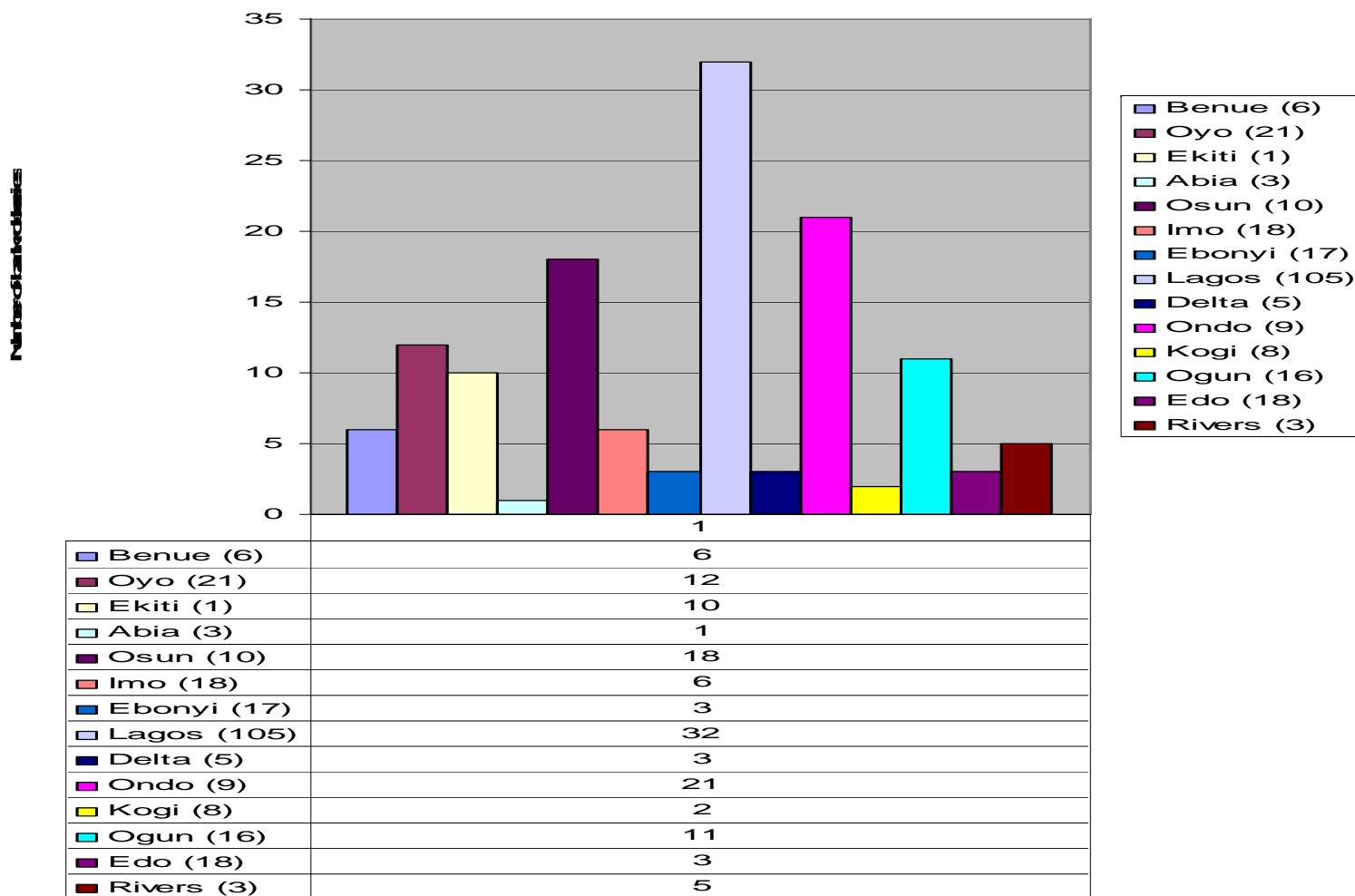
- Promote Public Private Partnerships
 - Target groups should include all industry players
 - Empowered representative forum / body:
 - Move from reactive to proactive
 - Independent secretariat / honest broker
- Provide platform to centralise information
 - Shared control rooms
 - Integration of software and incorporation of hardware
 - Role of Artificial Intelligence
 - Facial recognition
 - Recognise suspicious behaviour
- Establish a non-competitive centralised intelligence capability / database
 - Data collection
 - Data dissemination / analysis
 - Foreknowledge to move from reactive to proactive
 - Counter strategies based on intelligence reports
 - Joint operations

Intelligence capability



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Bank robberies: Jan to 31 Dec 2008

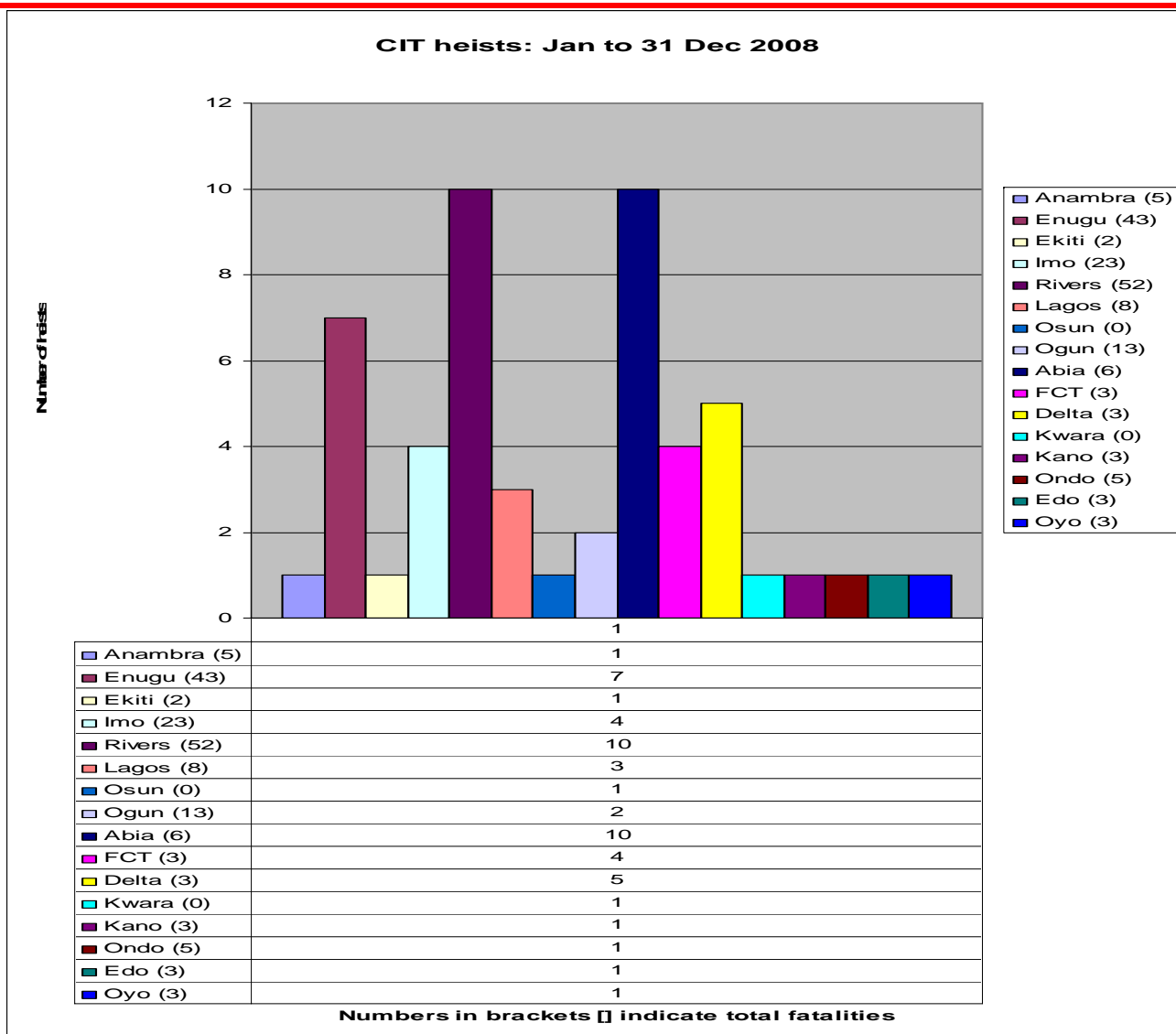


Numbers in brackets [] indicate total fatalities

Intelligence capability



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Risk trend analysis



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- Need to learn from experience of others to predict our own future
- Trend analysis suggest that Nigeria is following a similar route as South Africa
 - Bank branches were targeted because of poor security
 - Improved security forced criminals to attack CIT service providers
 - As CIT companies improved their security standards criminals again targeted bank branches using hammers
 - As banks once again improved standards criminals moved to shopping malls / retailers / fuel stations
 - ATM's and Cash Centres are now the targets
 - Use of explosive on CIT vehicles expected
- We cannot eliminate crime, we can only make our facilities unattractive to criminal elements
- Violence is common during attacks
- Internal collusion is a major problem – some estimates put the figures as high as 80%

Benefits to the industry



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- Cooperation on all levels
 - Committees with teeth
 - Sharing control room
- Integrated focus on managing risk in the cash industry
- Managing information
- Enable to move from reactive to proactive
- Standards to adhere to
- Risk / contingency plans
- Cost implications

Contact details



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