

## Reducing cash transactions: the Italian Banking Association's experience

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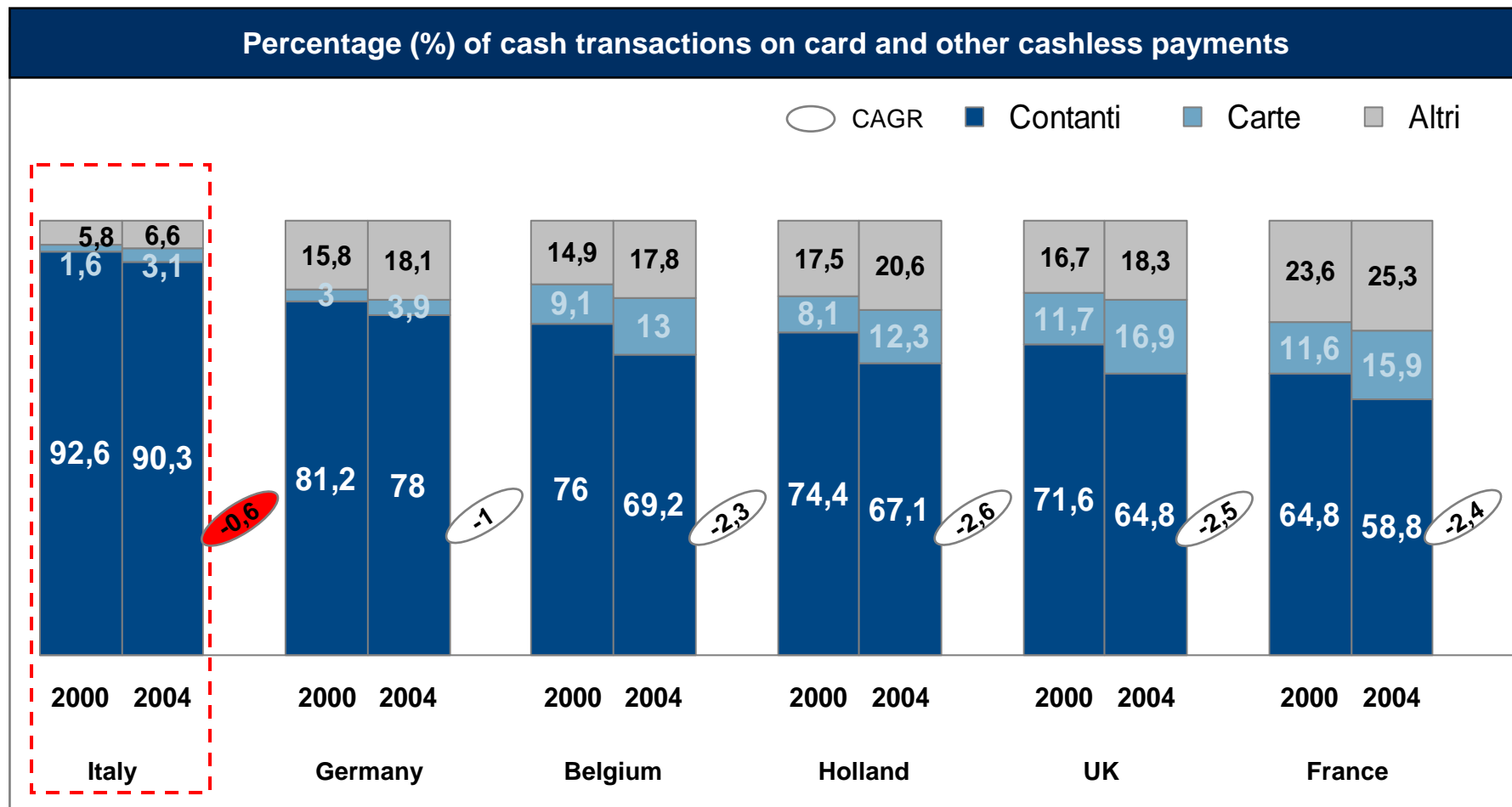
Tirana, 28.07.2008

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- 1 The European and Italian scenario**
- 2 ABI's "War on Cash" project
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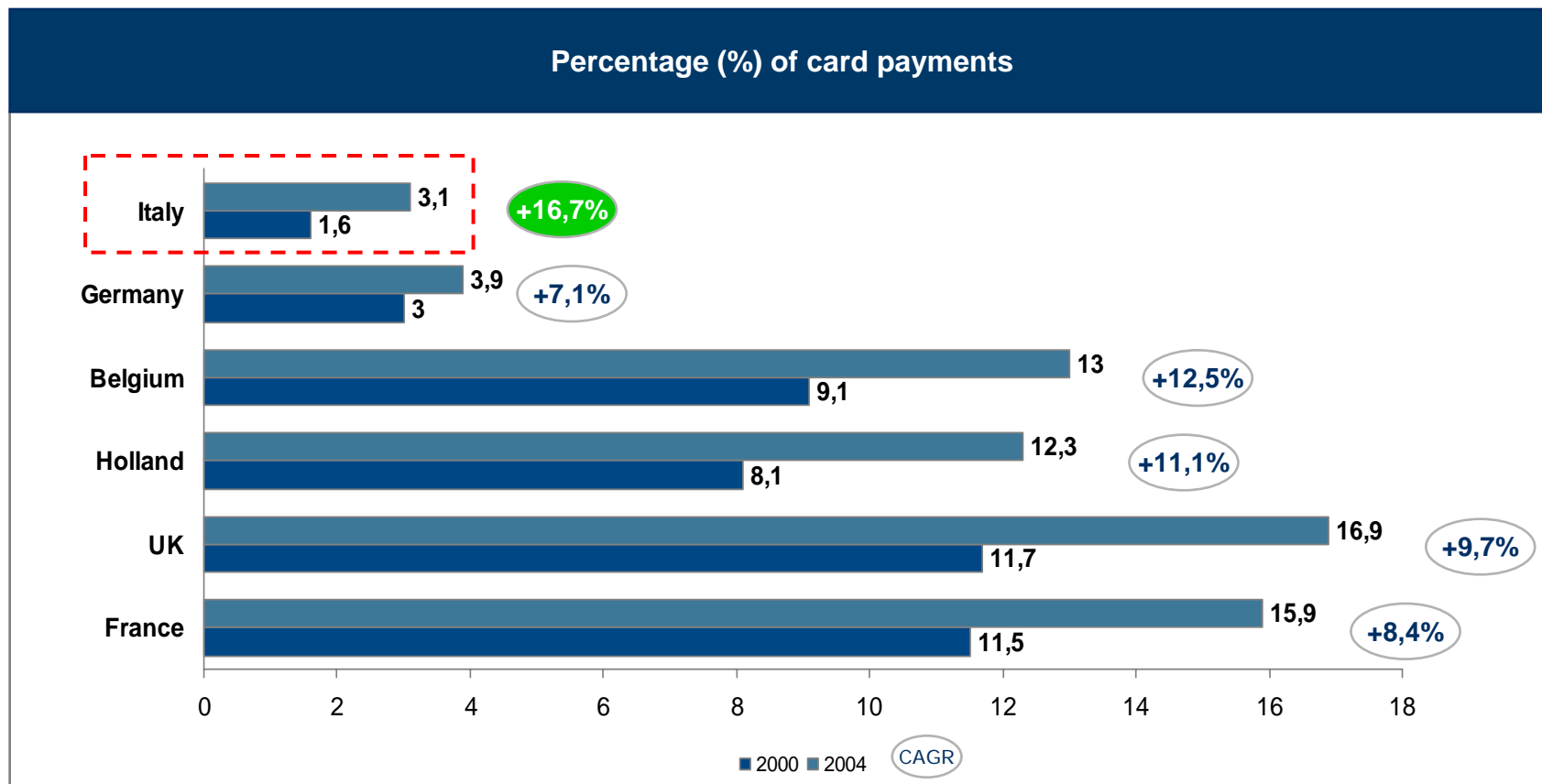
## 1. The European and Italian scenario

In Italy the replacement of cash with other payment instruments proceeds slowly, less than in other European countries...



## 1. The European and Italian scenario

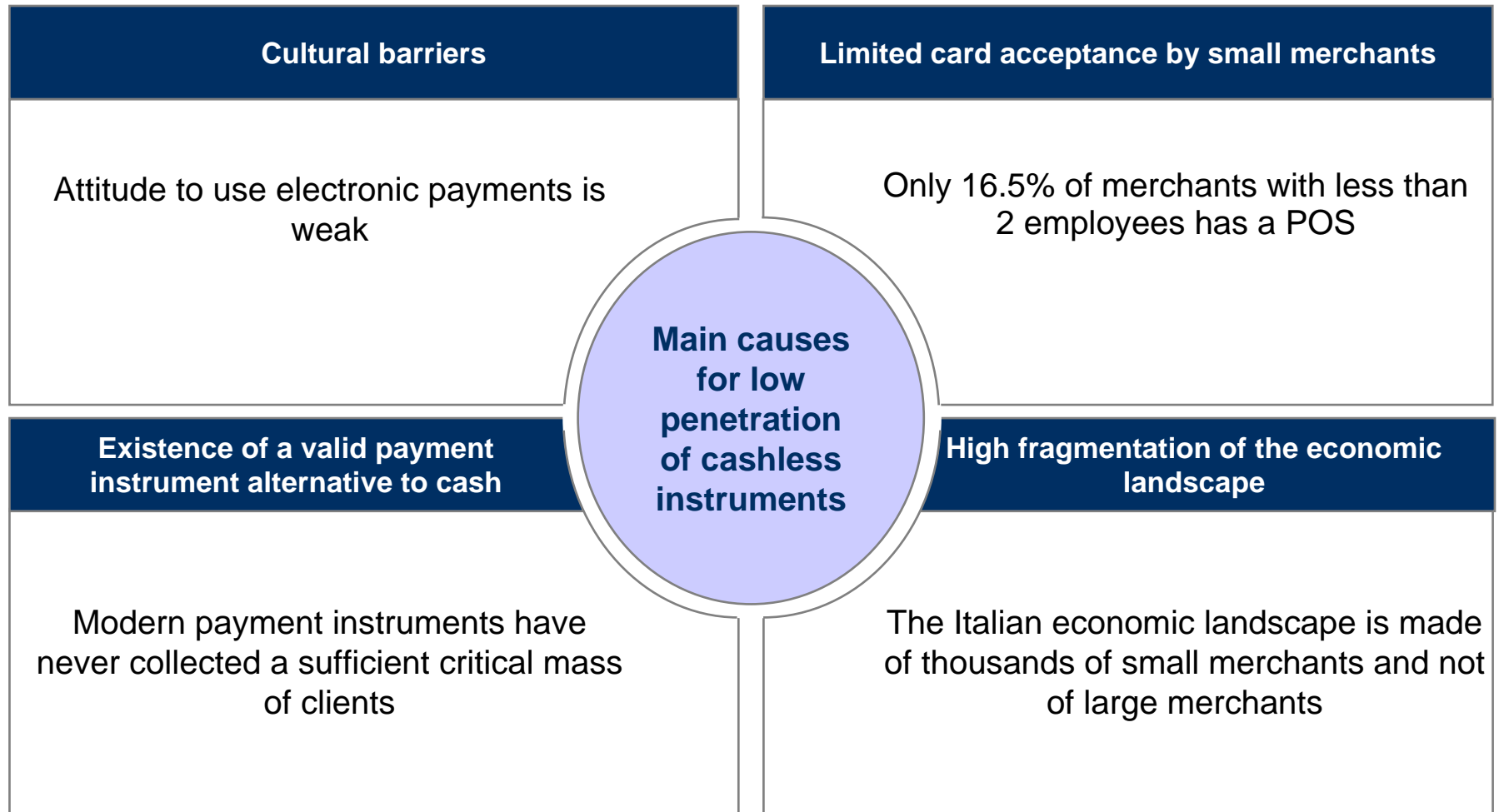
... although growth of card payments is consistent



Reference: ABI, ECB – Bluebook 2006; Banca d'Italia; Poste Italiane: Balance sheet 2004 and 2005; ABI; SSB 2005

## 1. The European and Italian scenario

Cashless payments are not used in Italy mainly due to social and economic reasons ...

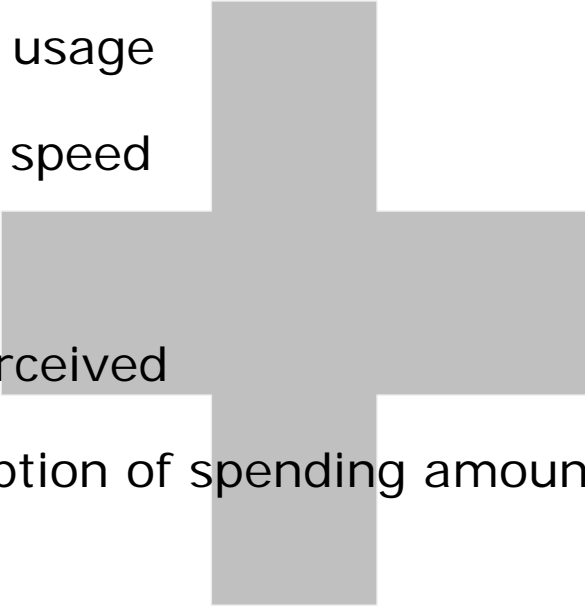


## 1. The European and Italian scenario

... while the reasons to prefer cash remain strong

**The strongholds of cash**

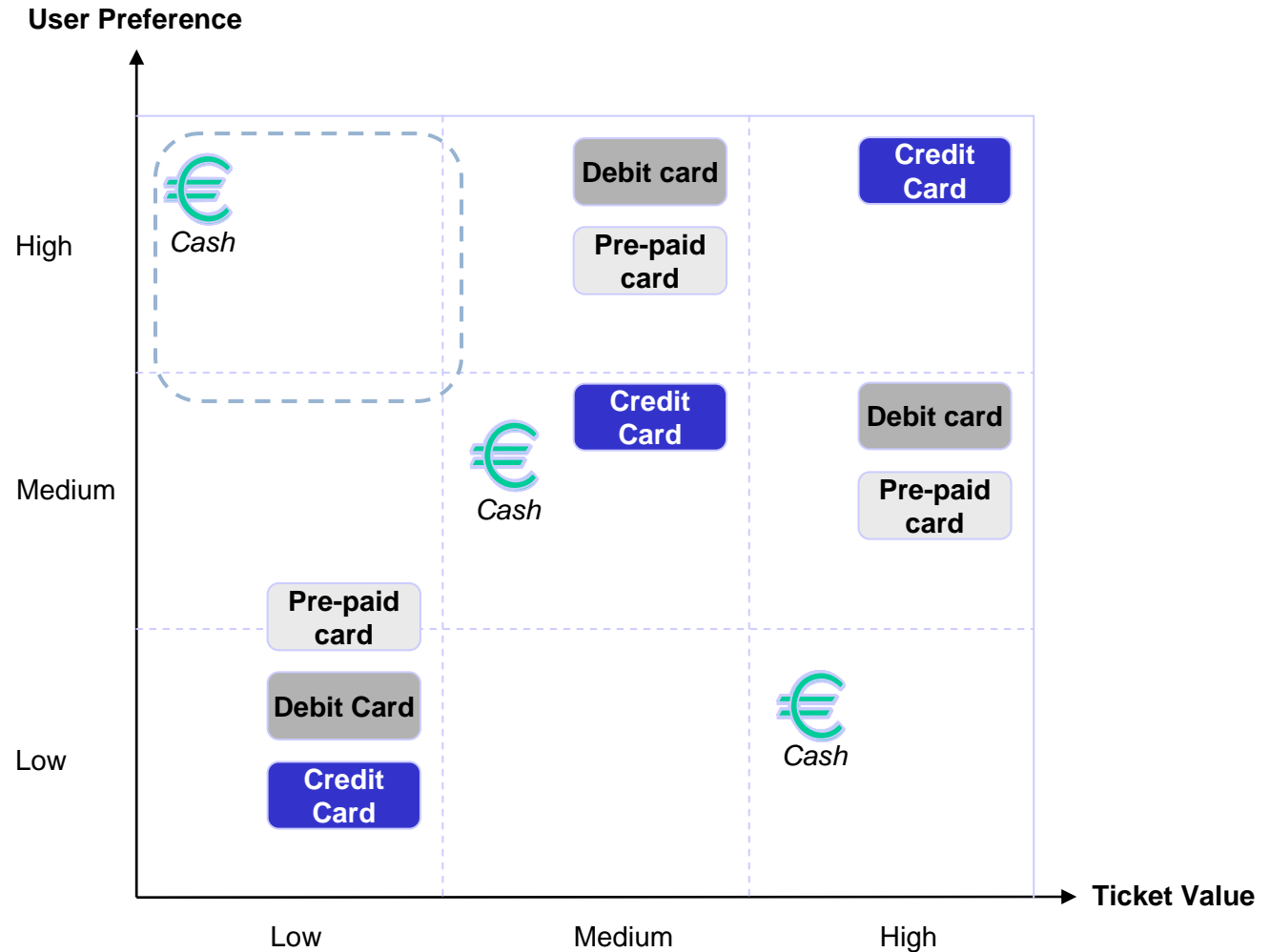
- Widespread usage
- Transaction speed
- Anonymous
- No costs perceived
- Clear perception of spending amount



Reference: ABI

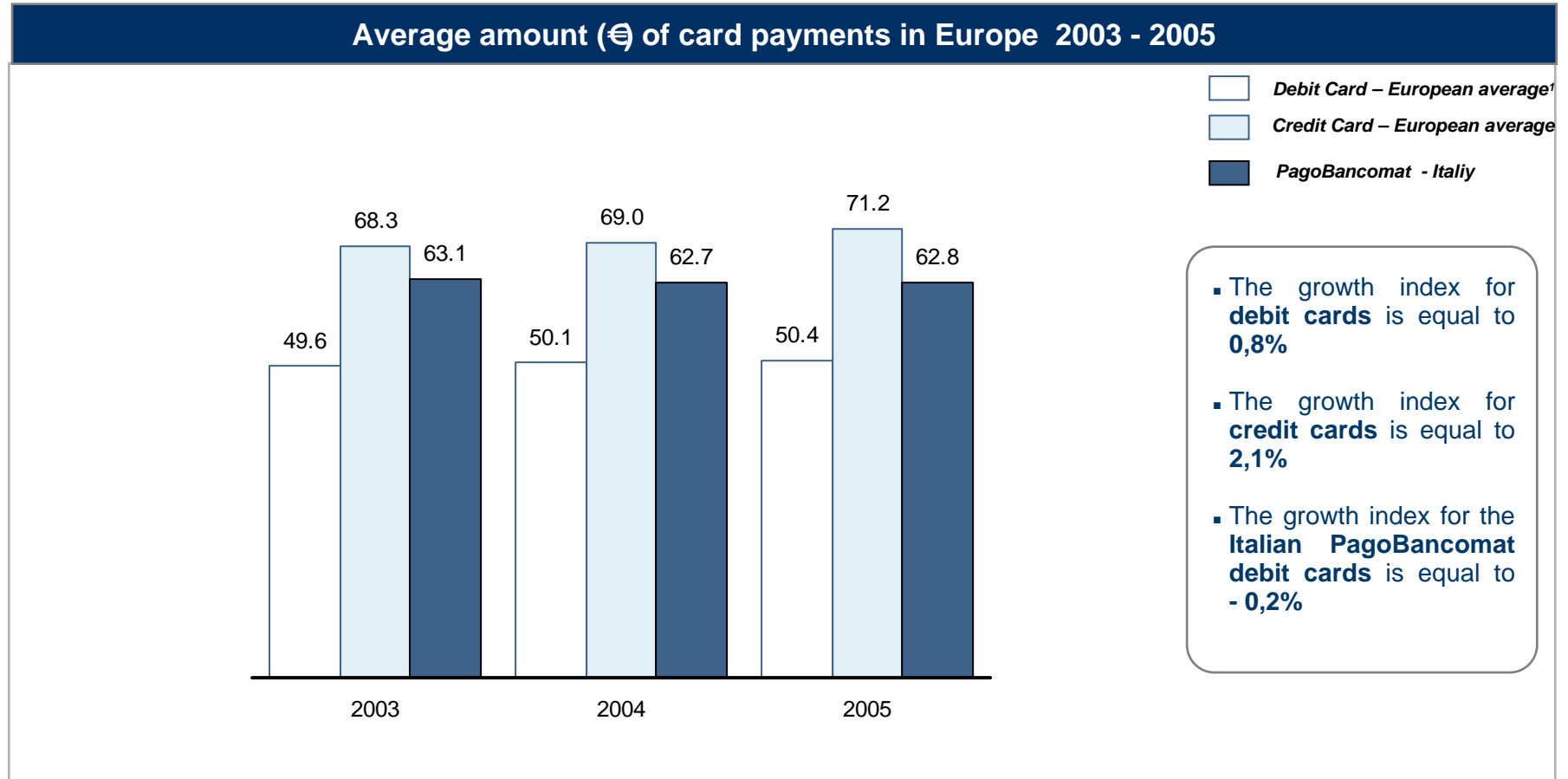
# 1. The European and Italian scenario

Cash is mainly used for low-value payments ...



## 1. The European and Italian scenario

... while cards are preferred for medium and high-value payments



Reference: Blue Book August 2007

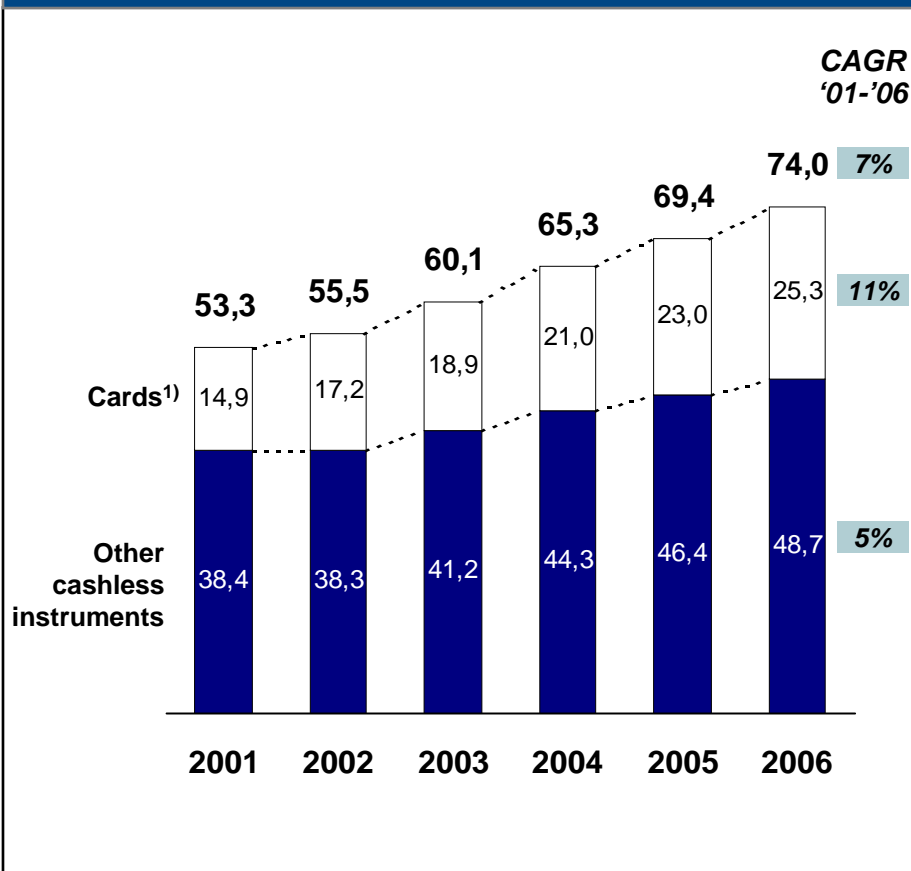
<sup>1</sup>Italy, Spain, Germany, Belgium, Holland, UK

# 1. The European and Italian scenario

In Europe card transactions grow more than other cashless instruments ...

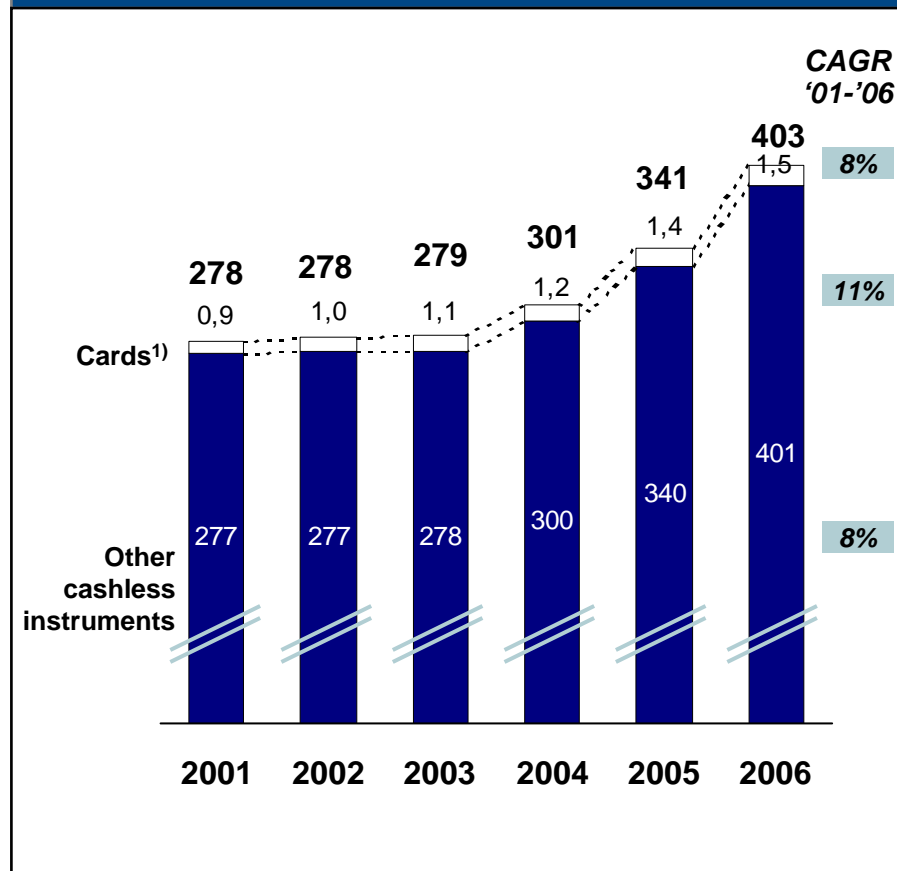
**Number of cashless transactions<sup>1)</sup> in EU25**

- Bln. trx; 2001-2006 -



**Amount (€) of cashless transactions<sup>1)</sup> in EU25**

- Bln. €, 2001-2006 -



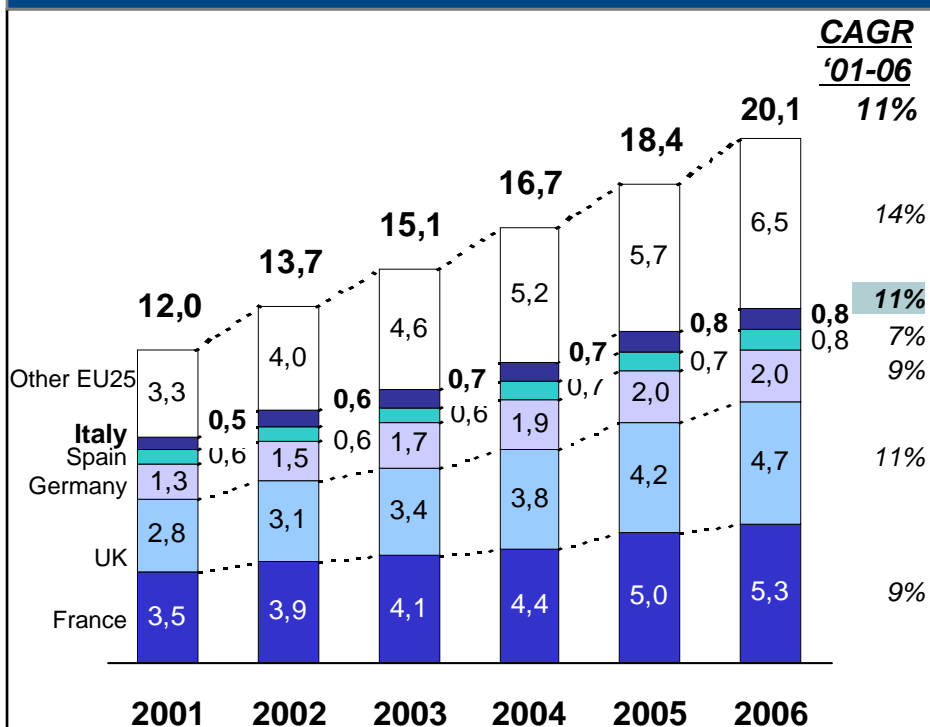
1) Escluding pre-paid cards  
Reference: ECB Bluebook December 2007

# 1. The European and Italian scenario

... and the Italian debit card market shows one of the best overall increases across Europe in the number of transactions ...

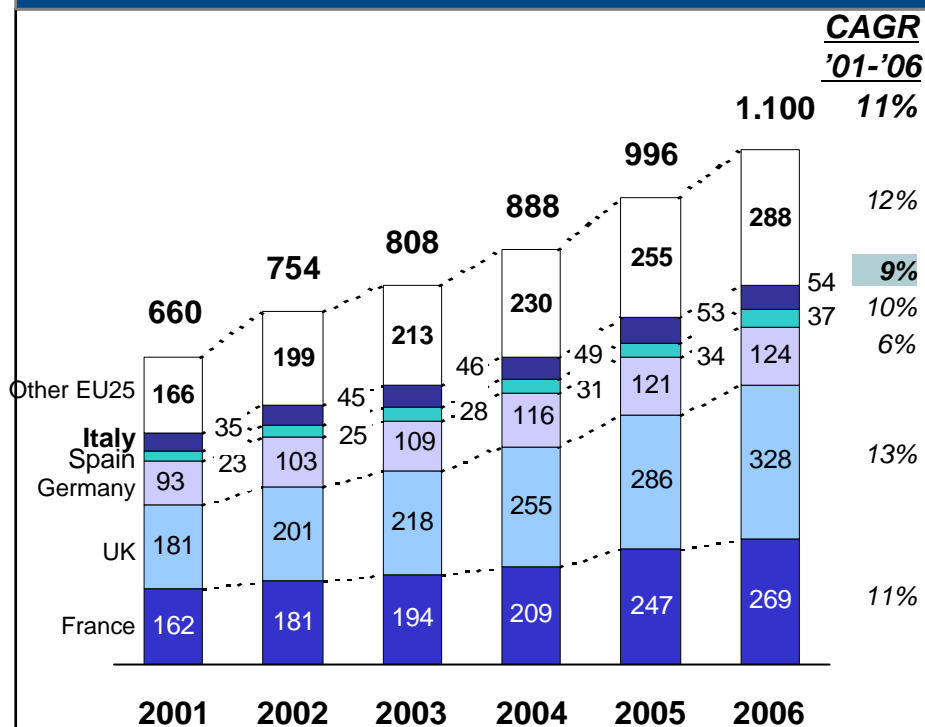
**Number of debit card transactions<sup>1)</sup> per Country in EU 25**

- Bln. trx; 2001-2006 -



**Amount (€) of debit card transactions<sup>1)</sup> per Country in EU 25**

- Bln. €, 2001-2006 -

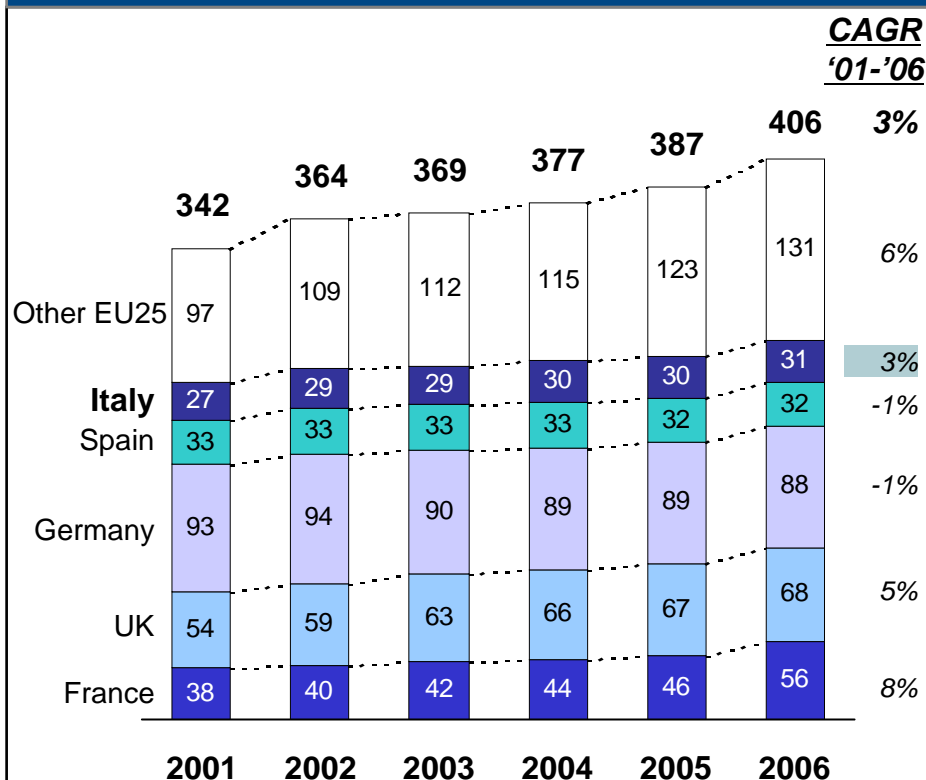


1) Excluding pre-paid cards

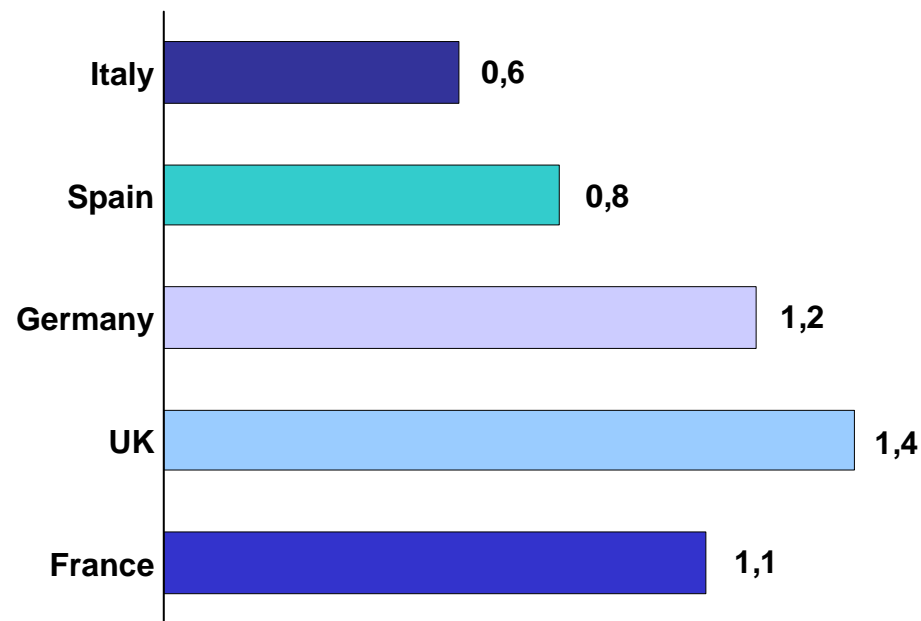
## 1. The European and Italian scenario

... although the circulation of debit cards in Italy is not as widespread as in other Countries in the EU 25 ...

Number of debit<sub>1</sub> cards per Country in EU 25  
- Bln.; 2001-2006 -



Number of debit cards<sub>1</sub> per inhabitant<sub>2</sub> in some EU Countries  
- # cards/inhabitant older than 15; 2006 -



1) Excluding pre-paid cards

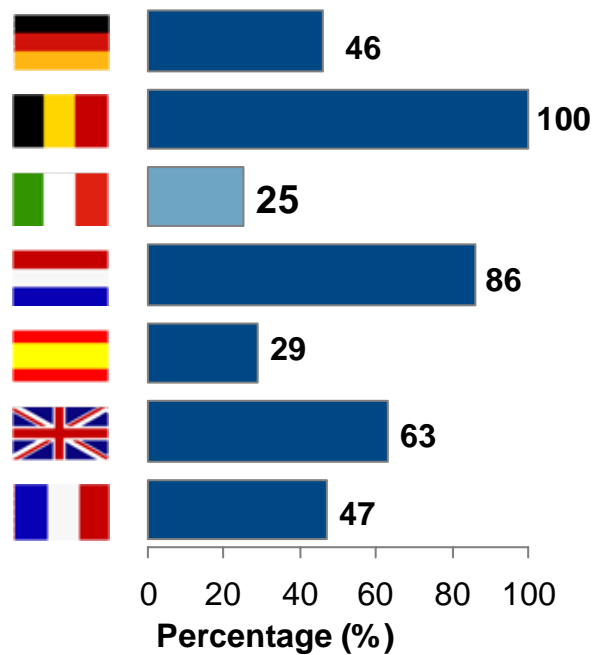
2) Population older than 15

Reference: ECB Bluebook December 2007

## 1. The European and Italian scenario

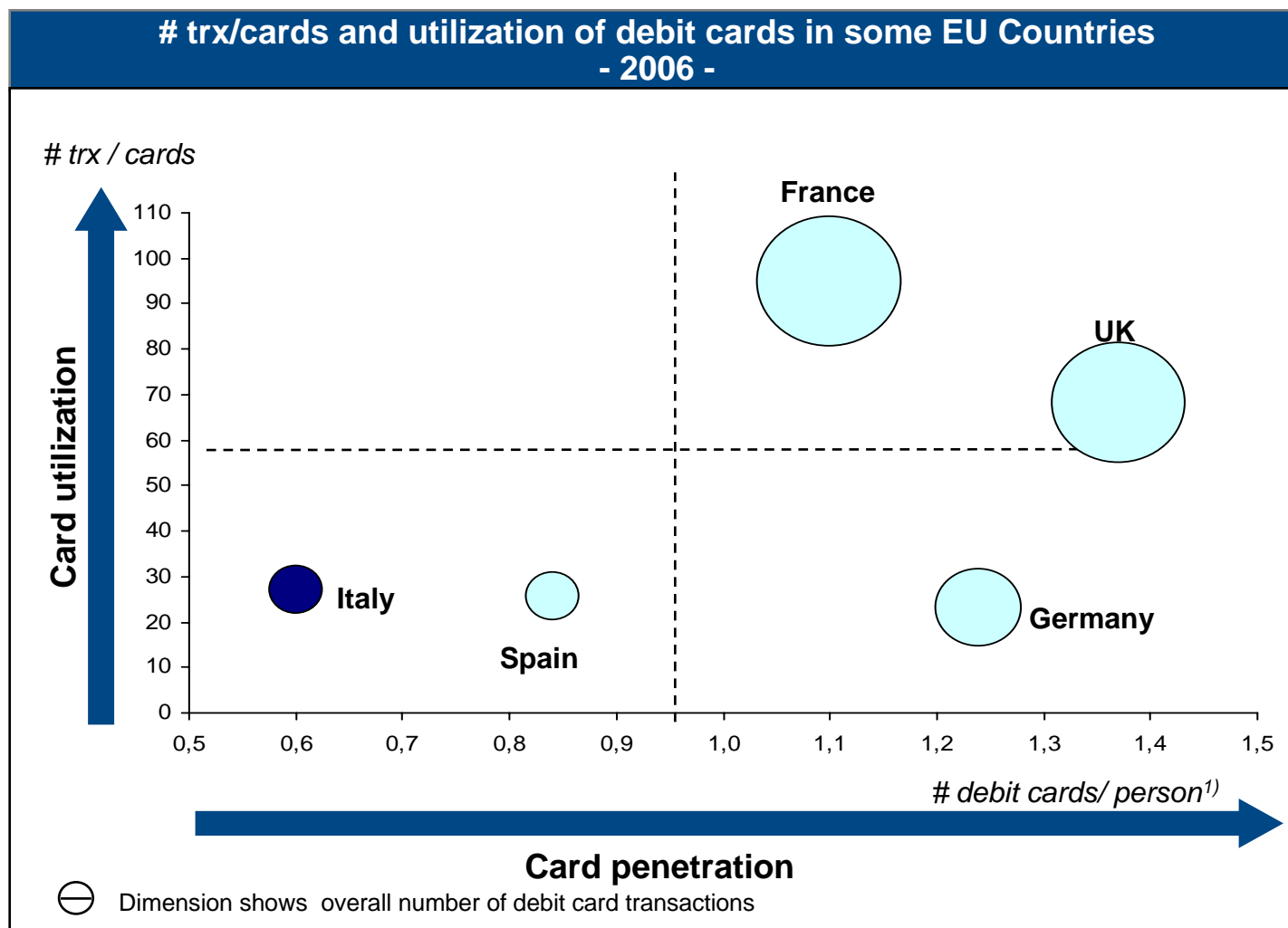
... and the number of POS in Italy is within the European average

POS utilization in Europe



# 1. The European and Italian scenario

## Number and utilization of debit cards in Italy compared to other EU Countries



1) Population older than 15

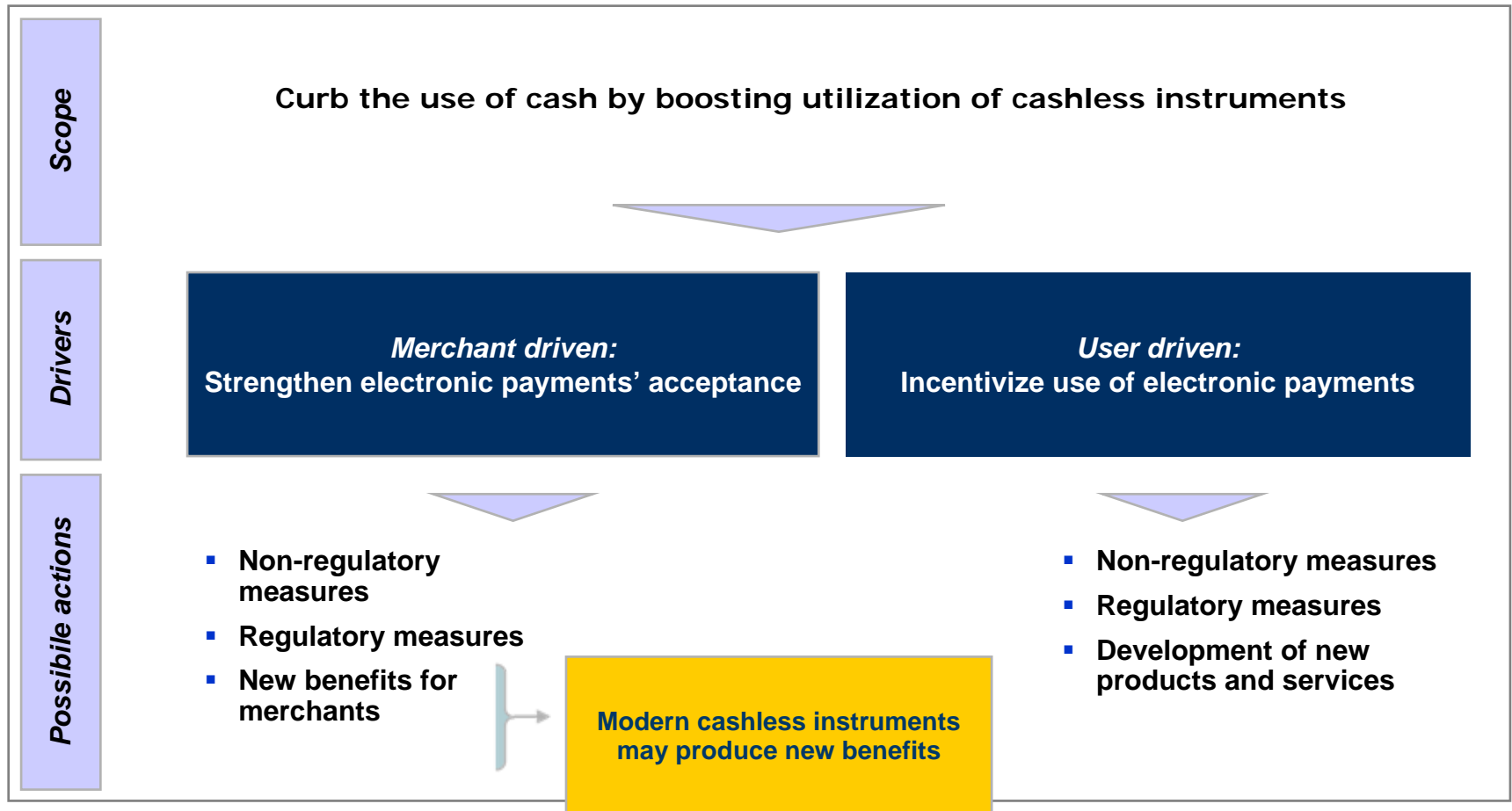
Reference: A.T.Kearney using ECB and ECR data 2007

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## 2. ABI's "War on Cash" project - Overview

Scope of the "War on Cash" project is to curb the use of cash



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## 2. ABI's "War on Cash" project – *Non-regulatory measures*

The main non-regulatory measure adopted by the "War on Cash" project is a promotional-educational campaign on the use of cards

### The "War on cash" promotional campaign

#### Scope



Multi-channel promotional and educational campaign developed by PagoBANCOMAT (Italian debit card) and VISA to:

- **Boost the use of debit and credit cards** by stressing the advantages of such instruments compared to cash....
- ... also involving merchants



**Value proposition: More cashless payments will reduce the use of cash and its costs**

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## 2. ABI's "War on Cash" project – *Regulatory measures*

ABI has identified a series of possible regulatory measures ...

### "War on Cash" project: proposed regulatory measures

- 1 Definition of a cap to cash transactions
- 2 Obligation for professionals, merchants and Public Administration Offices not to accept cash for payments which top a determined amount
- 3 Definition of a cap above which wages/salaries cannot be paid by cash
- 4 Credit transfers to citizens must be executed by Public Administration Offices using modern payment means (for example, pre-paid cards)
- 5 De-taxation of specific contributions (for example, health insurance or home restructuring) only if paid by electronic means
- 6 Reduction or cancellation of registration taxes on basic bank accounts

... some have been already adopted ...

### Law n. 248 of 4 August 2006

#### **Specific bank accounts**

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Professionals (such as lawyers, dentists, etc.) are obliged to open specific bank accounts, which must be kept separate from their personal ones, in order to collect all the earnings of their working activity

## 2. ABI's "War on Cash" project – Regulatory measures

... some others have been adopted and then cancelled...

### Law n. 248 of 4 August 2006

#### Payments to professionals

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Professionals (such as lawyers, dentists, etc.) shall not be entitled to receive payments in cash for amounts which top 1.000 €

Such limit shall then come down to € 500 starting from 1<sup>st</sup> July 2007 and then to € 100 by 1<sup>st</sup> July 2008

### Law Decree n. 112 of 25 June 2008

**Proposed cancellation of the above-mentioned provision**

## 2. ABI's "War on Cash" project – *Regulatory measures*

... some new other regulatory measures will possibly be adopted

### Law Decree n. 112 of 25 June 2008

#### Non-cash payment of taxes

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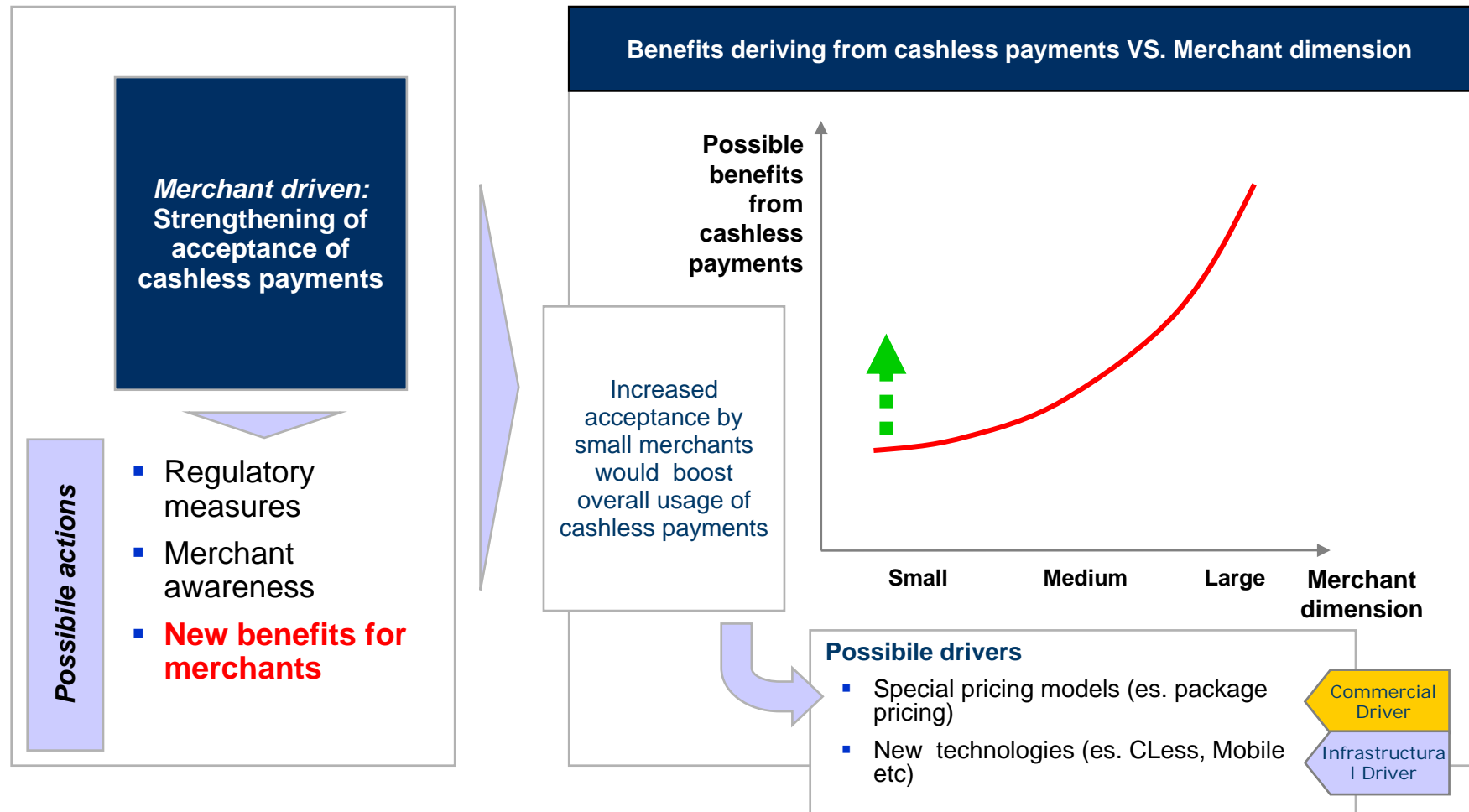
Tax officers will be entitled to collect tax contributions paid by cashless means, such as credit cards and cheques.

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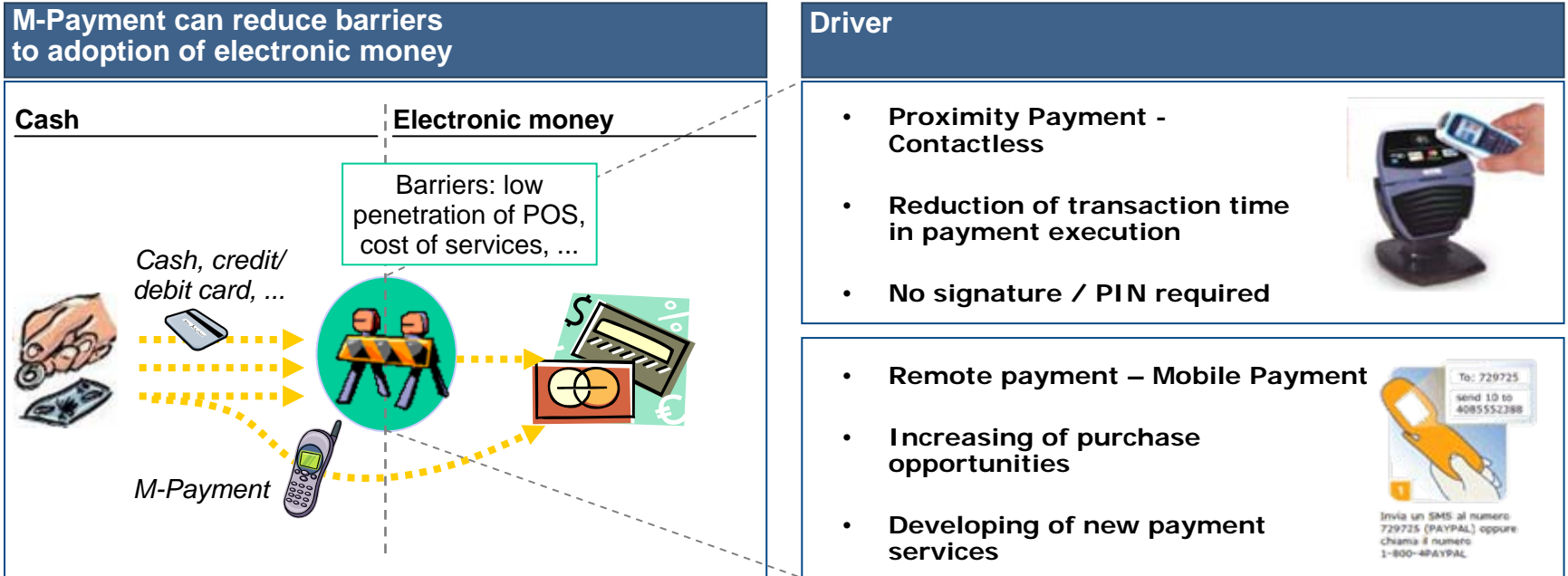
## 2. ABI's "War on Cash" project – *New products and services*

The development of specific offers for small merchants may increase acceptance of cashless payments



## 2. ABI's "War on Cash" project – *New products and services*

M-Payment services, for example, can increase adoption of non-cash payments, representing a great opportunity for banks



- Direct impact**
- New market opportunity
  - Increase in purchase opportunities

- Indirect impact**
- Increased adoption of electronic money instruments (i.e. credit/debit card, ...)
  - Introduction of new, convenient and secure banking channel
  - Development of a value proposition that combines distinctive banking services such as M-Banking (money transfers, stock trading, alerts, ...) and M-Payment services
  - Increase in electronic money penetration

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### 3. Conclusions

## Conclusions

#### Authorities' initiatives

Italian and European Authorities (EPC, European Central Bank, Banca d'Italia, ...) have identified the **diffusion of cashless payments as a strategic driver** towards **modernization and internationalization of society**. The SEPA start-up and the PSD publication have strengthened such commitment.

#### Clients' needs

Clients (both users and merchants) claim **safer, cheaper and highly accepted payment instruments**. Furthermore, the rise of new needs (i.e. long-distance purchase, money transfer) suggest the development of modern payment instruments (i.e. mobile payments).

#### The role of the banking system

The banking system should play an outstanding role in the development of cashless payments, by **promoting the use of current payment instruments** and by **developing new ones**, capable of helping users eliminate barriers to their use.



**THANKYOU FOR YOUR  
ATTENTION**

Tirana, 28.07.2008