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Banks ask RBI to ease ATM cash management rules

BY [MAYUR SHETTY](#), TNN | SEP 04, 2018, 11.40 AM IST

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MUMBAI: Lenders have approached the [RBI](#) to relax rules on how cash is carted to ATMs across the country on the grounds that there are steep challenges in meeting these prescriptions.

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[Banks](#) were expected to put in place a host of measures from July 2018 with respect to cash logistics. These were aimed at preventing frauds of the nature discovered during demonetisation. The forced stocktaking of demonetised notes revealed that there were several instances of discrepancies between cash in ATMs and what was shown in the books of banks. It turned out that employees of [currency](#) logistics companies were skimming cash and resetting counters. Lack of proper reconciliation meant that the fraud was not detected until demonetisation.

In an attempt to prevent such frauds, the RBI had come out with some stringent measures, which included refilling ATMs using the “cassette-swap” method, under which cash would be filled inside locked cassettes — which would be inserted in ATMs by service providers.

In addition to this, banks were required to hire only cash-logistic companies with a net worth of Rs 100 crore and a minimum fleet size of 300 specially fabricated cash vans. The vans were required to be equipped with [GPS](#) and [geo-fencing](#) — which would alert headquarters if they went off route. Also, cash vans were required to have CCTVs in the driver and goods’ cabins. The movement of cash vans at night also had been prohibited.

According to banks, the cassette-swap system will increase the cost of funds for banks by a few thousand crore of rupees. This is because cash will remain idle for an additional day between being collected and deployed in ATMs. Also, at present, lenders are able to

optimise cash deployment by putting in lesser cash in machines that see fewer transactions. Cassettes will, however, eliminate the flexibility to vary currency levels in different machines.

“The capital expenditure alone would conservatively be around several hundred crore for the cassettes alone. The operational expenditure would include renting warehouses at over 1,700 locations along with modifications in CRA vehicles for carrying cassettes. Apart from this, the cash requirement would be doubled due to fixed cash to be filled in through cassette-swap,” said an official with a large bank.



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Banks have warned that the increase in the [ATM](#) management costs would result in the machine deployment slowing down. While customers are not charged for most ATM transactions, banks pay each other Rs 15 when their customers use the machine of another bank. “Banks without the ATM network are finding that it is cheaper to ride on the network of other banks. Many digital and new banks are advertising asking their customers to use any banks ATMs,” the banker said.

Banks have, however, gone ahead with the guidelines with respect to software security. In June 2018, the RBI asked banks to implement security measures such as BIOS password, disabling USB ports, disabling auto-run facility, applying the latest patches of operating system and other software's, terminal security solution, and time-based admin access.

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