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A decorative graphic in the top left corner consisting of a network of interconnected nodes. The nodes are represented by circles of varying sizes in red and orange, connected by thin, light blue lines. The overall shape is abstract and organic.

# **BANKING.** TRANSFORMED.

CGI's experts discuss:  
**Moving towards a  
cashless society**



## Jerry



Jerry Norton, Vice President, Global Banking, is responsible for CGI's strategy across the wholesale and corporate markets. He also is a member of both CGI's Banking Industry Cabinet and Growth Council. Jerry specializes in industry-wide change, whether led by business or technology, and his views are sought across the global market. He brings a combination of domain expertise and technology stewardship coupled with an understanding of compliance, regulation and operational risk prevention and management. Much of his current focus is on the changing nature of business and technology in the payments market. Jerry is a regular presenter at international conferences on the major financial services themes of the day, a contributor to a number of think tanks, and is often quoted in the mainstream and trade media.

## Charlotta

Charlotta Wark, Vice President, Head of Banking Sweden, with her roots in Business Consulting, and titles like CMO of international IT companies on her CV, Charlotta Wark has extensive experience of problem solving and business development, i.e. Innovation. Charlotta is passionate about new development and she rarely misses an opportunity to discuss how new technology is affecting our society short- and long term. Today, Charlotta is running the Banking unit at CGI in Sweden, the best job in the world, according to her.



## Andy



Andy Schmidt, Vice President, Retail Banking, Global, has nearly thirty years of financial services experience as a banker, consultant, and research analyst guiding banks, providers, and start-ups in making key business and technology decisions. His primary expertise spans current and emerging payment types, anti-money laundering (AML), Know Your Customer (KYC), and customer onboarding. Additional expertise includes developing product and market strategies and messaging, streamlining innovation efforts, leveraging data to make smarter business decisions, and translating complex technologies into straightforward business opportunities. Andy also chairs CGI's Advanced Analytics Working Group, and previously served on the Federal Reserve's Faster Payments Task Force.

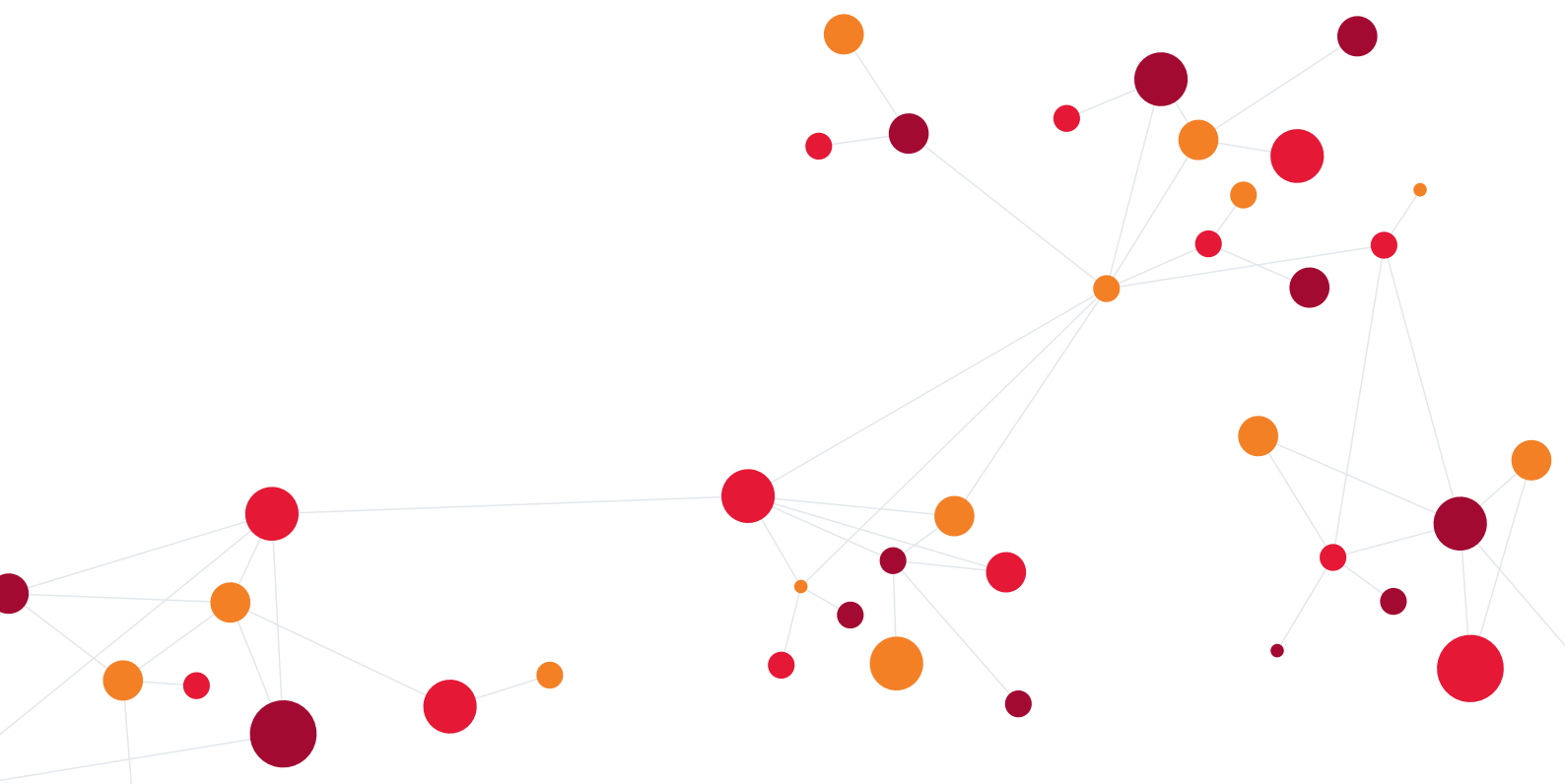
## Robert



Robert Book, Director of Consulting Services, has for the past 15 years been working within the payment space and carrying out many investigations and studies of the payment value chain primarily in the Nordic countries. In recent years Robert has been focusing on strategic issues around real-time payments and its various implications for the wider ecosystems.

## Joe

Joe Knightly, Vice President Consulting Services. Born and educated in Ireland, his early career was predominantly focused on process consulting across various business sectors. Now based in Amsterdam, Joe has spent the past 10 years advising and delivering projects to Retail and Wholesale banking clients in the Benelux.





# CGI's experts discuss: Moving towards a cashless society

As part of our Banking.Transformed. roundtable series, this roundtable explores key issues related to the move toward a cashless society. CGI banking experts Jerry Norton, Andy Schmidt, Charlotta Wark, Joe Knightly and Robert Book discuss their perspectives on this topic.

**Question: There is a great deal of buzz surrounding the move toward a cashless society, with some countries strides ahead of others. What are the key issues facing banks in responding to this emerging trend?**

**Jerry:** This is a hot topic because, in some countries and particularly in Sweden, there has been a relentless move toward electronic money transfers, which is leaving only a minority of transactions to happen in cash. This leads to many issues. First, the use of cash is free, but the cost of cash isn't. The cost of processing cash is enormous and, in a majority of cases, picked up by the banks as part of a public duty obligation.

However, what about the new digital-first competitors? They don't handle cash. Instead, they process only electronic transactions. Is it fair that the cost of processing cash falls to the traditional banks? Should they "exit" from processing cash altogether? What should they do with their ATMs if they no longer have any value? Should challenger banks pay a levy for cash handling? These are some of the questions facing banks, and I don't think there is a simple answer.

**Robert:** Here in Sweden one rationale that has been pushed for having a cash free society is the risk of robbery. If you don't have cash, you have less risk of being robbed.

**Andy:** Interesting, because here in the States, this isn't really an issue. In fact, it's much easier to rob a bank electronically; physical safety is less of a factor. However, one of the primary considerations, at least here in the States, is access. Fifty percent of people in the U.S. use banks, which leaves the other half without access to electronic financial systems. So, any move towards a cashless society has to move hand-in-hand with a move toward 100% banking. Otherwise, you're going to exclude people.

**Charlotta:** Yes, and, in fact, this also is an issue in Sweden. For example, I sent my 10-year-old off with a pocket full of change to buy a drink at a children's party. She came back and said they don't except cash. So, we see many times in Sweden young children, the elderly, immigrants and tourists struggling to pay for things without access to electronic payments. You can't, for example, use cash to pay for a bus ride.



**Robert:** Yes, and cash was banned on buses when bus drivers were threatened with robbery. The bus driver unions didn't want to expose their drivers to this risk.

In addition, what's quite unique here in Sweden is that shop owners can post a note in the window to state that they only accept card payments. This then becomes binding when the customer steps into the store, and there is no obligation for the store to accept cash. Stores can choose their preferred payment method.

**Jerry:** Interesting, because here in the UK, the current conversation focuses on the opposite approach. Government is suggesting that shops should be required to accept cash.

**Joe:** Here in the Netherlands our approach is very similar to that of Sweden. There is no obligation to accept a particular payment type. It's up to the shop to decide what it wants to accept. Many activities, such as travelling by bus, are possible only by card here, but we're still a long way from becoming a cashless society.

**Charlotta:** There are some other key issues, too. For example, what happens when there is no cash and there is a power outage or your battery dies? In addition, when you don't use cash frequently, you become unfamiliar with what it looks like, which increases the risk of fraud.

**Jerry:** Yes, great point. As we know, central banks have systemic responsibilities in their respective countries, and they share this concern. In switching to digital systems completely, power and system outages become a systematic risk.

Another risk goes back to Andy's point about the unbanked. There are legitimate concerns about disadvantaging those who do not have access to electronic money (e.g., the elderly or people with disabilities). This is a big issue. It's completely unfair for these groups to foot the bill for any cash processing costs banks decide to charge. Going cashless is a social issue.

**Andy:** Yes, and a good example is Amazon Go. Originally, not only did you need access to electronic funds, but you also needed a mobile device to participate. However, recently Amazon Go retracted this decision based on a series of announcements in Philadelphia, New Jersey and Massachusetts banning cash free stores. More and more view providing equal access to cash when buying goods and services as important.

However, I'd also be in favor of reducing cash for two key reasons: money laundering and tax fraud. Having funds travel through a transparent system, where you can see and monitor the flows, helps to safeguard society.



## Question: So, if banks need to continue processing cash to ensure equal access, what can they do to reduce cash processing costs?

**Jerry:** The act of moving cash is ridiculously complex. It's both manual and open to fraud and therefore the physical cost of processing cash is high. Despite this, even though a majority of customers in many banks are using electronic payments, traditional banks are somewhat morally obliged to continue to process cash. This gives them yet one more disadvantage when compared to challenger banks that don't have to bother and can set themselves up as '100% digital' from the start. Therefore, reviewing the management of cash processing and keeping it low-cost and ubiquitous is vital.

**Robert:** Yes, in Sweden, in general, banks don't want cash at all and are removing it from their branches. Having said that, there are a few banks using cash processing as a competitive advantage.

**Charlotta:** Correct, in fact, banks in Sweden now charge customers for making cash deposits, and a sizeable amount, too.

**Jerry:** Wow! That's certainly not true of the UK.

**Joe:** Here in the Netherlands that's also not the case. However, banks are looking to reduce costs through ATM pooling. In fact, CGI is working with a group of leading banks from the Netherlands, alongside the government, to help them manage this pooling. Collectively, they have around 7,000 ATMs in total. We're helping to reduce this number to 4,000 through a shared network, with guidance from the government on where ATMs should be placed to ensure optimal coverage and the availability of physical cash to communities across the country. It's about banks and governments working together. I think it's very likely that we will begin to see the rollout of similar approaches across the globe.

**Robert:** Yes, in Sweden, similar discussions about the nature of ATMs are taking place. How many will there be? What they will look like? We have unique issues in Sweden because our population spreads across vast areas, which adds to the cost. So, we're looking at alternative ideas, including using retail merchants for cash withdrawals, cash recycling machines, and ATM pooling. Of course, as more and more people stop using cash, these infrastructures will become less important over time. Indeed, there is an interesting study here in Sweden that suggests that by 2023, Sweden will have reached a tipping point, and no retailers will be accepting cash by then.

**Jerry:** There also is a peculiar challenge here. If shops stop accepting cash, this affects the physical supply chain; for example, the bank can no longer get access to the cash to recycle it. So, if banks are obliged to put cash in the ATMs, where do they get the cash? There is a physical supply chain problem linked to this.

Another idea under discussion for helping to ensure access to cash in rural areas in the UK is paying retailers to offer cash-back services. This helps the retailer by reducing the amount of cash processing it has to do and, of course, it receives payment to do this. It also helps the bank by reducing the cost of physically moving and processing cash. More importantly, it supports the community by ensuring that cash continues to circulate in their area.



## Question: What affect are person-to-person payment services having on the drive to become a cashless society?

**Robert:** I think person-to-person (P2P) real-time payment services is an important driver in reducing the need for cash. For example, in Sweden, the P2P payment service provider Swish now has seven million users. That's 70% of the Swedish population. As similar services become popular in other countries, they, too, also will drastically reduce the need for cash and have a dramatic impact on payment dynamics.

**Charlotta:** We saw this happen in India with a recent demonetization initiative. The population went straight to processing digital transactions through the likes of AliPay, rather than opting for card payments. It is highly likely that, in developing countries, they will bypass cards altogether as a form of electronic payment and move straight to P2P payments via mobile apps. Traditional banks should take note when developing their payment apps, as they are currently basing these on the card system.

**Joe:** It's interesting to look at how P2P payment systems will affect the move away from cash. I think all countries have them, but a certain tipping point or threshold must be reached before you really see their impact. In the Netherlands, for example, while all banks offered P2P payment systems, it was Tikkie, run by WhatsApp, which stole the market. At a certain critical mass, the other banks got on board as well.

Unfortunately, it's actually costing them money. Therefore, they're now looking at different overlay services that they can offer to bring in revenue such as collection services for corporates. This is when it will start getting interesting for banks.

## Question: Moving forward, what should banks consider in terms of a path forward?

**Jerry:** So, of course, banks should consider looking at ways of reducing the cost of processing cash, including ATM pooling, merchant cash recycling and more effective cash management.

**Andy:** Yes, as well as looking at ways to stop cash from getting into bank systems in the first place.

**Jerry:** There also are some important social conversations banks should have. In addition, they should work alongside governments and other agencies. Should all banks pay a levy to support processing? How do you ensure equal access? Do you charge for ATM usage?

**Robert:** Ultimately, our individual behaviour, as customers, will drive the future of banking.

**Andy:** Absolutely, it is behavioural driven, but there are certain behaviours that can be encouraged through cash incentives or similar initiatives. It depends on what behaviours we want to see.

**Charlotta:** Yes, exactly, but those decisions need to be made alongside government and hopefully discussed on a global level rather than nation by nation.

**Jerry:** Yes, there are lots of important questions and decisions for banks and societies to consider and discuss.

**Robert:** And, it is a good opportunity for societies to help unbanked populations become banked, which will result in positive affects for the whole population.



The CGI logo is in the top left. The background features a large, abstract network graphic composed of interconnected nodes and lines. The nodes are represented by circles of varying sizes in shades of red, orange, and dark red. The lines are thin and light gray, creating a complex web-like structure that spans the upper half of the page.

CGI

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Since our founding in 1976, CGI has been at the heart of transformation in the banking industry. Today, we support more than 500 financial institutions worldwide, helping to deliver a broad range of digital IT and business strategies, services and solutions. Our deep understanding of the complex global challenges banks face coupled with our strong local relationships enable us to build long-term partnerships that drive success.

CGI's Digital Transformation Practice is anchored around helping clients create a more agile business, one that can continuously respond to changing market and customer needs. CGI has built its practice around providing the end-to-end capability that clients need to enable their transformation and agility. We have more than four decades of experience in helping leading organizations across the world, move forward with their innovation and transformation agendas while helping them elevate their legacy infrastructures.

If you're interested in learning how we can support you on your transformation journey, contact us today. One of our consultants would be happy to help you.

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