Regulatory changes in ATM operations

Why in news?

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The Confederation of ATM Industry (CATMi) raised concerns on the regulatory changes proposed recently for ATM service operations in India.

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What are the proposed regulatory changes?

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- **From RBI** - Cash-in-transit companies involved in ATM replenishment services, cash pick-up and cash drops, should have a net worth of at least Rs 100 crore and a fleet of 300 vehicles.
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- Also, in order to mitigate risks involved in open cash replenishment, banks have to replace open cash replenishment with lockable cassettes in ATMs.
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- Lockable cassettes are the boxes in which currency notes of each denomination are stacked, which could then be simply swapped to replenish cash.
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- The replacement should be done in at least a third of the ATMs operated by Banks every year, so that the transition could be completed by March 31, 2021.
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- **From the Home Ministry** - ATMs could not be replenished after 9 pm in cities, and cash vans could not carry more than Rs 5 crore on a single trip.
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- The vehicles transporting cash should be equipped with –
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1. Security alarms with GSM-based auto-dialers
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2. Motorised sirens

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3. Tubeless tyres
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4. At least two security guards
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What are the concerns?

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- The cost of cash transits is currently Rs 9,000-10,000 per ATM per month.
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- Compliance with norms notified by the Ministry and RBI will cost another Rs 4,900 per ATM per month.
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- Unless banks compensate them for all these investments, many contracts may have to be surrendered, leading to largescale closure of ATMs.
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- Currently, banks charge each other an “interchange fee” of Rs 15 for every cash transaction and Rs 5 for every non-cash transaction at their ATMs by customers of other banks.
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- The ATM service providers get Rs 8-9 on average per transaction.
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- While the ATM industry wants the interchange fee to be raised, the public sector banks are uncomfortable with putting extra burden on their customers.
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What can happen if this matter is not addressed?

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- At least 1.13 lakh ATMs that are managed by service providers could head for closure.
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- A large number of these ATMs will be in the rural areas and in tier 4 and tier 5 cities.
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- Their shutting could push up customer visits to bank branches, increase the workload of the staff and the cost per customer for the bank.
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- Thus, a working committee comprising officials from RBI, Indian Banks' Association, and CATMi should be formed to look into the issue.
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- Alongside, the Indian Banks' Association will have to work out a new fee that is acceptable to all stakeholders.
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Source: The Indian Express

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