

## ASSOCIATION ROSINKAS PERSPECTIVE

# Cash in Russia: issues in security and risk management

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Cash is of central importance to the Russian economy. The volume of cash in circulation in the country has been growing (as in Brazil, Canada, France, Germany, Italy and the USA) and amounted to RUR 7.7 trillion (€190 billion) at the beginning of 2013. And although there has been a gradual decline in the number of cash settlements, around 90% of retail transactions are still conducted in cash. This demonstrates the significant role that cash plays in the Russian economy – more significant than in the EU or the USA.

All cash funds in Russia circulate through the central bank, the Bank of Russia, which is gradually transferring its functions involving cash processing and its redistribution to commercial banks. As a result, some credit organisations have chosen cash services as their main business activity.

As in the EU countries and the USA, there has been growth in the outsourcing of cash processing, transportation and storage in Russia. The use of outsourcing has expanded the infrastructure of cash services and has reduced the Bank of Russia's share in the provision of cash services to credit organisations. From 2004 to 2012 the number of cash centres fell significantly; a total of 505 units remained at the beginning of 2013.

Limits are set for the cash balances that can be held by enterprises, credit institutions and offices of the Central Bank cash centres in Russia. In the event limits are surpassed, the excess must be handled by commercial banks (or the cash handling office of the Central Bank cash centre in the case of credit institutions). Cash in excess of the limits established for cash handling offices is transferred to the reserve funds and withdrawn from circulation.

Issues concerning cash circulation are solved in tight cooperation with the legislative and executive authorities (Government of the Russian Federation and Federal Assembly – Russian Parliament). The

Bank of Russia carries out its activity independently and is not an instrument of the Government or Federal Assembly.

## CIT market dominated by large players

The CIT market in Russia is dominated by four large organisations: Association ROSINKAS, Group INKAKHRAN, the Main Center of Special Communications (MCSC) and Sberbank of Russia. In addition to these, CIT arms of banks also operate in this market, the most significant of which are Moscow Credit Bank and VTB Group. Brink's is the most active international player in the Russian CIT market. Despite legal restrictions regarding the operations of foreign-controlled companies, Brink's has managed to establish an efficient business in Russia and is developing its operations rapidly.

## Review of crime in the financial and credit sector

Criminal activity is one of the most significant risks faced by the cash system in Russia. In 2012, around 173,000 economic crimes were registered, and 51,000 were reported in the financial and credit sector, including 9,000 committed on a large or extremely large scale. 4,000 people have been brought to trial.

The number of financial and credit sector crimes involving violence has been increasing (see graph), and this has been accompanied by a growth in the resolution of criminal cases.

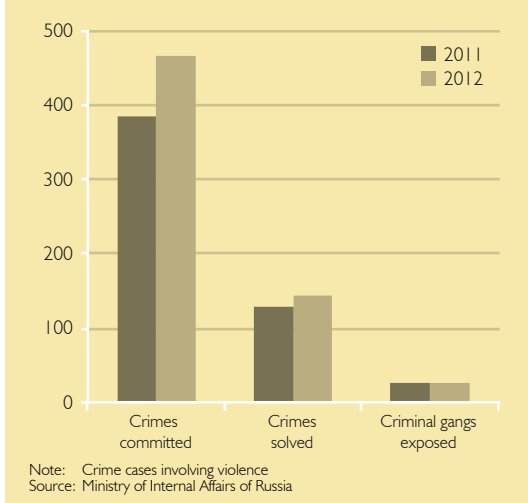
Law enforcement agencies registered 468 violent crimes in the financial and credit sector, an increase of 26% compared to the previous year. However, this is still below the figure for 2010 when there were 624 incidents.

Attacks against carriers increased 11% between 2011 and 2012 despite there having been a 42% reduction in such attacks the previous year. One of the most notable recent incidents was an attack against cash collectors in Vladicavcaz, in which valuables worth \$6.5 million were taken. Four

**The number of violent crimes in the financial and credit sector increased by 26% in 2012**

## Financial and credit sector crime

Number of committed and solved crime cases; Russia



people were convicted for that crime.

Cash embezzlement by CIT personnel themselves has also become more notable lately. The largest loss of cash in recent years (more than \$8 million) occurred in 2009 and was perpetrated by an attack organised by one of Sberbank's collectors in the city of Perm, a crime that took him two years to organise. 86% of the losses were recovered.

### Association ROSINKAS battles CIT crime

The Russian Association of collection 'ROSINKAS' of the Bank of Russia, was set up to oversee the organisation of cash circulation across the Russian Federation. It provides services for the transportation of cash and valuables, as well as cash management services. It is considered a national leader in the CIT market and provides services across the entire country.

Along with the rest of the industry, ROSINKAS has not been spared the attention of criminals. 2012 was a particularly problematic year for the company, which suffered five direct attacks on its carriers, amounting to losses of almost \$450,000. Efforts by law enforcement agencies resulted in the recovery of \$270,790.

There were a total of 10 attacks on ROSINKAS carriers between 2010 and 2012. Half of the incidents occurred outside the vehicle (cross-pavement risk), three involved the vehicle itself and two occurred inside premises at the time of cash collection. On average, 40% of attacks were successfully repelled over this period. In the first three quarters of 2013 there was only one attack, which was successfully repelled.

The company's generally low level of losses, small number of attacks and high percentage of repelled attacks are a result of the organisation's high security standards. These standards have become the benchmark for other collectors in Russia and the CIS (Commonwealth of Independent States). These standards include measures such as having three lines of intercommunication between vehicle and routing centre and police support. ROSINKAS was also amongst the first to equip its vehicles with a satellite monitoring system, enabling the company to take immediate action when necessary.



All staff involved in cash handling are equipped with combat firearms, modern communications tools and means of individual protection, and before being employed, all collectors are checked for:

- Experience in defence and law enforcement agencies
- Mental stability
- Weapons handling abilities
- Stress resistance
- Good faith

In order to develop its staff's professional skills, the company has its own training centre with one of the most extensive and intensive training programmes in the region. All collectors must undergo a special training course and pass interim tests.

Association ROSINKAS has organised efficient cooperation with law enforcement agencies and conforms to the highest security standards. This allows it to provide the most reliable protection of cash and valuables for clients in the Russian CIT market. ■

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