

Erkki Liikanen: CashSSP – the cash single shared platform

Remarks by Mr Erkki Liikanen, Governor of the Bank of Finland, on the occasion of signing the Cash Single Shared Platform agreement between the Bank of Finland and the central banks of Belgium, Luxembourg and the Netherlands, Bank of Finland, Helsinki, 16 March 2007.

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We are here today to witness what could be considered a historic event. The governors of two central banks will in some minutes sign an agreement, by which the Bank of Finland becomes a partner of the group using a joint information system for central bank cash management – CashSSP – the cash single shared platform.

I am glad that José Manuel González-Páramo, a Member of the Executive Board of the ECB responsible for the banknotes directorate, was able to join this important event, together with our Belgian guests and partners. I know that also my colleagues from the Bank of Finland appreciate the presence of you all.

As we all know, CashSSP is a product originally developed years ago by the National Bank of Belgium to manage its own and the country's cash handling requirements. Over the years, the product has been updated and today it is capable of meeting the broad range of requirements that are placed on such systems.

The Benelux countries enjoy a tradition of strong and long-standing cooperation, on top of which, they have always been known for their progressive thinking and open approach to change. It is therefore completely natural that, when it came time to consider modernising their own systems, they first looked to their closest neighbours. This was also the case when introduction and development of the Eurosystem brought with it pressures to change the respective national information systems for cash handling, for example. The Netherlands and Luxembourg were natural partners for Belgium – both already users of CashSSP.

How then did the Bank of Finland come in on the project? We have in place information systems which we ourselves have set up to meet our currency supply needs, and which – both technically and functionally – are becoming outdated. Almost two years ago, planning started to replace the systems with new ones, and we were already reaching the point where a project plan to build a new system was ready, only formal approval was pending.

At the same time, however, we received information on the Belgian system and their willingness to offer the system to other euro area central banks. We took up the matter with the NBB, and it soon appeared that CashSSP, as it had already been expressively named, would also suit the Bank of Finland's needs. For us, the key selection criteria were:

- It enables the streamlining of work flows in the best and most economically sensible way, by making widespread use of modern bar code techniques, for instance.
- It reduces the need for our own resource input in IT by offering an almost fully-fledged system as well as the equipment to run the system.
- It supports harmonisation of the Eurosystem's cash distribution function towards a Single Euro Cash Area.
- It is in line with the Eurosystem's mission, strategic objectives and organisational principles.

Having decided to join the CashSSP, negotiations were commenced on the necessary agreements, pricing policy and a more detailed operational framework. It is clear, that when trying to find the common denominator in information technology, business options and in sharing costs and benefits, negotiations are not necessarily simple or easy.

In the course of the process, our cooperation partners have, however, shown understanding for the questions we have raised, and the negotiations have taken place in a very constructive and fruitful atmosphere; as an expression of these efforts we are now here to sign the agreement, and the Bank of Finland's CashSSP project can be formally launched. At the practical level, we have already been preparing this project for a long time.

Despite a comprehensive cooperation agreement, the success of CashSSP will be based on confidence between all parties involved and on the quality of ongoing cooperation. The parties are committed to help each other to the best of their ability. An excellent example of this is the assistance that the NBB is already providing to us in the form of system installation and user training.

In a broader context, cooperation by National Central Banks in the CashSSP project is a significant case of the new, truly European approach to central bank operations, which is evolving within the Eurosystem. Member NCB's are now looking for ways to deepen their cooperation in a flexible and creative manner, developing areas of specialisation on the basis of their relative strengths.

This is, without doubt, a welcome development. According to the Organisational Principles of the Eurosystem, as adopted by the Governing Council, "potential synergies and economies of scale shall be identified and exploited to the extent feasible", and "the Eurosystem shall energetically pursue organisational options that ensure effectiveness, efficiency and prompt action".

Developing our division of labour is especially important, as the Eurosystem needs to improve its cost efficiency to a significant degree. Many activities have large fixed costs and thus delegating them to some central banks avoids duplication of these costs. This kind of pooling is actually one of the most promising ways of pursuing the efficiency goals set out in the Organisational Principles.

For these reasons, the Bank of Finland takes a very positive attitude to this drive for efficiency through deeper cooperation. However, some conditions for further progress in the field should still be borne in mind.

In particular, governance and accounting systems must be built very carefully for each "pooling" arrangement, ensuring that costs and benefits are adequately measured and shared, and that users can get sufficient control of how the pooled services are produced and developed. This is, of course, necessary for the kind of trust required for the delegation of tasks. It is also in conformity with our Organisational Principles which emphasize the values of transparency and accountability.

Secondly, we expect that all Eurosystem central banks can and will participate in the emerging division of labour on the basis of reasonable reciprocity. This reciprocity also conforms nicely with the Organizational Principles, according to which "all members of the Eurosystem shall contribute strategically and operationally to the goals of the system".

The Bank of Finland for its part – as with other NCB's – actively analyses its relative strengths and considers its capacity to participate in the emerging division of labour in a balanced way; not only as a user of pooled services, but also as a service provider. So I expect that our willingness to participate in future pooling schemes will be in some proportion to our prospects of hosting some of the services, where we feel we can usefully contribute.

However, I expect that the conditions which I have mentioned here will not prove any great obstacles for progress in the important further deepening of operational cooperation within the Eurosystem. Good governance models for pooling schemes will be developed – perhaps along the lines marked by the CashSSP project – and NCB's will find their niches, in which they can make their strongest contribution to the success and efficiency of the system as a whole.

To finish, let me again congratulate all those who have worked in order to make this cooperation agreement possible and also express my appreciation of the National Bank of Belgium for its very useful and innovative work. Thank you.