



Armed Security for Cash Logistics

Background

The Cash Logistics Industry deals with the physical movement and storage of currency notes and other valuables on behalf of the banks.

This sector employs about 40,000 individuals and caters to approximately 80,000 ATMs for cash replenishment services. There are about 6,000 cash vans that operate across the country and carry approximately INR 15,000 crores of cash every day. This Industry also holds approximately 4,000 crores of cash overnight in their vaults on behalf of the banks. Currently there are seven companies which account for 95% share of the market in this Industry.

The services offered by this Industry to the banking sector include:

- Secured cash transportation from Currency Chest to bank branches
- ATM replenishment
- First line maintenance of ATMs
- Door step banking solutions – Cash / Instruments pickup and delivery
- Movement of bullion and coins
- Cash processing including counterfeit verification, counting, sorting and packaging
- Overnight vaulting of cash and bullion

The Private Security Industry (PSI) is closely associated with this Industry as some of them operate in this segment, while others provide Armed Guards to this Industry.

The Challenges faced

This important segment of the economy presently faces many challenges due to the policies and rules of the govt. which leads to unnecessary harassment at hands of police. To protect the valuables/cash that is being carried, it is important that Armed Guards provide the required deterrent. The armed security is also mandated by both banks as well as insurance companies. Based on the Budget announcement made by the Finance Minister it is expected that the number of ATMs in the country will double to 2 lakhs in the next two years. Considering that there is a dearth of private armed security and difficult for government to deploy police officers to provide security for their daily cash transfer requirements, it is becoming a challenge to handle the amount of cash transfer required every day.

Until the Private Security Agencies (Regulation) Act was formulated, private security agencies in India were functioning without any regulation. The central government drafted the law in 2005 and encouraged states to enact & enforce it. Many states did enact it but enforcement has been inconsistent and incomplete.

Ironically enough, the two main Acts pertaining to the private security agencies have a radically different provisioning for carrying arms. While the Private Security Agency (regulation) Act has nothing defined, the Arms Act, 1959, allows individual applicants to hold arms licenses. Commercial licenses have neither been forthcoming, nor are commercial establishments keen to get the Arms licenses issued in their name, due to the liability it puts on the board members – this stringent liability as per the Arms Act is very unique to India. As a result, private security agencies have been technically compelled to employ people who hold Arms License in their individual capacity. Also noteworthy fact is that firearms issued to individuals have restrictions in terms of territories in which they can be used. The Arms Act severely curtails the ability to pool armed guards in an efficient manner to service clients and can be particularly difficult in case of inter-state transfer of goods/personnel leading to hiring of personnel holding licenses from different states.

Currently two models are operational for employing armed private security personnel for securing commercial establishments

1. Individuals (civilians and ex-servicemen), who had obtained Arms licenses, sought employment with commercial establishments directly or through security agencies.
2. Commercial establishments sought commercial arms licenses, as per the MHA circular which were then provided to employed staff as retainer for the protection of the establishment.

As per the Arms Act, licenses issued to individuals, is for personal or crop protection. However, the interpretation that has been commonly used is that the individual will be using the Arm for his protection when attacked. In fact the Maharashtra Government had issued a circular in the year 2002, asking the police authorities to issue personal Arms licenses to ex-services personnel, so that they could use it to gain employment with commercial establishments.

The issue at hand

Of late, police across different states have initiated a crackdown on persons using arms issued to them in individual capacity for commercial purposes. The reason given for such operations is that the use of arms by persons to gain employment as Armed Private Security guards is illegal as it is deemed as commercial application of weapon license issued for personal security. This has left commercial establishments and especially the Cash Logistics Industry, given its high requirement of Armed Guards, vulnerable to attacks.

Such action by state police departments (Maharashtra, Andhra Pradesh etc) to check use of private arms for commercial purposes has resulted in wide-spread panic amongst workforce. Hundreds of

Armed Private Security Guards have left jobs and have gone back to their home states, mostly in fear of being arrested by the police. This has resulted in shortage of armed security guards for cash logistics operations. As a result of such action:

- Cash movement inter & intra city is either delayed or is being clubbed (excessive pay loads)
- Cash vans are operating with either one or no armed security guards at times
- ATM replenishment scheduled are being disrupted leading to cash outages
- Door step banking operations are being affected
- Security of bank currency chests is suffering owing to shortage of armed private security guards
- Cash vaults operated by cash logistics companies is facing short staffing

With the police forces unable to provide its personnel to safeguard public money and facilitate banking operations it is erroneous to leave such an important segment of the economy unsecured due to a negative interpretation of the law. In the absence of any alternate solution we would request the Reserve Bank of India to look into the matter on an urgent basis, as the current situation will soon result in a widespread disruption to banking

The following is recommended for the smooth functioning of the banking sector.

Option 1

Issue commercial licenses to Security Agencies, who can employ individuals for use of the licenses, and deploy them for the protection of commercial establishments

Option 2

Issue commercial licenses to specific organizations based on need - e.g: Cash Logistics companies with proper accountability
