

Oireachtas Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach.

Pre-Legislative Scrutiny of the General Scheme of the Access to Cash Bill 2024.

Private Security Authority written submission

5 March 2024

In January 2020, the Chairperson of the Private Security Authority wrote to the then Minister for Justice, Charles Flanagan, T.D. to highlight the risks posed to businesses by the financial activities of the CIT sector. The concerns of the Board of the Authority arose from the 2019 liquidation of one CIT contractor which resulted in businesses across the country losing cash held on their behalf by the CIT contractor. The Board were also concerned by the CIT sector's expansion into financial services, an area outside the remit of the Authority as a security regulator.

In response, Minister Flanagan suggested that it would be more appropriate if we wrote to the Minister for Finance on the matter. This, the Chairperson subsequently did (see Annex 1) and Minister O'Donohoe recommended that the Authority contact the Central Bank as the statutory body responsible for regulating financial services.

The Chairperson wrote to the Governor of the Central Bank and a meeting was arranged between officials from both regulatory bodies. Having considered the financial activities of the CIT sector, both regulators agreed that they did not have the statutory authority to regulate the CITs for these activities.

Following this, the Chairperson wrote again to the Minister for Finance stating that the financial activities of the CIT contractors do not come under the regulation of any Department or regulator and that this is something that needs to be addressed.

In August 2023 the executive of the Authority, the Central Bank and the Department of Finance met to discuss the role of both regulators with respect to the Access to Cash legislation and the potential functions involved in overseeing the Cash in Transit companies.

1. **The policy rationale for the Bill:** As the regulator of the security industry, the Authority has concerns over the regulatory deficit that currently exists over the financial activities of the CIT companies as highlighted above. The Bill will address this deficit and allow for the Central Bank to regulate the financial aspects of the CIT sector and the Authority will continue to regulate the security aspects of the sector.
2. **The technical, legal and drafting aspects of the Bill:** The Bill (Part 1 Head 3) sets out the definition of a Cash in Transit company. The Bill further sets out the obligation for the CIT company to make an application for registration, the issuing of registration, that conditions may be imposed on the registration (i.e. purposes of resilience and business continuity), amendments may be made to the registration, the potential repercussions of not complying and the terms of any possible revocation of the registration.

The Bill (Part 3 Head 34) provides that the Private Security Authority and the Central Bank shall cooperate in the exchange of information regarding the general supervision of CIT companies. The interaction between both regulators will be set out in a Memorandum of Understanding (MOU). The MOU will facilitate the sharing of information between the PSA and the Central Bank in a lawful and controlled manner.

3. **Possible areas where the Bill might be improved:** The Authority is currently in discussions with the Department of Finance in relation to the definition of a cash in transit company (Part 1 Head 3). The definition of Cash in Transit companies in the Bill is:

“cash in transit company” means a firm which is registered by the Private Security Authority and which transports cash by road as a professional transporter of banknotes and coins by a CIT vehicle.

This prompted a number of queries from the drafter of the Bill, in relation to exactly what companies are being captured by the legislation, what functions are covered, and if the definition should simply refer to the Private Security Act 2004/S.I. 857 of 2007. The drafter is currently looking at the implications of naming an SI in the legislation with a view to amending the definition of a Cash in Transit company to:

“cash in transit company” means a company licensed by the Private Security Authority under the Private Security Act 2004 and S.I. No. 857 of 2007 - Private Security (Licensing and Standards) (Cash in Transit) Regulations 2007 to carry out any cash in transit functions.

In relation to Part 3 Head 34 which covers the cooperation between the Central Bank and the Authority it is best if the MOU was required to be reviewed every two years or as required from time to time by the 2 Parties. Any amendments to the Agreement will be signed by the 2 Parties.

4. **Possible implications/consequences arising from the Bill:** Increase in compliance and administrative costs for the CIT sector. There are currently 4 CIT companies licensed by the PSA. Financial regulation by the Central Bank may provide an additional cost burden on new entrants into the sector and/or may reduce the number of companies currently operating in the sector.
5. **Any other comments you may wish to make on the Bill:** The Authority welcomes the Bill, looks forward to its implementation and to working with the Central Bank in regulating the CIT sector.



Mr Paschal Donohoe TD
Minister for Finance
Department of Finance
Government Buildings
Upper Merrion Street
Dublin D02 R583

Dear Minister

I am writing to you on behalf of the Board of the Private Security Authority (PSA) to bring to your attention a serious shortcoming in the regulation of the cash-in-transit (CIT) sector. Our concerns arise from the ongoing liquidation of a CIT company, Business Mobile Security Services Limited (trading as Senaca) and the shortfall in clients funds estimated to be in the region of €1.8 million. I previously raised this matter with the then Minister for Justice and Equality, Charlie Flanagan, who advised that it would be more appropriate to raise the matter directly with your good self.

The PSA, an agency of the Department of Justice, is responsible for the regulation of the private security industry. We issue licences to both contractors and employees providing CIT services under the category of Provider of Protected Forms of Transport. The Provider of Protected Forms of Transport is defined as a security service under section 2 of the Private Security Services Acts. Licensed CIT contractors are obliged to comply with two prescribed standards. Both standards are in the main targeted at the security and management aspects of the contractor in line with the mandate set out for us in the Private Security Services Acts.

The first standard, *PSA CIT 2:2014*, developed in conjunction with An Garda Síochána, is a technical standard largely concerned with the structure of cash centres, the security of vehicles and the transfer of cash between locations. The second, *PSA 76:2018*, focuses on the structure and management of the licensed contractor. There is a limited focus on the safeguarding of clients funds through the establishment of nominated trust accounts.

In July 2019, the High Court appointed a liquidator to Business Mobile Security Services Limited (trading as Senaca) following a petition from the company. At the time the company held a number of Private Security Services Licences including one in the CIT sector. The most recent update provided by the liquidator indicates that in the region of €1.8 million of funds belonging to CIT clients are unaccounted for.

As the regulator of the security industry, this is of serious concern to the Board of the PSA. Business Mobile Security Services Limited was a small player in the CIT sector with less than 4% of the market. If this level of loss to clients' funds was to be replicated in one of the bigger

operators, clients' losses would exceed €50 million and could be as high as €100 million. This would not only have a serious impact on the businesses involved but would cause a knock-on effect in local economies across the country. The reputational damage to the CIT industry, the wider security industry and to the PSA, as the security regulator, could be substantial.

The possibility of a financial crisis within one of the CIT operators is not as remote as might first appear. The liquidation of Business Mobile Security Services Limited is the most recent and most serious of a number of years of financial difficulties in the CIT sector. In 2013, the largest operator, G4S Cash Solutions Ireland Limited underwent a major restructuring following concerns about its financial future. In the same year, Chubb Ireland Limited withdrew from the CIT sector. More recent incidents were;

2016 – Brinks Ireland Limited, the second largest provider in the CIT sector at the time ceased operations citing the unprofitability of the market. The company re-entered the market last year as part of a global purchase of G4S's CIT business.

2017 – Business Mobile Security Services Limited, exit examinership following the High Court's acceptance of a scheme to restructure the company and its debt.

2018 – Treanor Security Systems Limited, a small operator in the sector, sold its CIT business to GSLS (the second largest operator) citing financial difficulties in the sector.

The role of the CIT operator is changing. They no longer operate as a transporter of cash from one location to another. Services now include cash management, accounting services and the buying and selling of coin and note. More recently the companies have been looking at reconciling their clients till and safe deposits with the collection of the cash thereby reducing the clients need for in-house financial reconciliation systems. With the withdrawal of financial services from rural communities and the increasing costs charged by financial institutions to the business community, the CIT operators see potential for providing other services to their clients.

These developments in the CIT sector will result in the contractors taking over more and more of the operations and processes of their clients and as things stand they would become de facto unregulated financial institutions.

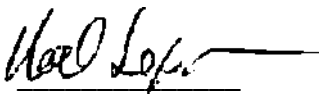
The liquidation of Business Mobile Security Services Limited brings the number of operators in the CIT sector to 4 with the two largest players, Brinks (formerly G4S) and GSLS, accounting for over 80% of CIT business. The concentration of such vast sums of client money in the hands of a small number of operators whose financial activities are unregulated creates an economic risk to the thousands of customers who use their services. The threat to businesses, local economies and employment from this financial exposure is real and there is an urgent need for financial oversight of the CIT sector.

The role of the PSA is to regulate the security aspects of the CIT sector and we believe we have been successful in achieving this. We do not have the mandate, nor do we seek it, to regulate the growing financial aspects of the CIT business. We do believe that the liquidation of Business

Mobile Security Services Limited and the concentration of the sector into a small number of operators highlights risk and the need for financial regulation of the sector to prevent a much larger loss of clients' funds occurring. We believe that this is a role more suited to the Central Bank in its role as financial regulator. We are asking that you give this matter some consideration and perhaps bring it to the attention of your Government colleagues with a view to finding a solution which might safeguard the vast sums of monies entrusted to the CIT sector on a daily basis.

The Board and Executive of the PSA are available to discuss and provide further detail if this is required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Noel Lappin', with a horizontal line extending to the right.

Noel Lappin
Chairman

21st January 2021