

Access to cash

The purpose of this note is to provide the ERPB with an update on the measures that are taken at Eurosystem level with a view to ensure that euro area citizens and firms continue to have good access to cash services.

1. Introduction

In June 2020, the ERPB acknowledged that access to cash is a relevant concern and may become a crucial issue in the light of pandemic-related developments. The ERPB also noted that various initiatives had been launched that aimed to address similar concerns outside the ERPB and considered that further analysis at ERPB level needs to rely on the latest data on cash usage and the outcome of the relevant Eurosystem activities in this area (e.g. measurement of access to cash). Nowadays, EU consumers face some difficulties in accessing cash to various degrees depending on the country.

This note provides an update on the ongoing Eurosystem activities related to access to cash.

2. Current trends on the use, access and acceptance of cash

The main results of the Eurosystem's "Study on the payment attitudes and of consumers in the euro area" (SPACE) conducted in 2019 will be presented by the ECB at the ERPB meeting.

It could be already highlighted that public access to cash is declining around Europe as commercial banks continue to downsize their branch networks and strive for optimising costs regarding their support for ATM networks. Over the recent years, the number of cash access points in the euro area declined noticeably: according to ECB data, between the second half of 2016 and the first half of 2019, the number of credit institutions' branches offering cash services in the euro area decreased by 19,830 (-12.0%). Over the same period, the overall number of ATMs/cash dispensers decreased by 13,921 in the euro area (-4.3%)¹.

Although it seems that access to cash is not yet a major issue in most countries, there are increasingly concerns voiced that access to cash and banks' cash service levels is generally deteriorating, at least in certain areas of some countries. Our recent research (SPACE) reveals that, in 2019, almost 10% considered that access to an ATM is fairly or very difficult, which shows a doubling of the people that

¹ ECB statistical Data Warehouse <http://sdw.ecb.europa.eu/reports.do?node=1000001404>

expressed concerns about access to ATMs. In 2016, only 5% of the people in euro area were not satisfied with access to ATMs.

Another qualitative euro area survey conducted by the Eurosystem in 2018 also revealed that retailers and other businesses expressed growing concerns about cash lodgement facilities, especially for coins, and the recent evolution of fees for cash services charged by commercial banks. Good cash deposit facilities for retailers and other economic operators is a precondition for an effective functioning of the cash cycle. Sufficient lodgement facilities and adequate fee structures offered by banks to their corporate customers are also important to safeguard the acceptance of cash by retailers and other businesses and avoid unwanted proliferation of “no-cash” policies in commerce. As the example of Sweden shows, this may trigger corrective measures by the legislator, enacting a law obliging credit institutions to offer, either directly or via agents, adequate cash services with a sufficient regional coverage throughout the country².

3. The Eurosystem’s Cash 2030 strategy

As a response to various developments impacting on the availability and acceptance of cash, the ECB has recently launched its Cash 2030 strategy. It is driven by the vision to preserve also in the long run euro cash as a generally available, attractive, reliable and competitive payment instrument and store of value of choice.

The five strategic objectives for the Eurosystem adopted by the Governing Council in September 2020 to safeguard the functioning of cash are the following:

- 1) The Eurosystem ensures the issuance of cash;
- 2) The Eurosystem supports access to cash services for all euro area citizens and businesses;
- 3) The Eurosystem defines acceptance of cash as essential for the freedom of choice how to pay;
- 4) The Eurosystem ensures innovative and secure euro banknotes; and
- 5) The Eurosystem ensures the health & safety of banknotes and endeavours to reduce the environmental footprint of cash.

To ensure a robust cash cycle and efficient supply chain, it is crucial that the banking sector fulfils its role in the retail distribution of cash and provides good deposit facilities for businesses with appropriate geographical coverage and fee policies and that the retail sector continues accepting cash.

It is recalled that in its Opinion of 26 November 2019, “*the ECB considers it important that all Member States, including non-euro area Member States, take appropriate measures to ensure that credit*

² Swedish law on obligation for credit institutions to provide cash services (in Swedish only): <https://www.regeringen.se/4a4b06/contentassets/6565044706374d0da5ae4b331bdc1b8d/skyldighet-for-kreditinstitut-att-tillhandahalla-kontantjanster-prop.-20192023.pdf>

institutions and branches operating within their territories provide adequate access to cash services in order to facilitate the continued use of cash". Moreover, in January 2020, President Lagarde, in her answer to the Member of the European Parliament Mr Giorgos considered "*it important that citizens can make a reasonable number of cash withdrawals with no charge, in any case when using their bank's own ATM network*". The ECB President recalled that "*As euro banknotes and coins are legal tender, it is an essential precondition that citizens have good access to them, and that retailers have good cash deposit facilities*".

4. Analyzing access to cash

In addition to the work carried out by different NCBs, the ESCB Banknote Committee has developed a common Eurosystem internal methodology how to measure access to cash. Two metrics to analyse access to cash services, by using distance to and capacity of cash access points, have been defined, which will be further applied. All Eurosystem NCBs will conduct national studies on access to cash for the year 2020, for which they (strongly) depend on the data provision by the respective economic operators in order to obtain useful results. For the time being, the analysis will focus on withdrawal and deposit services offered by banks through their branches or off-premise automated teller machines (ATMs).

Regarding "cashback" and "cash-in-shop" services offered by retailers, the Eurosystem considers these services as complementary sources to access cash. These services are limited in their scope and, hence, cannot be regarded full substitutes of traditional cash service points offered by banks or postal services. Of course, these services of retailers are welcomed as an additional source for cash supply. Further analyses of the geographical coverage of these services would be welcomed and the ERPB is invited to encourage the service providers to facilitate provisioning of the data on cashback and cash-in-shop locations.

5. Work related with acceptance of cash

Euro banknotes and coins are legal tender by EU law. Public service providers, traders and other businesses should not refuse cash payments, unless explicitly required by law. If the principle of universal acceptance of cash were to be endangered, regulatory measures would need to be initiated to uphold the public's trust in the usage of cash, freedom of choice and to avoid that certain groups of society and unbanked people are disadvantaged.

In its Communication of 24 September 2020, COM(2020) 592 final, on the Retail Payments Strategy for the EU, the European Commission indicated that together with the ECB, national central banks and treasuries it will take stock of the latest developments regarding the acceptance and availability of cash within the euro area.

6. Proposed way forward

Following their responsibility to ensure the smooth cash supply, the ECB and national central banks will take measures to ensure the overall goal of good cash services by all citizens and businesses. As access to cash is a complex matter in which all stakeholders, including central banks, commercial banks, retailers and consumers have a role to play, the ECB considers it important to find an agreement with all stakeholders on the common goal to ensure good access to cash services. For example on the continuous trend to replace bank branches with ATMs, the ECB considers that a range of cash transactions can be handled via customer-operated automated teller machines, without involvement of bank staff. In general, the trend towards increased digital and remote interaction between banks and customers is well-understood, being reinforced by the current corona crisis, and also the majority of cash transactions can be conducted via ATMs. However not all type of cash transactions can be handled teller-less³. Also, not all customers may be in a position to use such automated machinery in a pure self-service environment. Hence, credit institutions in principle need to find ways to continue to also offer certain cash transactions to their customers also at their bank counters in an acceptable way.

Furthermore, credit institutions, in cooperation with the central banks, the cash-in-transit sector and retailers, should be capable to cater for a sudden surge in demand, so that cash can also function as a fall-back payment instrument in case electronic payments do not function.

The general commitment of all stakeholders to provide an adequate cash service levels for euro area citizens and businesses and to ensure the general acceptance of cash in retail payments is key, with the ERPB bringing together the demand and supply side of the euro area retail payment market. Hence, it is suggested to discuss further the issues related with the acceptance and access to cash in the euro area given the relevance of this topic for the market participants and consumers, by establishing the working group on access to cash. The new working group should conduct a stock taking exercise of various initiatives ongoing by all stakeholders. It should also detect the gaps that have not been yet addressed and deserve further investigations. All this work should lead to a report on the status of the access to cash in the euro area. The working group would be invited to present its analysis to the ERPB in autumn 2021 for further guidance.

³ For example, denomination exchange, exchange of worn banknotes and coins, or accepting notes suspected to be counterfeits or notes damaged/ink-stained by anti-theft devices (IBNS)