Are **ATM Pooling** and Legislative Measures Inevitable?

Roel van Anholt

DeNederlandsche Bank

EUROSYSTEEM

CASH IN CANADA

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The Netherlands at a glance

- **17.5 million inhabitants**
- **CAD $1.5 trillion GPD ($75,000 / capita)**
- **7.0 billion POS-payments in 2023**
- **5,100 ATMs**
After years of decline, the share of cash payments stabilizes

- Electronic payments exceeded the number of cash payments in 2015
- Since 2020, the share of cash payments stabilised around 20% of all payments
- The 80% electronic payments are include 30% contactless (smartphone) payments
- Less than 1% credit card transactions

Source: DNB & Dutch Payments Association (2024)
‘What is your preferred means of payment?’

Preferred means of payment: cash
in percentage

Source: DNB (2023)
In numbers: 5.100 ATMs by Geldmaat (77%) and IADs (23%)

Bank-owned ATMs

- ING
- Rabobank
- ABN·AMRO
- de volksbank

Closed in 2020: 3.850 ATMs (jan 2024)

Independent ATM deployers (IADs)

- Euronet
- YourCash
- Travelex
- Diebold Nixdorf
- IN2Retai

1.250 ATMs (jan 2024)
Through the wall
Kiosk
Lobby ATM in bookstores
Geldmaat-shop
Geldmaat-shop
Banks do not have a direct role in cash distribution anymore.
The cash infrastructure has been scaled down rapidly

Number of ATMs: bank-owned & independents

<table>
<thead>
<tr>
<th>Year</th>
<th>Qtr2</th>
<th>Qtr4</th>
<th>Qtr2</th>
<th>Qtr4</th>
<th>Qtr2</th>
<th>Qtr4</th>
<th>Qtr2</th>
<th>Qtr4</th>
<th>Qtr2</th>
<th>Qtr4</th>
<th>Qtr2</th>
<th>Qtr4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.743</td>
<td>1.730</td>
<td>1.717</td>
<td>1.688</td>
<td>1.517</td>
<td>1.549</td>
<td>1.556</td>
<td>1.289</td>
<td>1.397</td>
<td>1.443</td>
<td>1.489</td>
<td>1.421</td>
</tr>
<tr>
<td>2019</td>
<td>7.226</td>
<td>7.113</td>
<td>7.170</td>
<td>6.424</td>
<td>5.929</td>
<td>5.795</td>
<td>5.558</td>
<td>4.916</td>
<td>5.053</td>
<td>5.117</td>
<td>5.122</td>
<td>5.074</td>
</tr>
</tbody>
</table>

Source: DNB
The value of cash withdrawals is stable

Value of ATM withdrawals
index = week 1, 2022

Source: Geldmaat
Cash acceptance is deteriorating in certain sectors

Source: Locatus 2023
Cash infrastructure has been under increasing pressure

- **Removal of cash** from bank branches, allowing a reduction of 75% in the number of bank branches
- **30%** less ATMs and **60%** less night-safes (deposits)
- Up to **100%** increase in fees for cash deposits
- **Less** cash acceptance in some sectors (e.g. pharmacies)
- **Discouragement** of cash use by banks, e.g. by introducing limits to cash transactions (reinforced by AML-argument)
ATM coverage is still good

99.7% of the inhabitants has access to an ATM within 5 km distance
Cash infrastructure has been under increasing pressure

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- Despite the pressure, **access to cash** is still among the highest in Europe: 99.7%
- The infrastructure now appears **vulnerable**. Availability-level of ATMs was critically low last year (one out of ten ATMs was unavailable), leading public concerns.
NL has among the smallest number of ATMs in Europe

Relative number of ATMS per EU member state
in number of ATMS per 100.000 inhabitants

Source: ECB (2022)
DNB advocated for electronic payments by signing Covenants with the industry.

DNB conducted several studies on cash, published a position paper, and commissioned an independent study into the future of the cash infrastructure (McKinsey).

Another study (PwC) was commissioned by the minister of Finance and DNB: conclusion was that voluntary agreements are insufficient to sustain cash infrastructure.

Minister announced legislation and stakeholders agreed to prolong the Cash Covenant until legislation enters into force, expected January 2026.

Roadmap to legislation: milestones and policy measures:

- 2018: DNB shifted its payment strategy to ensure the well functioning of cash and started a dialogue in the national forum on the payments system (NFPS).
- 2019: DNB initiated negotiations to close a Cash Covenant to secure cash access, availability, affordability and acceptance.
- 2020: Another study (PwC) was commissioned by the minister of Finance and DNB: conclusion was that voluntary agreements are insufficient to sustain cash infrastructure.
- 2021: Minister announced legislation and stakeholders agreed to prolong the Cash Covenant until legislation enters into force, expected January 2026.
# Legislative measure: Statutory obligations on banks and Brink’s

<table>
<thead>
<tr>
<th>Regulated entities</th>
<th>Obligations</th>
</tr>
</thead>
</table>
| ✓ **Largest Dutch banks** with >3mln payment-account holders in NL (ING, ABN AMRO, Rabobank) | 1) Maintain a *Basic cash infrastructure*  
2) Must be open for other banks by non-discriminative fees and terms  
3) Offer coin terminals for withdrawals and deposits |
| ✓ **All banks** (exemption for <50,000 payment-account holders in NL) | 1) Offer banknote withdrawals and deposits via *Basic cash infrastructure*  
2) Regulated fees for banknote withdrawals and deposits:  
   • Consumers: No fee per transaction  
   • Businesses: Capped fees per transaction |
| ✓ **CIT’s** with significant share of the market (only Brink’s) | 1) Report on key developments that may impact its business/continuity  
2) Notify 6 months up front in case of strategic reforms  
3) Have a resolution plan ready (update on regular basis)*  
4) Notify in the event of impending bankruptcy |

* DNB already has a ‘living-will’ agreement with Brink’s with the listed obligations, except for the ‘resolution plan’; this is new in the legislation.
Basic Cash Infrastructure

- The Basic Cash Infrastructure will be defined in secondary law
- Minimum standards are not yet known, but will be similar to the standards set in the Cash Covenant

**Cash Covenant standards:**

<table>
<thead>
<tr>
<th>Withdrawal</th>
<th>Number of terminals</th>
<th>Coverage</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banknotes (ATMs)</td>
<td>3850</td>
<td>99.7% (5 km)</td>
<td>97.5%</td>
</tr>
<tr>
<td>Coins (coinroll terminals)</td>
<td>170</td>
<td>98.0% (20 min)</td>
<td>98.0%</td>
</tr>
<tr>
<td>Deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banknotes (sealbags)</td>
<td>450</td>
<td>98.0% (5 km)</td>
<td>98.0%</td>
</tr>
<tr>
<td>Banknotes (recyclers)</td>
<td>1300</td>
<td>92.6% (20 min)</td>
<td>96.5%</td>
</tr>
<tr>
<td>Coins (deposit terminals)</td>
<td>547</td>
<td>80.6% (5 km)</td>
<td>96.5%</td>
</tr>
</tbody>
</table>
Timelines for the Cash Payments Act

➢ Jun 2023: Cash Payments Act announced by minister

➢ Jan/Mar 2024: Public consultation of the primary law

➢ Q4 2024: Public consultation of the secondary law

➢ Q1 2025: Primary law through parliament

➢ Jan 2026: Primary and secondary law enter into force
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Take aways and outlook

➢ Tendency: banks to bear the cost of the cash infrastructure, but who is pulling the strings?

➢ What could the central bank do to increase societal/systemic cost-efficiency?
Roel van Anholt
Principal Policy Advisor & Cluster Lead Cash Cycle

R.G.van.Anholt@DNB.nl