

ESTA's Update



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Secretary general
Dublin, 16 May 2022

1. European Retail Payment Board – “access to and acceptance of cash”
2. AML – Commission package of July 2021
3. 1 and 2 €cent coins – Commission withdrawal initiative
4. Future activities

ESTA invited to join the Working group by Mr Fabio Panetta

- ESTA appointed « *facilitator* » of workstream 3 on « acceptance »

March 2021: « *a mapping of typical obstacles to acceptance of cash* »: 3-page joint input by ATMIA, the EVA and ESTA

- Reduction of cash services (deposits and withdrawal) leading to an increase in the cost of cash for users
- Limitation of change money
- Disengagement of banks from cash
- Card operators' incentivisation programme for digitalisation of retailers
- Spurious allegations of risks of contamination to COVID

1. ERPB – WG on acceptance and access

Final Report (dec 2021)

Mapping of obstacles

- Clear & strong divide within the group:

Input by EVA, ATMIA and ESTA

Obstacles resulting from long term decline of cash

- Reduction in cash services
- Shift of cost of cash to cash users
- Increased risks and reluctance to accept cash resulting from lesser deposit facilities
- Nudging of consumers out of cash

COVID and « filthy cash » campaigns

- Repeated calls on risks of contamination and swap for cashless for sanitary reasons
- Consumers/retailers scared off cash

Opposed by ESBG, EBF, EACB and EPC

Outside the remit & not for discussion

- « Public decides, we listen to »
- Consumer choice in favour of convenient and easy payment instruments

Digitalisation of society = digitisation of payments

Focus solely on obstacles to acceptance of cash to the “accepting side” only

ERPB WG CASH 000-2021 v1.0

ESTA's slide tampered:

Mapping of obstacles

Discussion ongoing – different views exist across the various stakeholders on the suggested obstacles so far below:

- Obstacles resulting from long term decline of cash;
- COVID and « filthy cash » campaigns;
- Transition to cashless due to customer choice;
- Digitalisation of society = digitisation of payments;
- Focus solely on obstacles to acceptance of cash to the “accepting side” only.

Covid ?

“Unavoidable soiling of notes”

Reduction of cash services ?

“Adaptation to declining demand”

Shift of cost of cash to users ?

“Obstacle to an ATM is a “low market potential and lack of profitability”

Risk ?

“Cash leads to fraud, deceit, violence and...counterfeits”

“Cash discredited as preferred instrument of criminals”

1. ERPB – a biased report

What is in it:

“Image of cash”:

“The perception of cash is outdated, less and less appropriate for modern societies, not cool, cumbersome...”

Even worse: *“it is used by digital illiterates and non participating citizens”... (sic!)*

Counterfeit money:

“an identified legal obstacle to cash is that counterfeit money has no value by regulation”

And what’s not in it:

Card Fraud

The cost of non-cash

- Higher card fees
- Negative interest rates
- Contingency measures for e-payment disruption

Cash business model

- Cash services are already paid for by users (Art 17 of Directive 2014/92)

1. ERPB – the demise of cash

ERPB
report:
a number of
contradictory
statements

“Problems [of access to cash] are being reported”

“Access to cash continues to be broadly ensured”

“Access to cash has not decreased significantly, even in rural/ touristic areas”

“There are concerns that access to cash is deteriorating, at least in certain areas”

“A mandatory cash acceptance and a shift from card to cash would increase costs to consumers”

“The shift from cash to card due to COVID has raised the cost to consumers”

“Cash demand declines - ATMs follow”

“Average amounts withdrawn increase, to compensate”

1. "The banks' pain of providing cash"

Access to cash
Cash – again?

“
Student: Dr. Einstein, Aren't these the same questions as last year's [physics] final exam? Nothing has changed!
Prof. Einstein: Yes, it is true these are the same questions; But this year the answers are different”



The questions on how consumers and SMEs can access cash ubiquitously stays the same, **but the answers are different** today

Given dramatically **shifting consumer behavior** and **economic imperatives for banks**, cash access will change

Source: "Cash and access to cash – the MasterCard perspective" Presentation to the ERPB, May 2021.

For incumbent banks, easing the **pain-of-providing access to cash** is top-of-mind for banks; regulators increasingly scrutinise banks to maintain ubiquitous and free access to cash

Pain-of-cash equation for an incumbent bank

Retail Bank A, domestic view only

$$\text{Pain of cash} = \sum (\text{Primary customers} \times \text{Domestic ATM trx} \times \text{Blended on-us and off-us ATM rate})$$

Number of bankina – Average domestic ATM – Bank runs X bank-branded ATMs in

Reason for « shifting consumer behaviour » ? Fear...

Contactless limits virus spreading
Using cash is extremely risky. Handling and exchanging banknotes and coins help virus spreading. The virus may survive several hours on surfaces. During this period, the same banknotes and coins may be handled and exchanged multiple times. Central banks are enacting measures to sanitize cash. It is, however, impossible to sanitize all the cash in circulation. This is why merchants are increasingly becoming cashless.

Contactless is safest payment method. Contactless payments may limit virus spreading by ensuring social distancing. The cashier does not need to touch the card. The cardholder does not need to touch the POS terminal. Often, these terminals are touched by thousands of people on the same day (e.g., groceries, pharmacies, healthcare). The cardholder and the cashier can remain at a safe distance. Less physical contact means less virus spreading.

Less physical contact with POS terminal. Contactless transactions limit virus spreading as long as the cardholder does not need to digit the PIN on the terminal. This is what already happens with mobile NFC payments for the

Source: Covid-19 Contactless and SCA transition, position paper for the ERPB, April 2020

"Banning fees for withdrawal and deposits may have harmful side effects on access to cash (e.g. banks further **discontinuing cash services due to **foregone profits**)". (ERPB report, p. 29)**

1. ERPB – Report's takeaway

Only a stock taking exercise: no recommendations

Confirmation of bank's willingness to disengage from cash, except where it remains profitable

- From cash OTC to ATMs to out-of-bank cash supply
- Cash is a cost to banks – non-cash has huge revenue opportunities
- Pass on the cost of cash supply to others, retailers and consumers

All the evils of cash are flagged, even the risk of counterfeits

- 12 in a million notes are counterfeits
- Nothing on cyber risk, card fraud, hacking and other risks of major disruption: the digital world will be perfect !

Very inconclusive on “*acceptance*”

July 2021 package on **Anti-money Laundering policies**

- Adoption of a very comprehensive package on AML: 2 Regulations and two Directives, which followed the 2020 public consultations;
- Proposal for a €10K payment limitations – only cash-related measure proposed (Art 59 of the draft Regulation)
- CPL: same impact assessment (CEPS-ECORYS)
- Anti-cash bias: the provision on the 3 year-implementation report in the Regulation already dictates that the threshold *will be lowered* (Art 63)
- ESTA and a cash coalition have lobbied MEPs against it however found that the parliament has limited interest – the draft report of the lead committee proposes lowering the threshold to 5K.

ESTA issued a strong position on the 10K limit

- It introduces 3 disruptions in the 30 previous years of AML policies
 - An entire payment instrument is specifically targetted by AML
 - all cash users are « obliged entities »
 - It departs from the historic « risk-based approach »
- The measure in effect only targets countries without existing payment limitations
 - Unecessary due to existing cross border declaration of cash above 10K
 - Therefore, the only practical impact is domestic (quid of subsidiarity?)
 - According to a number of world-experts, the measure is ineffective (quid of proportionality ?)

On going discussion since 2014 – 2 consultations in 2017 and 2020

Higher cost of processing of small denomination coins

- More frequent jamming of sorting machines
- Coins delivery to NCBs – packaging, branches...

ESTA opposed the elimination of small coins

- Discrimination against cash payments – rounding only for cash payments
- Elimination of denominations (big or small): reduction of the place of cash

ESTA opposed to the rounding of prices for cash payments as it would lead to the elimination of small coins

1. Consultation of social partners on “access to essential services” (deadline 02/06):

1. What are the most important barriers impeding access to essential services, and what are the most affected groups?
2. What are the most effective measures to support access to essential services at EU level??
3. In what way can the social partners contribute to improving the access to essential services?

2. COM consultation on the e-euro – deadline 14/06

3. ESTA pilot project on a communication on cash towards young people on social media (Instagram and TikTok): June-July 2022