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Eurosystem

Access to Cash

Retail Banking Review Submission

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ACCESS TO CASH IN IRELAND – RETAIL BANKING REVIEW SUBMISSION

1. Executive Summary

As part of its ongoing Retail Banking Review, the Department of Finance (the Department) has requested that the Central Bank of Ireland ('Central Bank' or 'Bank') make a submission regarding the current state of access to cash services within Ireland's retail banking sector.

As such, this paper is intended to brief the Department on the current state of access to cash services within the retail banking sector by outlining recent key developments within the Cash Cycle. This paper outlines strategic context, recent trends in cash usage, infrastructural shifts, the role of retail banks and other stakeholders, as well as recent challenges and international policy initiatives with regard to access to cash.

Cash plays an essential role in the financial inclusion of all groups in society, particularly digitally marginalised or socially vulnerable citizens such as older people or lower-income groups. Accordingly, it is important that there is a public policy consideration of the appropriate level of choice and access levels to cash required to meet the needs of the public in the context of wider developments in retail payments.

Notwithstanding the increase in use of digital payments over recent years, cash is essential to contingency in the event of electronic payment system failures and remains an important means and choice of payment and store of value for many sectors in society. The value of ATM withdrawals in Ireland are now at about two-thirds of their pre-pandemic average levels but remain stable at a new lower level of c. €1bn per month. Consequently, a sustained demand for cash in payments can be expected in the years ahead and cash remains an important payment instrument for consumers across the euro area including in Ireland.

Recent years have seen significant changes in the cash cycle in terms of stakeholders and infrastructure. Retail banks have moved away from provision of access to cash infrastructure by placing reliance on other third parties to provide these services – i.e. Independent ATM Deployers (IADs) now dominate the provision of ATM services whilst An Post plays an increasingly important role in terms of branch/over the counter services. Ireland has a significantly high concentration of IAD-owned ATMs compared to other countries in the euro area. There is no regulation or oversight of IADs in the provision of their services and there is an increasing dependency on An Post as retail banks progressively contract services to them.

Between October 2021 and end-2022, Ireland's retail bank branch network is set to decrease by over 25% due to the exit of Ulster Bank from the Irish market combined with a series of branch closures by Allied Irish Bank (AIB) and Bank of Ireland (BOI).

Irish retail banks have sold the majority of their ATM networks to IAD's in the period 2018-2021. By end-2021, c.75% of the ATM network¹ in Ireland was owned by IADs.

Furthermore, AIB and BOI have become increasingly reliant on third-party providers to facilitate the provision of cash services. In terms of serving their own customers, both of these retail banks are leveraging the significant national footprint of An Post to facilitate over-the-counter cash services (deposits and withdrawals) for their customers.

In terms of cash processing activities, since the closure of their own cash centres between 2018 and 2020, AIB and BOI are now entirely reliant on the Cash in Transit (CIT) sector², where the two biggest CIT companies, Brinks and GSLS, account for the majority share of the market. With regard to these types of third-party services, the Central Bank expects regulated firms to ensure the effective management of these services whilst also ensuring effective contingency arrangements are in place should any failure occur.

Recent years have seen a transition period of accelerating shifts in consumer preferences towards digital payment instruments. This evolution brings with it benefits for consumers but also risks, in particular around access to cash. In line with these transitions and in order to support the orderly evolution of cash and electronic payments into the future, under the strategic theme of 'Future Focused' the Central Bank has within its strategic plan 2022-2026³, committed to '*promote the provision of choice and access to payment instruments in Ireland, including cash and electronic payments*'.

Although the Central Bank has a statutory objective of '*the efficient and effective operation of payment and settlement systems*'⁴, the Bank does not have an explicit legal mandate with regard to ensuring *access to cash*. While retail banks in Ireland similarly have no explicit legal mandate, they remain a core part of the cash cycle reflecting in part their unique ability to create private

¹ Where each bank branch is considered as a single ATM point. Within ECB methodology of the measurement of access to cash, due to the significant clustering of ATMs within retail bank branches, each bank branch is considered as a single ATM point. By contrast, IAD ATMs tend not to cluster. If all retail bank ATMs were counted alongside all IAD-owned ATMs, recent data suggests overall IAD ownership of the ATM network may be in the region of 60%.

² Between 2018 and 2020, AIB, BOI, and Ulster Bank closed down their own cash centres for commercial reasons.

³ <https://www.centralbank.ie/docs/default-source/publications/corporate-reports/strategic-plan/our-strategy/central-bank-of-ireland-our-strategy.pdf?sfvrsn=4>

⁴ Section 6A(2)(c) of the Central Bank Act 1942

deposit money, and their long-standing business models providing cash services to their customers through branch networks and third parties. At the same time, there is an important discussion to be had around the relative expectations of traditional retail banks, new entrant banks, and entities that engage in only a limited part of the banking value chain. It is important that there be full discussion of the social policy questions around the achievement of continued ready access to cash by citizens and the relative responsibilities in this regard of the different actors.

The Eurosystem Cash Strategy, as adopted by the ECB Governing Council in September 2020, underlines the fundamental responsibility of the Eurosystem, together with the banking sector, to ensure the smooth supply of cash and to facilitate the use of cash in payments by people and businesses.

The Eurosystem Cash 2030 vision is that *'cash will continue to remain generally available and accepted as an attractive, reliable and competitive payment instrument and store of value of choice'*, and goes on to state that *'on the basis Banks have the privilege to create private deposit money [...] the Eurosystem has to prevent the banking sector withdrawing excessively from cash supply'*.

Similarly, in its Communication of 24 September 2020⁵, on a Retail Payments Strategy for the EU, the European Commission outlined its expectation of Member States to *'ensure the acceptance and accessibility of cash as a public good'*.

In developing this submission, the Central Bank has engaged with international peers⁶ that have experienced similar fragmentation within their national cash cycles. Within the approaches taken by peers, the retail-banking sector is recognised as playing a pillar role in the maintenance and provision of national cash infrastructure networks. Some peer countries have assigned responsibility for *access to cash* services to the retail-banking sector via voluntary MoUs, whilst others instigated legislative interventions in order to ensure continued *access to cash* for citizens who have a need or preference to use it.

In the context of the recent infrastructural shifts in the Irish Cash Cycle and increasing consumer preferences towards digital payments, it is timely that there is a wider public policy consideration of the future retail payments landscape in Ireland and whether appropriate policy interventions should be considered particularly in relation to the provision of *access to cash* services to Irish citizens and businesses alike. As society transitions away from cash to digital it

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

⁶ Sweden, UK, Netherlands, Latvia, and Lithuania.

is imperative that the needs of consumers and businesses continue to be met in relation to cash services. It will be important that a wide group of stakeholders and interested parties have an opportunity to input into such social policy deliberations. Taking international policy approaches into account, any policy initiative should be future focused in outlook and work to clarify all stakeholder roles and responsibilities with regard to the provision of cash services in Ireland, whilst also making provision for the defining, monitoring and regular review of adequate levels of access to cash services for society into the future.

2. Introduction

In November 2021, the Department announced details of a broad-ranging review of the retail-banking sector in Ireland (RBR). The Department has confirmed that “Access to Cash” services (i.e. public access to cash lodgement and withdrawal services) is within scope of the RBR.

The purpose of this paper is to brief the Department on the current state of access to cash services within the retail banking sector by outlining recent key developments within the Cash Cycle. This paper outlines strategic context, recent trends in cash usage, infrastructural shifts, the role of retail banks and other stakeholders, as well as recent challenges with regard to access to cash. The paper also considers approaches taken by peer European countries to safeguard retail-banking access to cash services for businesses and the public.

This paper has been developed to inform the Department in its future public policy considerations regarding an appropriate level of choice and access required to meet the cash needs of the public.

The Eurosystem Cash Strategy, as agreed by the 19 governors of the euro central banks and ECB Executive Board in September 2020, acknowledges a fundamental responsibility for the Eurosystem and wider banking sector to safeguard the Availability, Access, and Acceptance of cash. The “three A’s” at the core of the strategic priorities of the strategy are outlined as follows⁷:

- **Availability** – The Eurosystem ensures that euro banknotes and coins are available to the public at all times through the provision of cash services to the retail-banking sector.
- **Access** – The Eurosystem supports public access to services to withdraw and deposit cash, as facilitated by the retail-banking sector and other stakeholders.

⁷ https://www.ecb.europa.eu/euro/cash_strategy/html/index.en.html

- **Acceptance** – The Eurosystem promotes acceptance of cash as a mean of payment by retailers, traders and other private businesses.

In line with the scope of the RBR, this paper examines ‘Access’ to cash but it should be noted that Access to cash services is fundamental to Acceptance, as businesses that accept cash can only do so when supported by viable access to cash services.

3. The Importance of Cash to Society

Cash plays an essential role in the financial inclusion of all groups in society, particularly digitally marginalised or socially vulnerable citizens such as older people and lower-income groups.

Cash is critical to contingency in the event of electronic payment system failures and plays an important role in the freedom of choice of citizens as to how they pay for goods and services. Euro banknotes and coins are legal tender in the euro area, with cash being the only form of public money to which everyone can have direct access.

Within the Eurosystem Cash Strategy⁸, the European Central Bank (ECB) and the national central banks (NCBs) – collectively known as the Eurosystem – are considered to have a fundamental responsibility, together with the banking sector, to ensure the smooth supply of cash and facilitate the use of cash in payments by people and businesses. The ECB has detailed a series of important functions and benefits of cash, which serve to highlight the important role it plays in society:

Inclusivity - Cash provides payment and savings options for people with limited or no access to digital money, making it crucial for the inclusion of socially vulnerable citizens such as the elderly or lower-income groups.

Contingency - Cash is the only form of money that people can keep without involving a third party. No access to equipment, the internet or electricity is required in order to pay with cash, meaning it can be used when the power is down or in the event of an e-payment outage.

Privacy - Cash transactions respect our right to have our privacy, data and identity protected in financial matters.

Store of value - Cash is more than just a way of paying. It allows people to save without default risk.

⁸ https://www.ecb.europa.eu/euro/cash_strategy/cash_role/html/index.en.html

Legal tender – if offered, cash must be accepted in settlement of a monetary debt, unless both parties involved have already agreed on another way of paying⁹.

Budgeting - It helps you keep track of your expenses. Cash allows you to keep closer control of your spending, for example by preventing you from overspending.

Security - As it is central bank money, cash does not entail financial risks for either the payer or the payee. Cash is also secure in terms of cybercrime, fraud and counterfeiting.

Speed - Banknotes and coins settle a payment instantly.

Cultural Symbol – Euro banknotes and coin are the most tangible symbol of European integration and our collective European identity¹⁰.

Demand for cash across the Eurozone remains high¹¹. According to the most recent ECB Study on the Payment Attitudes of Consumers in the Euro Area (SPACE¹²), which was conducted prior to the onset of the COVID pandemic, cash is the payment instrument most frequently used at point of sale (POS) within the euro area, as most of daily payments are made using cash.

A recent Consumer Banking Survey¹³ published by the Department, which was based on interviews conducted between February and April 2022, indicates that nine out of every ten adult Irish citizens make cash withdrawals. Three-quarters of Irish adults use ATMs regularly to withdraw cash, while 20% of adults regularly use retailer Cashback and 17% regularly use over the counter (OTC) bank branch facilities. The survey also highlights that while most citizens use cash, there is considerable variation across the population in how much cash is used in expenditure, with higher cash usage linked to age (older), geographical location¹⁴ and social class. The survey finds that one in five prefer to use cash in stores and the average proportion of in-store spending conducted through cash is 31%.

⁹ In a retail setting in Ireland, the use of cash is governed by contract law, i.e. if a business specifies in advance the means of payment that it is prepared to accept, that will form one of the terms of any contract agreed with a customer. If a business specifies that payment must be in a form other than cash, the customer cannot subsequently claim a legal right to pay in cash, even though cash is legal tender.

¹⁰Speech by Christine Lagarde, President of the ECB, at the plenary session of the European Parliament (14 February 2022) -

<https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220214~2c44645ea0.en.html>

¹¹

https://www.ecb.europa.eu/stats/policy_and_exchange_rates/banknotes+coins/circulation/html/index.en.html

¹²<https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012~bb2038bbb6.en.pdf>

¹³ <https://www.gov.ie/en/organisation-information/3c122-retail-banking-review/>

¹⁴ According to the survey, those living in Munster and Connaught/Ulster and those in rural areas in general more likely to spend a higher proportion of their weekly outgoings in cash.

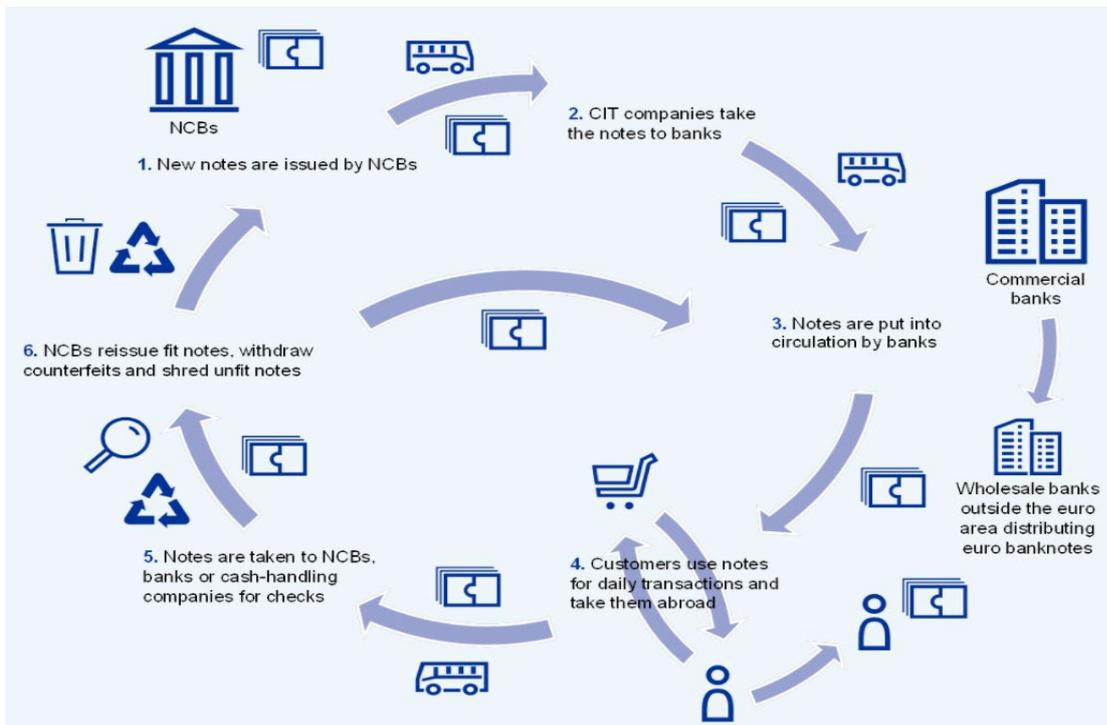
According to the 2019 Indecon *Report on Benchmarking of Ireland’s Payments Industry*¹⁵ as prepared for the Department, ‘there is a risk that some segments of Ireland’s society could be excluded by an acceleration of a move to electronic payments’. The report concluded that a fully cashless society would not be an appropriate objective.

In 2022, the UK’s Cash Census¹⁶ found that approximately 19% of the UK population would struggle to cope in a cashless society. Although primary research of this kind has yet to be undertaken in Ireland, a 2019 Study on the Payment Attitudes of Consumers in the Euro area (‘SPACE’) found that 7% of Irish people surveyed did not possess a payment card¹⁷.

4. The Irish Cash Cycle Explained

The ‘Cash Cycle’ refers to the way in which cash is distributed and circulates physically throughout the economy (see Fig. 1).

Fig.1 | The Cash Cycle Model



Source: ECB Annual Report, 2018

The retail-banking sector plays a central role in the Irish cash cycle and cash supply chain. Three of the main banks, namely AIB, BOI and Ulster Bank, in addition to An Post, are distribution partners of the Central Bank for the supply of banknotes and coin. The Central Bank provides a

¹⁵ <https://assets.gov.ie/6204/040219135457-648b24bc4c234983a39b3a323f939f1d.pdf>

¹⁶ <https://www.link.co.uk/about/news/cash-census/>

¹⁷ <https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012~bb2038bbb6.en.pdf>

free of charge service to these institutions, whereby it supplies (“Availability”) cash on demand and accepts lodgements of surplus cash and unfit cash, which is of insufficient quality to continue in circulation. Institutions in receipt of this free of charge service are then considered responsible for the onward distribution of cash to other credit institutions and their own customers, including retailers other businesses and members of the public.

Retail banks provide lodgement and withdrawal (“Access to Cash”) services to their customers via several channels, including through their retail bank branch network. Another important cash access channel in Ireland is the ATM network as operated by retail banks and, more recently, predominantly by IADs.¹⁸ This channel provides the majority of cash withdrawal services in Ireland, and is the main outlet for provision of cash to the Irish public¹⁹, with IADs currently holding c.75% of Ireland’s ATM network²⁰.

Cash is transported throughout the State by companies in the CIT sector. This sector is predominantly led by two companies (Brinks and GSLS) who have a combined majority market share. Increasingly, these companies are also providing cash processing services²¹ for the main retail banks.

Retailers and other businesses also play a pivotal role in the cash cycle by accepting (“Acceptance”) cash as a means of payment. In order for the merchants to continue to accept cash, it is imperative that it continues to be facilitated with adequate cash lodgement and withdrawal services.

4.1 Legislative Context - Roles and Responsibilities in the Cash Cycle

The Central Bank has considered the legislative mandates underpinning the roles of the Central Bank and credit institutions with respect to the cash cycle.

The cash cycle has historically been underpinned by the fact that demand for cash services was such that it was commercially attractive for the main stakeholders (i.e. retail banks) to invest in the ongoing provision of access to cash infrastructure. However, as consumer and business payment preferences migrate to electronic and digital alternatives, this level of investment in access to cash infrastructure is not assured into the future. This raises a question as to where responsibility rests for the provision of access to cash services and infrastructure.

¹⁸ There are currently 9 IADs operating in Ireland.

¹⁹ [ECB SPACE Survey](#) (2019) - 46% of Irish respondents cited ATMs as the main source through which they ‘added cash to their wallets’.

²⁰ See footnote 1.

²¹ Including fitness and quality checks, authentication, storage, transportation, ATM replenishment, management of suspect counterfeits etc.

Although the Central Bank has a statutory objective of *‘the efficient and effective operation of payment and settlement systems’*²², the Bank does not have an express function in statute with regard to Access to Cash. With regard to Credit Institutions, although there is no explicit legal responsibility with regard to ensuring Access to Cash, a question remains as to implied obligations to provide such services to consumers, not least through provisions set out in the Eurosystem Cash Strategy 2030 (see Section 4.3).

4.2 Central Bank Strategic Plan, 2022-2026

Under its *Future Focused* theme, the Central Bank of Ireland’s Strategic Plan 2022-26 includes the objective:

“to promote the provision of choice and access to payment instruments in Ireland, including cash and electronic payments. In pursuing this objective, the Bank sees success as supporting the evolution of cash and electronic payments to optimize choice and access, through both policy measures and the deployment of a new Central Bank cash centre.”

This objective will consider strategic issues in relation to all payment instruments including cash, electronic payments and a Digital Euro in order to develop an aligned and coherent approach for the development of retail payment instruments with respect to the Bank’s statutory obligations.

Being Future-Focused is critical to enabling the Central Bank to better understand, anticipate and adapt in the context of the far-reaching changes taking place within the financial services industry, with a particular emphasis on technological innovation, climate transition, geopolitical change, and developments arising in the context of the COVID-19 pandemic.

4.3 Strategic Context – Eurosystem Cash Strategy

In September 2020, the ECB Governing Council adopted the Eurosystem Cash Strategy, which underlines the fundamental responsibility of the Eurosystem, together with the banking sector, to ensure the smooth supply of cash and to facilitate the use of cash in payments by people and businesses. In addition to the aforementioned “3As” of supporting Availability, Access and Acceptance of cash, the strategy also commits to ensuring the security of euro banknotes and promoting environmentally sustainable practices.

Following the adoption by the ECB Governing Council of the strategy, National Central Banks (NCBs) of the Eurosystem are requested to implement initiatives to support the implementation of these strategic priorities at a domestic level.

²² Section 6A(2)(c) of the Central Bank Act 1942.

It is worth noting that, in relation to the retail-banking sector, the Eurosystem Cash Strategy places a particular focus on the continued role of credit institutions in the provision of “Access to Cash” services. In particular, the Eurosystem Cash Strategy makes clear that ‘on the basis Banks have the privilege to create private deposit money [...] the Eurosystem has to prevent the banking sector withdrawing excessively from cash supply’.

4.4 EU Retail Payments Strategy

In September 2020, the European Commission published a vision for EU retail payments whereby ‘citizens and businesses in Europe benefit from a broad and diverse range of high quality payment solutions, supported by a competitive and innovative payments market and based on safe, efficient and accessible infrastructures’²³.

Within the strategy, the European Commission flags its own responsibility in maintaining cash as a legal tender while promoting the ‘emergence of digital payments to offer more options to consumers’. The strategy raises the issue of digital marginalisation, highlighting that circa 30 million adults in the EU do not have a bank account. Furthermore, the European Commission indicates to Member States that it expects them to:

‘ensure the acceptance and accessibility of cash as a public good [...] while acknowledging the possible legitimacy of duly justified and proportionate limitations to the use of disproportionate amounts of cash for individual payments that may be necessary, inter alia, in order to prevent the risk of money laundering, terrorist financing and related predicate offences, including tax evasion’²⁴.

5. Changes in the Use of Cash and Access to Cash services in Ireland

The global payments landscape is changing due to rapid developments in electronic and digital payments technology, commercial decisions by credit institutions regarding cash services, the effects of the COVID-19 crisis, and changes in consumer payment preferences.

Recent studies by the ECB show, that prior to the pandemic, there was a decline of nine percentage points in the number of cash transactions carried out in Ireland between 2016 and 2019²⁵. In 2019, cash was used for 70% of payments transactions, accounting for 57% of the value of total payments in Ireland²⁶.

²³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

²⁴ Ibid.

²⁵ Cf. [The use of cash by households in the euro area](#) (2017) and [Study on the payment attitudes of consumers in the euro area](#) (2020)

²⁶ Ibid.

According to Central Bank data, ATM withdrawals in Ireland fell sharply during the initial COVID lockdown in spring 2020. When the economy started to re-open in June 2020, the volume and value of ATM withdrawals increased and have stabilised between June 2020 to February 2022, with monthly ATM withdrawals averaging c. €1.0bn. This is about two-thirds of pre-pandemic levels²⁷.

5.1 Changes in the cash cycle infrastructure

A number of infrastructural shifts in recent years have affected overall access to cash in Ireland. These developments include:

- 2010-2022 - Total number of actively trading Credit Union organisations decreased from 415 to 210, primarily as a result of branch amalgamations (with the number of credit union physical locations estimated to be around 500 in 2022, down approximately 18% since 2013).
- 2018-2020 – AIB, BOI and Ulster Bank closed all 4 cash centres operated by them – cash processing outsourced to CIT sector.
- Q1 2020 – AIB announces the sale of its entire offsite²⁸ (ATMs not physically connected to bank premises) ATM network to Brinks.
- Q2 2020 - Brinks acquires Ireland’s largest CIT operator, G4S.
- Q4 2020 – BOI announces the sale of its entire offsite ATM network to Euronet.
- Q1 2021 - BOI announces the closure of 88 retail branches and agrees contractual arrangement with An Post to offer BOI customers access to over-the-counter cash lodgement and withdrawal services.
- Q1 2021 - NatWest announces Ulster Bank will exit the Irish market.
- Q1 2021 - PTSB announces cessation of teller cash services in branches.
- Q3 2021 – AIB announces the closure of 15 retail branches.

It is likely that this trend of Banks divesting of cash infrastructure will continue for the foreseeable future. In terms of Credit Unions, although they provide important cash services to their members, it should be noted that the nature of Credit Unions is to serve their constituent members exclusively, therefore, they are not considered universal cash access points such as traditional ATMs.

²⁷ https://www.centralbank.ie/docs/default-source/publications/economic-letters/atm-cash-withdrawals-before-during-after-covid-19-pandemic.pdf?sfvrsn=bf02951d_5

²⁸ Offsite ATM refers to ATMs located at a location other than a bank branch (e.g. retail outlet).

These developments are bringing lasting change as to how Irish citizens and business access cash and cash related services and have led to a significant reduction of the role of the retail-banking sector in the Irish cash cycle. Other stakeholders (IADs and CITs) now play a critical role in the Irish cash cycle and provision of access to cash. These stakeholders are not subject to regulation in the same manner as retail banks and as such are not required to make assessments of the impact on consumers due to withdrawal of services and/or imposition of charges for same.

5.2 Access to Cash in Ireland Today – [the ATM Network](#)

According to the most recent ECB Study on the payment attitudes of consumers in the euro area (SPACE)²⁹, ATMs are the most common way that consumers withdraw cash. 46% of Irish respondents cited ATMs as the source through which they ‘*added cash to their wallets*’³⁰

Research undertaken by the Central Bank (as part of the SPACE study) established that, at end-June 2020, 87.31% of the population lived within 5km of an ATM. When compared to peers, Ireland ranks in the bottom 5 out of the 19 Eurosystem countries when it comes to percentage of population within 5km of an ATM - a key metric when defining acceptable levels of access to cash.

It should be noted that this research considers the ATM network from a ‘supply’ (i.e. prevalence of ATMs) perspective only, and not from a ‘demand’ perspective (i.e. demographics, footfall, local usage) and therefore is not a definitive conclusion on access to cash sufficiency. Work is ongoing at a European level to determine an appropriate model to calculate levels of demand for cash access points by combining relevant data, including socio-economic and payment behaviour data.

5.2.1 Changes in Irish ATM Network ownership

Prior to 2015, retail banks owned 100% of the ATM network in Ireland. Between 2019 and 2021, Ireland’s retail banks sold off their ‘off-site’ ATM networks to IADs, thereby retaining less than 25% of Ireland’s total ATM network³¹. The remaining ATMs operated by retail banks in Ireland are largely located at their branches.

²⁹ <https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012~bb2038bbb6.en.pdf>

³⁰ Followed by “friends, family, colleagues” at 15%, “cash reserves” at 12%, “income” at 10%, “cashback” at 7%, “bank counter” at 3%, and “other” at 7%.

³¹ See footnote 1.

5.2.2 Independent ATM Deployers (IADs)

An IAD is a commercial entity that owns, manages, and places cash machines in retail premises or other locations. IADs first entered the Irish market in 2016, and have significantly increased their market share since then.

Ulster Bank was the first retail bank to divest its offsite ATM infrastructure in 2018 when it sold these ATMs to Euronet. In 2020, AIB and BOI announced the sale of their off-site ATMs to Brinks and Euronet respectively. The global pandemic delayed the completion of the transition of ownership to the IADs with the handover of some individual ATMs yet to be completed. The outcome of these divestments has resulted in the retail banks owning less than 25% of the national ATM infrastructure³².

Although the Eurosystem does not have a formal framework for gathering data on IADs across the euro area, information shared by Eurosystem peers suggests that Ireland has a significantly high concentration of IAD-owned ATMs compared to other countries in the euro area.

Other than their obligations under the *Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes (ECB/2010/14)*, there are currently no licensing or regulatory requirements in respect of IADs. In addition, IADs are not designated persons for the purposes of the Criminal Justice (Money Laundering and Terrorist Financing) Act, 2010 (as amended) and as such, do not fall within the supervisory remit of the Central Bank. As of April 2022, there are nine IAD companies operating in Ireland, some operating on a national basis, while others operate at a regional level.

IADs operate their ATM network independently of the retail banks ATM network and access to cash via ATMs in Ireland is now largely under the control of IADs. The cash cycle and access to cash services are therefore open to significant impacts should IADs move to increase fees³³, close ATMs in less profitable areas or exit the Irish market.

5.2.3 ATM Charges

Retail bank ATM charges are made transparent to customers via the Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 (transposed into Irish law as Payment Accounts Regulations, 2016) lays down rules on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

³² Ibid.

³³ The IAD income model is based on the collection of interchange fees from card issuers or near border areas in tourist locations, using Dynamic Currency Conversion (DCC).

Under section 149 of the Consumer Credit Act 1995, credit institutions must notify the Central Bank if they wish to introduce any new customer charges or increase the level of any previously notified customer charges.

IADs are not subject to the provisions above. However, under card-scheme rules as governed by Visa and MasterCard, an ATM operator cannot currently charge an additional fee to domestic debit cardholders who use their debit card to withdraw cash from any ATM in the Republic of Ireland.

While IADs in Ireland do not currently charge for withdrawals³⁴, it must be considered that the card scheme rules and commercial drivers could possibly change in future, making access to cash via the IAD held ATMs more expensive.

5.3 Access to Cash in Ireland today – the Retail Bank Branch network

At end-June 2020, there were 617 retail bank branches in operation in Ireland. Bank branches provide important over the counter withdrawal and lodgement facilities for businesses, in terms of both banknotes and coin.

Between October 2021 and end-2022, Ireland’s retail bank branch network is set to decrease by over 25%³⁵ due to the exit of Ulster Bank from the Irish market and a series of branch closures by AIB and BOI. BOI³⁶ and AIB³⁷ have both cited decreasing footfall and a shift in the uptake of digital banking, which has been accelerated by the COVID-19 pandemic, as fundamental reasons for their decisions.

The closure of branches is a commercial decision for banks. The focus of the Central Bank with regard to bank closures is to ensure that banks conduct branch-closure impact assessments to ensure that customer impact is at the forefront of any decision. The banks are therefore expected to adhere to the relevant requirements in Provision 3.12 of the Consumer Protection Code 2012³⁸, by communicating in an appropriate manner with their customers.

³⁴ IADs currently do not charge for withdrawals from Irish-issued cards. Foreign cardholders are already charged up to €3 when they use independently operated ATMs in Ireland. In the UK, it can cost up to £2 to withdraw money from a fee-charging ATM for domestic cardholders.

³⁵ 617 bank branches in operation as at end-June 2020. BoI closing 88 branches, AIB closing 15 branches. Ulster Bank exiting market, but PTSB acquiring 25 of their 88 sites.

³⁶ <https://www.bankofireland.com/about-bank-of-ireland/press-releases/2021/bank-of-ireland-announces-significant-changes-to-branch-network-and-local-banking-services/>

³⁷ <https://group.aib.ie/content/dam/aib/group/Docs/Press%20Releases/2021/aib-announces-changes-to-branch-network-in-line-with-increased-customer-digital-usage-and-declining-branch-visits.pdf>

³⁸ <https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/4-gns-4-2-7-cp-code-2012.pdf>

5.3.1 Access to Cash in Ireland Today – The increasing role of An Post in Over the Counter (OTC) services

An Post is authorised to provide a payment account and related payment services in accordance with Section 67 of the *Postal and Telecommunications Services Act, 1983* and *Statutory Instrument no 170 of 2016*. Beyond this, An Post does not have any specific legal obligations in terms of supporting the cash cycle. However, An Post has developed supplier arrangements with specific retail banks for the provision of certain cash services³⁹.

In March 2021, BOI announced details of a partnership with An Post to offer customers access to a range of banking services at more than 900 locations across the country. AIB has also leveraged the services of An Post for over 20 years, whilst Ulster Bank customers can lodge money to their accounts via the post office network since 2015.

Although AIB and BOI have contracted certain over the counter (OTC) cash services to An Post, the retail bank network providing cash services to the public and business is likely to diminish further as retail bank business models move away from cash. As such, the capacity of An Post in supporting these facilities and feedback from customers' needs to be considered. An Post holds the most substantial national network offering 944 branches as of 2021.⁴⁰

The future position of An Post in continuing to support these agency arrangements with AIB and BOI into the future is now pivotal to future access to cash (i.e. over the counter services). The Central Bank expects retail banks to continue to ensure that effective governance, risk management and business continuity processes are in place in relation to third party service arrangements.

5.3.2 Access to Cash in Ireland Today – Cash-in-Transit CIT Companies

There are currently four licensed CIT companies operating in Ireland⁴¹. The two biggest CIT companies, Brinks and GSLS, account for the majority share of the market, although this high level of market concentration in the CIT sector is not uncommon throughout the Eurosystem.

Traditionally, those retail banks that are distribution partners of the Central Bank (i.e. AIB, BOI and Ulster Bank) operated their own cash centres where all cash issued by the Central Bank would be taken to these locations by contracted CIT companies, and prepared by retail bank

³⁹ An Post provide lodgement and withdrawal facilities for customers of AIB and BOI, while they provide lodgement facilities only for customers of Ulster Bank

⁴⁰ Of which 899 post offices are Postmaster-operated and 45 are An Post operated. Available at: <http://communityandpostoffice.ie/wp-content/uploads/2020/09/Irish-Post-Office-Network-Review-FINAL.pdf>

⁴¹ Three operate at a national level (Brinks, GSLS, and Pivotal), while a fourth operates at a regional level in the South East (S-Security Group)

staff, into branch orders, large customer orders, ATM replenishment, etc. CITs were then responsible for the physical movement of these orders to the wider retail branch network, deliveries of cash to large commercial customers, and the replenishment of offsite bank owned ATMs around the country.

Citing commercial reasons, in 2018, retail banks began the process of closing their cash centres and engaged the two biggest CIT companies operating in the state i.e. Brinks (formerly G4S) and GSLS to provide cash handling services, as part of an outsource arrangement. These CIT companies are now responsible not only for the transportation of cash around the retail bank network, collection of cash from branches, replenishment of ATMs but also all of the processing (authentication and fitness sorting) of banknotes in bulk at their own cash centres.

Given the extent of reliance on CITs, these outsourcing arrangements are critical to the proper functioning of the cash cycle and, if not effectively managed by the retail banks, could threaten the operational resilience of the overall cash cycle. The Central Bank expects regulated firms to have effective governance, risk management and business continuity processes in place in relation to outsourcing, to mitigate potential risks of consumer detriment. Outsourcing contracts with CITs must therefore satisfy these requirements.

[5.3.3 Regulation of CIT sector](#)

The Private Security Services (PSA) Act 2004 provides the legal basis for the licensing and regulation of the CIT sector, and allows the PSA to specify standards to be observed in the provision of security services by licensees or particular categories of licensees. Separately, the Central Bank is responsible for monitoring compliance by CITs, in their capacity as Professional Cash Handlers (PCHs), with Decision of the European Central Bank of 16 September 2010 on the authenticity and fitness checking and recirculation of euro banknotes (ECB/2010/14). This Decision ensures that PCHs only recirculate euro banknotes if they have been checked for both fitness and authenticity in line with the procedures provided for in the Decision.

[5.4 Conclusion on Changes in the Irish Cash Cycle](#)

Recent years have seen significant changes in the cash cycle in terms of stakeholders and infrastructure. Retail banks are moving away from provision of access to cash infrastructure by placing reliance on other third parties to provide these services – i.e. IADs now dominate the provision of ATM services and An Post play a crucial role in terms of branch/over the counter services. There is no regulation or oversight of IADs in the provision of these services whilst there is also increasing dependency on the An Post service offering as retail banks progressively contract-out services to them.

The major shifts in retail banks' cash service offerings have had significant knock-on effects to the cash cycle infrastructure and how Irish society withdraws, uses and lodges cash. Where regulated banks were once at the centre of processing, lodgement and withdrawal facilities, IADs and CITs are now expanding at pace into this sector. In terms of withdrawal facilities, IADs are in some cases fulfilling local community needs but ultimately these commercial entities are driven to provide services in profitable environments. Key public considerations such as financial inclusion and equal access to cash for Irish society as a whole are dependent on continued provision of access to cash supported by an appropriate infrastructure.

With the closure of retail bank branches, businesses may face increased overheads and risks associated with handling cash in terms of time and travel to alternative branches or direct costs associated with employment of CIT companies to handle these services. These developments can make cash a more costly and less convenient mode of payment, creating an increased risk that without adequate access to cash lodgement and withdrawal services, merchants will opt to refuse to accept cash. It is open to a merchant to refuse to do so in accordance with Irish contract law⁴².

Retail banks have also outsourced their cash centre and transport operations to CIT companies, and while retail banks are expected to have appropriate oversight and contingency arrangements in place, market concentration risks persist in the CIT sector. This concentration is a feature of many Eurosystem countries.

In line with the priorities of the Eurosystem Cash 2030 strategy, NCBs have been requested to open dialogues with retail banks to encourage their future provision of cash services. As a member of the European System of Central Banks (ESCB) the Central Bank of Ireland aligns with the ECB's position on access to cash, i.e. that all European Union member states must maintain adequate measures to ensure that credit institutions and their branches operating within the member states provide adequate access to cash services⁴³. With regard to recent developments by the retail banking sector and strategic decisions to divest of certain access to cash infrastructure and contract cash services to third parties, retail banks nonetheless must have an

⁴² In a retail setting in Ireland, the use of cash is governed by contract law, i.e. if a business specifies in advance the means of payment that it is prepared to accept, that will form one of the terms of any contract agreed with a customer. If a business specifies that payment must be in a form other than cash, the customer cannot subsequently claim a legal right to pay in cash, even though cash is legal tender.

⁴³ *Opinion of the European Central Bank of 26 November 2019 on the requirement for certain credit institutions and branches to provide cash services* (CON/2019/41): <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019AB0041&from=EN>

ongoing responsibility to ensure they continue to support their customer needs by promoting choice and access to all payment methods, including access to cash services .

6. International Approaches

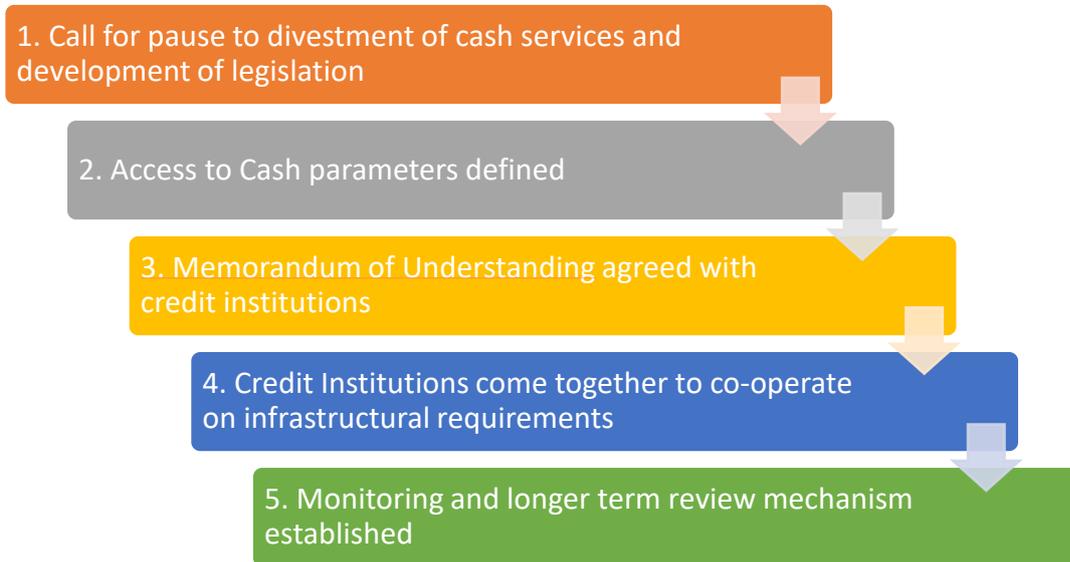
The Central Bank has engaged with international peers that have experienced similar fragmentation of their national cash infrastructure, namely Sweden, United Kingdom, Netherlands, Latvia and Lithuania. This engagement was conducted in order to identify initiatives taken elsewhere to support continued access to cash.

Across the peer countries consulted, a series of common themes was evident in terms of approaches to ensure ongoing access to cash. In broad terms, these themes are as follows:

- 1) **Public calls made by governments or central banks for the retail-banking sector to pause the divestment of cash services.** In these countries, the Finance Ministries and/or Central Bank suggested to the retail-banking sector that legislative measures may be required to protect cash infrastructure. The prospect of such measures generally provided sufficient incentive for the retail-banking sector to co-operate in ensuring continued appropriate access to cash services. In Sweden, however, moral suasion was not sufficient in curtailing the declining cash infrastructure and legislation was ultimately passed.
- 2) **Access to cash parameters defined.** In defining an 'adequate level of access to cash, most countries decided to maintain the existing level of cash infrastructure in their country. In light of this, the general experience was that a minimal number of new ATMs and relatively little additional cost was incurred in ensuring that all citizens continue to have adequate access to cash services.
- 3) **Memorandum of understanding (MoU) agreed with the retail-banking sector.** On the basis that possible legislative measures may be restrictive, in some cases from a commercial perspective, retail banks often agreed in principle to cooperate in a non-legislative/moral suasion manner to maintain an agreed level of cash infrastructure.
- 4) **The retail-banking sector comes together to co-operate on infrastructural requirements.** A cooperative model is typically agreed between the retail banks to order to share the cost burden associated with maintaining cash infrastructure.
- 5) **Ongoing monitoring of access to cash requirements and infrastructure.** A designated body is given the authority to monitor access to cash requirements and keep under review what is an 'adequate level of access to cash. For example, in the event of declining

cash usage over time, a review mechanism as to access to cash requirements can allow the infrastructure to ‘shrink to fit’ in an orderly manner.

Fig.2 | Common themes in peer approaches to access to cash



Source: Central Bank of Ireland

7. Conclusion

Cash usage has declined in Ireland in recent years, particularly during the opening months of the COVID 19 pandemic. Statistics compiled by the Central Bank indicate that ATM withdrawals in Ireland were €13bn in 2021, compared to €19.7bn in 2019, which is a decline of 34%. Whilst cash usage may increase from 2021 levels, it is likely that cash usage will not return to the levels seen prior to the pandemic, with the ECB’s 2020 Survey on the Impact of the Pandemic on Cash Trends revealing that 87% of Eurosystem respondents intended to continue using less cash after the pandemic⁴⁴. Nevertheless, cash remains an important payment instrument for consumers across the euro area including in Ireland.

There are also a number of inherent issues within the current Irish cash cycle which pose potential risks to the current level of access to cash. Since Q1 2020, a number of actions by cash cycle stakeholders have impacted the overall cash infrastructure in Ireland. These developments include AIB and BOI selling their offsite ATM networks to IADs), the announcement of Ulster Bank’s withdrawal from the market, and the closure of certain AIB and BOI branches. By end-2022, circa 25% of Ireland’s ATM network⁴⁵ will be owned by retail banks

⁴⁴ <https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012~bb2038bbb6.en.pdf> (Box 3, pp. 21-24)

⁴⁵ See footnote 1

(compared to 100% in 2015), while the total number of bank branches in the network will reduce by circa 32% compared to 2019.

Access to cash (i.e. withdrawal and lodgement services) in Ireland is now heavily reliant on An Post and IADs. While AIB and BOI have ongoing contracts with An Post to facilitate ‘over the counter’ lodgement and withdrawal services, the outright sale of ATMs by banks means c.75% of the ATM network⁴⁶ is currently under the control of unregulated IADs.

The Central Bank has observed a significant shift from retail banks to a reliance on to IADs and An Post to support access to cash. Other countries facing similar changes in their cash cycle infrastructure have made legislative and other interventions to ensure ongoing access to cash.

Recent years have seen a transition period of accelerating shifts in consumer preferences towards digital payment instruments. This evolution brings with it benefits for citizens but also risks, in particular around access and availability of cash. In line with these transitions and in order to support the orderly evolution of cash and electronic payments into the future, under the strategic theme of ‘Future Focused’ the Central Bank has within its strategic plan 2022-2026⁴⁷, committed to ‘*promote the provision of choice and access to payment instruments in Ireland, including cash and electronic payments*’. Although the Central Bank has a statutory objective of ‘*the efficient and effective operation of payment and settlement systems*’⁴⁸, the Bank does not have a legal mandate with regard to ensuring *access to cash*.

Notwithstanding the pivotal role that the retail-banking sector plays in the cash cycle, credit institutions in Ireland hold no explicit legal responsibility with regard to ensuring *access to cash*. However, the Eurosystem Cash Strategy makes clear that ‘*on the basis Banks have the privilege to create private deposit money [...] the Eurosystem has to prevent the banking sector withdrawing excessively from cash supply*’. The vision of the Strategy is that ‘*cash will continue to remain generally available and accepted as an attractive, reliable and competitive payment instrument and store of value of choice*’.

In the context of the recent infrastructural shifts in the Irish Cash Cycle and increasing consumer preferences towards digital payments, it is timely that there is a wider public policy consideration of the future retail payments landscape in Ireland and whether appropriate policy interventions should be considered in order to harness and encourage cash cycle stakeholders’

⁴⁶ Ibid.

⁴⁷ <https://www.centralbank.ie/docs/default-source/publications/corporate-reports/strategic-plan/our-strategy/central-bank-of-ireland-our-strategy.pdf?sfvrsn=4>

⁴⁸ Section 6A(2)(c) of the Central Bank Act 1942

essential roles, particularly in relation to the provision of access to cash services to Irish citizens and businesses alike. As society transitions away from cash to digital it will be important that the needs of consumers and businesses continue to be met in relation to cash services. It will be important that a wide group of stakeholders and interested parties have an opportunity to input into such social policy deliberations concerning the achievement of continued ready access to cash by citizens and the relative responsibilities of the different actors.

Taking international policy approaches into account, any policy initiative should be future focused in outlook and work to clarify all stakeholder roles and responsibilities with regard to the provision of cash services in Ireland, whilst also making provision for the defining, monitoring and regular review of adequate levels of access to cash services for society into the future.



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