

Content of the Letter to Parliament<sup>1</sup> from Finance Minister Sigrid Kaag  
Date: 31 May 2023

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I hereby present to the House of Representatives the study on the future design of the cash chain, also known as the TICKET study. This study was commissioned by myself and DNB and carried out by PwC. Based in part on the study, I conclude, together with DNB, that legislation is needed to ensure that cash remains usable, available, accessible and affordable for users.

Below, I outline the letter and my policy intentions, before elaborating on the reasons for and outcomes of the study. I present my views for each option suggested in the the TICKET study for the design of the cash chain and its funding.<sup>2</sup> I then outline the main features of the legislative proposal I will prepare.

*Public interest and social responsibility*

Over the past 20 years, payment transactions in the Netherlands have been increasingly digitised. Whereas at the beginning of this century, the majority of point-of-sale payments were still made with cash, this has now dropped to around

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<sup>1</sup> <https://www.rijksoverheid.nl/documenten/kamerstukken/2023/05/31/kamerbrief-vervolgstappen-chartale-infrastructuur>

<sup>2</sup> This is in fulfilment of my pledge to share the outcomes of the study and my views on them with this House (ref. nos TZ202302-085 and TZ202211-250). This letters also follows up to the first part of the motion tabled by MP Van der Plas on safeguarding the use of cash (Parliamentary Papers of the Lower House of Dutch Parliament 2022/23, 27 863, no. 113).

20%. Many people find card or mobile payments easier or more efficient.<sup>3,4</sup> Another observation is that the cash infrastructure and services have shrunk in recent years. Banks have removed many of their ATMs, and a further reduction has taken place as they merge them into a joint nationwide network (*Geldmaat*). At the same time, bank branches have gone cashless, and banks have raised their fees for using cash withdrawal and deposit machines and introduced new fees. As a result, access to cash services is deteriorating.

I share DNB's view that cash is very important for the smooth functioning of the payment system. Cash fulfils a range of important social functions. A large group of people rely on using cash because they experience difficulties with electronic forms of payment.<sup>5</sup> Without proper access to cash, these groups are less able to participate independently in society. In addition to this, many people prefer to pay in cash,<sup>6</sup> or want to have a choice to do so.<sup>7</sup> Because it is tangible, cash has features that are of importance in society, for example, for easy budgeting or for use in teaching and education about money matters. Cash is the main fallback option in the event of disruptions in electronic point-of-sale payments. Furthermore, cash is the only available form of public money. The cash infrastructure offers the possibility of exchanging non-cash money into public cash money and vice versa. It is a public anchor of the payments system that contributes to trust in the wider financial system.

As I stated in the Financial Sector Policy Agenda, the financial sector, and banks in particular, bear an important social responsibility.<sup>8</sup> It is they that should ensure the payment system is accessible to all. Wide access to cash contributes to this. In fact, a well-functioning cash infrastructure is of fundamental importance for banks, given that it maintains confidence in the financial system. For a long time, this responsibility was met through voluntary agreements between banks, consumer organisations and retail representatives. In early 2022, they laid down these agreements in the Cash Covenant.<sup>9</sup> However, the TICKET study shows that in the longer term, the cash infrastructure cannot be provided at a socially desirable level based on voluntary agreements alone. I share DNB's view that action must be taken to ensure that cash as a means of payment remains usable, available, accessible and affordable for users, even if the actual use of cash at points of sale were to decline further.

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<sup>3</sup> The number of points of sale accepting cash has been around 96% for several years, but there are differences between the various sectors, see <https://www.dnb.nl/en/general-news/dnbulletin-2023/some-retail-sectors-refuse-cash-payments-too-often/>

<sup>4</sup> A DNB survey shows that 64% of Dutch people who expect a further decline in the use of cash cite electronic payments as the reason for this, see <https://www.dnb.nl/en/general-news/dnbulletin-2023/dutch-people-are-attached-to-their-cash/>

<sup>5</sup> In 2020, between 1.3 and 1.5 million Dutch people were dependent on cash, according to a McKinsey study, see Parliamentary Papers of the Lower House of Dutch Parliament 2020/2021, 27863, no. 94.

<sup>6</sup> The "cash preference" group is 20%, see: <https://www.dnb.nl/en/general-news/dnbulletin-2022/increasing-preference-for-contactless-payments/>

<sup>7</sup> 91% of Dutch people think it is important to be able to pay with cash. <https://www.dnb.nl/en/general-news/dnbulletin-2023/dutch-people-are-attached-to-their-cash/>

<sup>8</sup> Parliamentary Papers of the Lower House of Dutch Parliament, 2022/23, 32013, no. 258.

<sup>9</sup> Parliamentary Papers of the Lower House of Dutch Parliament, 2021/22, 27863, no. 100.

### *Policy intentions*

I therefore intend to prepare a legal framework for a cash infrastructure that is easily accessible and affordable for users. This framework will oblige banks to ensure basic cash infrastructure and high-quality and affordable cash services.

In addition, the framework sets requirements for security transports, which is an area that has seen many developments in recent years. Below, I elaborate on the details of these policy intentions. My aim is to put a draft of the legislative proposal out for public consultation by the end of this year.

In the meantime, DNB will be engaging with the various parties under the Cash Covenant. This covenant should be maintained until the policy intentions mentioned above are realised. Together with DNB, I urge all parties to assume their social responsibility in this matter and jointly ensure that access to cash services and their affordability for consumers and retailers do not decrease further until legislation takes effect. I believe it is necessary to maintain the current scope and quality of the cash infrastructure and cash services.

### **Background of the study**

The proper functioning of and access to cash are two of the priorities of the National Forum on the Payment System (NFPS).<sup>10</sup> The Forum is a consultative body, chaired by DNB, in which users (including consumer organisations, advocacy groups for people in vulnerable positions and representatives of retailers) and providers (such as banks) are represented. In the Forum, the first agreement on access to cash - namely the five-kilometre accessibility standard for ATMs - was reached in 2007.

Since 2011, ABN AMRO, ING and Rabobank have transferred their ATMs to a joint network called Geldmaat. This has already made the infrastructure a great deal more efficient. Often, there is now just a single ATM in places where previously ATMs from multiple banks could be found. This has significantly reduced costs - for these banks combined, the loss on cash fell from €779 million in 2005 to €273 million in 2021<sup>11</sup>. In recent years, however, banks have indicated that they aim to further reduce their cash infrastructure costs. Their drive for greater efficiency and cost savings is increasingly at odds with the usability, availability, accessibility and affordability of cash.

Banks have two ways to further reduce cash costs. First, they can decrease the use of cash services by charging fees or imposing limits. Many banks have introduced or increased fees for cash withdrawals and deposits in recent years. Second, they may discontinue certain cash services and close down bank branches and ATMs. Such measures deteriorate access to payments. After all, it becomes more difficult to withdraw or deposit cash, for both consumers and retailers. In addition, people who rely on cash, including those already in a vulnerable position, face higher costs for cash withdrawals and deposits.

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<sup>10</sup>See "Towards a new vision of cash in the Netherlands, Final Report of the NFPS Task Force for the revision of the NFPS's position on cash", May 2020

<sup>11</sup> See pp. 8 and 62 of the McKinsey Study commissioned by the Dutch Payments Association; see: <https://www.betalvereniging.nl/wp-content/uploads/Eindrapport-kosten-baten-betalingsverkeer-2021.pdf>

This prompted DNB, at the request of the Forum, to commission a study in 2021 on the future maintenance of the cash infrastructure at a socially desirable level.<sup>12</sup> As a result of this study, 23 organisations concluded the Cash Covenant in April 2022. The Covenant contains agreements on access, funding and acceptance of cash in the Netherlands. Among other things, it has been agreed that banks will not further reduce the installed base of ATMs or increase charges for the use of cash services.<sup>13</sup>

Although in principle the Covenant applies through 2027, at the request of the parties, an interim review has been agreed to take place in July 2023, at which time the parties can decide whether or not to continue the Covenant, either in its current form or with amendments. It was also agreed, at the request of the parties, that I will further investigate with DNB the sustainable design and funding of the cash infrastructure in the longer run.

It is this study on the future design of the cash chain ('TICKET') which I hereby present to the House of Representatives. The report details several options for the future design of the cash chain, each with its own pros and cons. The report makes no recommendations on which option would be best, but provides the basis for the policy intentions set out in this letter.

### **Outcomes and preferred options**

The TICKET study looks at the design and funding of the cash chain. The aim is to organise it in such a way that a socially desirable service level is offered in the longer run and cash remains usable as a means of payment. This requires the adequate provision of cash infrastructure and services (cash withdrawals and deposits), their funding and security transports. The cash infrastructure should be able to provide a socially desirable basic service level, be affordable for users and provide sufficient incentives for high-quality and efficient service provision.

The study concludes that the current design of the cash infrastructure is not future-proof. Existing agreements, for example those contained in the Cash Covenant, are voluntary. Banks argue that their cost per cash transaction increases as the number of transactions decreases and seek to reduce their costs further. Against that backdrop, the researchers note that there is insufficient assurance that the existing agreements will hold up in the future. In addition, the shared willingness among users and providers of cash services to reach compromises seems to be waning, as interests are growing further apart.

### *Supply of cash services*

The researchers describe four market order models that could ensure that cash services continue to be offered. These are the following models, with combinations also possible:

- 0) Zero option: Voluntary agreements (in the Cash Covenant);
- A) Introducing statutory requirements regarding, among other things, accessibility and quality of cash services;
- B) Designating a single party as the provider of comprehensive cash services;

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<sup>12</sup> Parliamentary Papers of the Lower House of Dutch Parliament, 2020/21, 27 863, no. 94.

<sup>13</sup> Parliamentary Papers of the Lower House of Dutch Parliament, 2021/22, 27 863, no. 100.

C) The various tasks are being performed by the government.

DNB and I agree with the researchers that the current system of voluntary agreements (model 0), although it has worked well for a long time, provides insufficient safeguard that the cash infrastructure will remain at a socially desirable level in the longer run. We believe the best option is to impose statutory requirements on banks to provide a certain basic level of services (model A). After all, banks have also offered these services to date, they match the social role of banks, and banks are best equipped, within the requirements governing the basic service level, to provide the infrastructure sustainably and efficiently. Moreover, in imposing requirements on banks, the Netherlands aligns itself with other European countries that have introduced legislation for the cash infrastructure.

I have carefully studied the other market order models and have come to the conclusion that they too can provide a solution to the social problem. However, set against the imposition of bank requirements described above, these are not efficient. Both designating a comprehensive cash service provider (model B) and transferring tasks to the government (model C) require much more intrusive market intervention. The models would necessitate a more complicated and lengthy transition, surrounded by more uncertainties. Furthermore, public implementation costs are higher. There is a high risk that this would make the cash chain more inefficient, especially in relation to model A.

#### *Funding of the cash infrastructure*

Without government intervention in funding, banks have an incentive to pass on the cost of the cash infrastructure to cash users. As cash is relatively widely used by consumers in vulnerable positions with limited financial capacity, that group in particular would then be disproportionately affected. In addition, business users may be discouraged from accepting cash as a means of payment by, for example, high (cash deposit) fees.

The researchers have also elaborated three options for funding the future infrastructure. In principle, these options are separate from the various design options and can also be used in combination:

- 1) Banks remain responsible for funding, but may not (fully) pass on costs by means of per-transaction fees to cash users. The part of the costs not covered they could pass on to all customers, for example via the rates they charge for payment account packages;
- 2) The costs are passed on as part of electronic payment transactions, for example through a surcharge per card transaction;
- 3) The government contributes by making public funds available.

In common with DNB, I prefer funding option 1. While public interests are served in maintaining a high-quality cash infrastructure, I consider it socially undesirable for public funds to be used to support banks (funding option 3). I share DNB's view that these costs should be borne primarily by the industry itself. In my view, the ability to withdraw and deposit cash is a basic service that banks provide to their customers. Other countries that have introduced statutory requirements for

banks (Sweden<sup>14</sup>) or are considering them (United Kingdom<sup>15</sup>, Ireland<sup>16</sup>) also do not use any public funds.

The option of funding the cash chain through a surcharge on electronic payments (funding option 2) is also not my preferred option. Introducing a surcharge on card payments is a complex operation, it mostly affects retailers, and it could potentially conflict with the purport of EU legislation in this area. Therefore, I do not expect this option to contribute to an efficient and affordable cash chain.

#### *Cash-in-transit*

Besides the provision of withdrawal and deposit services, security transports play an important role in the cash chain. Cash-in-transit companies are needed to fill and empty ATMs. Also, many retailers rely on security transports for secure deposit and credit to their accounts. There have been a number of developments in the cash-in-transit sector in recent years. Some smaller players have gone bankrupt and/or have relaunched as part of a larger entity.

To ensure the continuity of security transports as part of the cash chain, DNB has concluded "living will" contracts under the Cash Covenant with Brink's, which controls over 90% of the Dutch cash-in-transit market. These agreements stipulate that Brink's must provide insight into its corporate structure and financial health on an annual basis, must inform DNB in a timely manner of any major changes to its services in the Netherlands and, if necessary, must cooperate in a transfer of its business to a third party.

The TICKET study concludes that this voluntary approach does not sufficiently mitigate the risks involved, and that it is desirable to give the living will contracts a statutory basis.

With respect to cash-in-transit, I acknowledge, along with DNB, that there are certain risks. Although cooperation with the biggest player in cash-in-transit is smooth, I will look at how the arrangements in the living will contract can be given a firmer statutory foundation to mitigate continuity risks involved in cash-in-transit.

#### *Other measures*

The study also looked at security requirements for ATMs. PwC states in its report that there are currently no legal security requirements to be met when installing and operating an ATM. Following a significant rise in the number of explosive attacks<sup>17</sup> in the Netherlands in 2019, the banks and the central government have come up with several measures to counter this phenomenon. These included making the money worthless, relocating ATMs currently installed in façades of homes where there are security risks to local residents, and continuing the investigation and prosecution of offenders and intensifying public-private

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<sup>14</sup> Sweden: Introduction of legal requirement for banks to maintain access to cash services (February 2021) See: <https://www.loc.gov/item/global-legal-monitor/2021-02-05/sweden-amendment-requiring-banks-to-provide-access-to-cash-services-enters-into-force/>

<sup>15</sup> United Kingdom: Consultation outcome "Access to cash consultation" ([gov.uk](http://gov.uk), May 2022)

<sup>16</sup> Ireland: Retail banking review (November 2022) See: <https://www.gov.ie/en/publication/28cf9-retail-banking-review-november-2022>

<sup>17</sup> Parliamentary Papers of the Lower House of Dutch Parliament, 2018 2019, no. 1946

cooperation between Geldmaat, banks and the criminal investigation chain. Partly as a result of these measures, the number of explosive attacks has fallen in recent years. I expect the relevant parties to pursue the agreements made. Together with the Minister of Justice and Security and DNB, I will consider whether statutory security requirements can contribute to the security of the ATM network in the Netherlands.

I have also exchanged views with the House of Representatives on several occasions about mandatory acceptance of cash by retailers. In this context, I previously informed you of the European Commission's intention to come up with legislative proposals in this area by summer 2023. These proposals will address the status of cash as legal tender and, consequently, the extent to which cash should be mandatorily accepted. I prefer to await concrete proposals in this area until it is clear what the statutory framework at EU level will look like, to avoid any national policy intentions not being in line with the EU proposal.

#### **Content of legislative proposal**

In view of the above, I intend to present a legislative proposal on cash infrastructure in the Netherlands. It aims to ensure that banks provide an adequate basic cash infrastructure that is available, accessible and affordable to users, i.e. both consumers and retailers. I will elaborate this proposal in the coming months, aiming to put it out for consultation before the end of 2023.

Broadly speaking, it will contain the following elements. First of all, a basic infrastructure should be provided that provides for the withdrawal and deposit of banknotes and coins. This implies there must be a minimum number of ATMs and that they must be available and sufficiently spread across the country. The existing standards from the Cash Covenant, including the five-kilometre accessibility standard for cash withdrawals, will serve as a basis.

The only party currently offering a nationwide network is Geldmaat. Geldmaat is owned by the three major banks (ABN AMRO, ING and Rabobank). Together, these three banks offer about 85% of all payment accounts in the Netherlands and are many times larger than the other retail banks in the Netherlands. I consider it proportionate to limit the requirement to provide the basic infrastructure to these three banks. This requirement also includes opening up this basic infrastructure to other Dutch banks wishing to use it, subject to reasonable terms and fees.

The second element concerns services involving the use of cash. For service to customers, I believe it is necessary for consumers and retailers to be able to withdraw and deposit cash. Therefore, Dutch banks will be required to ensure that their customers can withdraw and deposit banknotes through ATMs. This will ensure that consumers and retailers wishing to deposit banknotes via ATMs have sufficient choice. To avoid barriers to market entry and from the point of view of proportionality, the requirement will not apply to the smallest market players, although they will be at liberty to offer cash services.<sup>18</sup>

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<sup>18</sup> An exception could be considered for banks offering fewer than 0.2% of Dutch payment accounts. With such a threshold, 99.6% of Dutch payment accounts would fall under the requirement. These include ABN AMRO, Aegon/Knab, Bunq, ING, Rabobank, Triodos, Van Lanschot and Volksbank (ASN, SNS and Regiobank).

To keep cash services affordable, I also feel a need to regulate the fees charged by banks for cash services. For consumers, cash withdrawals and deposits should not be charged separately.<sup>19</sup> In the corporate market, however, charging for the use of such services may be appropriate. To ensure reasonable corporate fees, I deem it necessary to cap them at roughly the present level.

To ensure banks meet their obligations, DNB will monitor compliance and take enforcement action where needed. To that effect, DNB will use its administrative law enforcement tools under, for example, the Financial Supervision Act (*Wet op het financieel toezicht*), including the power to impose an instruction, an order subject penalty and an administrative fine.

With regard to cash-in-transit, I will in any case consider how living will contracts, such as those concluded between DNB and Brink's, can be given a firmer statutory foundation for cash-in-transit carriers above a certain volume.

#### **Final remarks**

Cash is of great importance in Dutch society. It ensures that people can participate in society and not become dependent on others. In recent years, a range of parties, such as consumer organisations, organisations advocating for people in vulnerable positions, representatives of retailers and the banks themselves, have done a lot to jointly ensure that we have an adequate and affordable cash infrastructure in the Netherlands. With the proposals set out in this letter, I want to ensure that cash remains usable as a means of payment and the cash infrastructure remains of high quality and affordable for users going forward.

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<sup>19</sup> See the motion tabled by MP Nijboer et al. on being able to continue withdrawing money free of charge, Parliamentary Papers of the Lower House of Dutch Parliament 2021/22, 32 545 no. 140.