

Banking Automation **BULLETIN**



COVID-19 and customer-centricity dictate branch future

Neobanks and SMEs – a match made in heaven?

COVID-19's threat to cash is nothing to do with public health

Payments industry reflects technologically changing times

eKYC poised to accelerate digital banking in Vietnam

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Austria**

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COVID-19's threat to cash is nothing to do with public health

The Bank of England has published the results of a study it commissioned to better understand the risks of transmitting COVID-19 via banknotes. This follows earlier government advice to retailers to minimise contacts around transactions, for example by using contactless payments.

The study found that the virus does not survive at high levels on banknotes for long, and that because cash is typically stored securely in wallets, tills or safes, its risk of contamination is much lower than exposed surfaces onto which exhaled droplets from an infected person can fall. The report concludes that the risk is low in both absolute and relative terms, and that any risk that does exist is addressed by existing guidance to maintain good hand hygiene.

The seemingly esoteric topic of the health risk (or lack thereof) of banknotes raises its head periodically but ultimately is a distraction. COVID-19's legacy regarding cash is something very different.

The pattern of cash withdrawal values seen in the UK this year is typical of many developed payments markets. It showed the amount withdrawn in April fall to 45% of that from the same month in 2019, before recovering to 74% by September, only to fall back again as a result of increased government lockdown restrictions.

It is worth highlighting two further observations relating to this data. Firstly, the number of transactions has been falling by more than the amount of cash withdrawn, because customers are withdrawing larger amounts per transaction. This matters because the income that ATM operators in the UK and many other countries receive is generally a fixed amount per transaction. If customers continue to make fewer, larger withdrawals, this fundamentally alters the economics of operating ATMs, and without changes to fee levels or structures, will make certain ATM locations unviable.

This leads to the second observation which is that the amount of cash withdrawn in the UK in January and February was already 7% down on the year before. In other words, cash was already feeling the strain from contactless and other digital payments, and COVID-19 has heaped additional pressure on top.

It is too early to say exactly where cash usage will rebound to post-pandemic, but it is safe to predict a material fall. COVID-19 may not pose a public health risk with regards to banknotes, but will further exacerbate the already mounting concerns about access to cash.

Dominic Hirsch, Editor

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