LINK'S STRATEGIC PLAN

January 2023 to December 2024

Public - updated December 2022

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1. Update to Strategic Plan for January 2023 to December 2024

LINK'S STRATEGIC PLAN, PUBLISHED IN EARLY 2020, initially covered the three years from the start of 2020 to the end of 2022. Unforeseen when prepared, it spans the coronavirus crisis, which although fading as a public health issue, still sets the framework for the post-pandemic world, in particular consumers' use of cash. Fortunately, LINK's original strategy has proven robust and is still as valid today as when it was developed in 2020. Critically, the UK continues to have the access to cash that it needs, supported by the effective and consumer-focused approach that LINK is taking.

This period has also seen the anticipated development of the banking industry's Cash Access Group, the Access to Cash Pilots and the start of a significant realignment of LINK's focus to include channels other than ATMs, with cash at the till and banking hubs. The new bodies to manage this such as LINK's Co-ordinating Body and the bank-led infrastructure company OpCo are still being finalised and there is also significant anticipated change in LINK's regulatory environment, through the FCA and with planned legislation on protecting access to cash. Therefore, much of the activity anticipated in the LINK Strategic Plan is underway and work in progress.

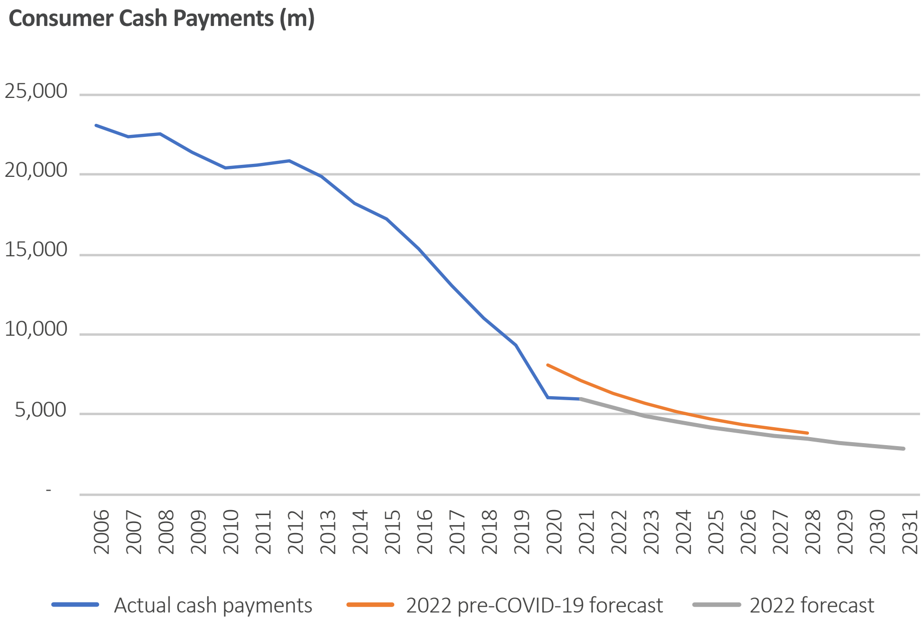
While it had been planned that the next LINK Strategic Plan would cover the period 2023 to end 2025, the ongoing development of cash access means that a completely new LINK Strategic Plan will be prepared in 2024 to cover the period 2025 to 2028, by which time LINK's position within the new payments landscape and the future of cash itself will have become established.

LINK has prepared this updated document, showing the impact of the pandemic and how this has affected LINK's core market of ATMs and cash use going forward. It includes updated forecasts for ATM usage and the current LINK membership position. The original public version of the Strategic Plan published in 2020 is also included unchanged and remains in force, as does the Strategy Scorecard used by LINK's Board to track progress.

December 2022

2. Consumer cash payments

LINK USES THE CASH USAGE FORECASTS PUBLISHED BY UK Finance in its UK Payment Markets report to support its own strategic planning. These forecasts have been prepared annually for many years and cover the following 10 years. Due to the impact of COVID-19, no forecasts were made in 2020 or 2021 and LINK is using the latest forecast, published in August 2022 which covers the period until 2031.



Consumer cash payments, actuals and forecasts (m)

	Actual cash payments	Pre-COVID-19 forecast	2022 forecast
2006	23,069		
2007	22,408		
2008	22,569		
2009	21,394		
2010	20,397		
2011	20,642		
2012	20,844		
2013	19,906		
2014	18,233		
2015	17,208		
2016	15,359		
2017	13,102		
2018	10,980		
2019	9,319		
2020	6,075	8,103	
2021	5,971	7,125	5,971
2022		6,340	5,457
2023		5,677	4,915
2024		5,145	4,538
2025		4,713	4,214
2026		4,358	3,928
2027		4,064	3,673
2028		3,819	3,444
2029			3,238
2030			3,051
2031			2,882

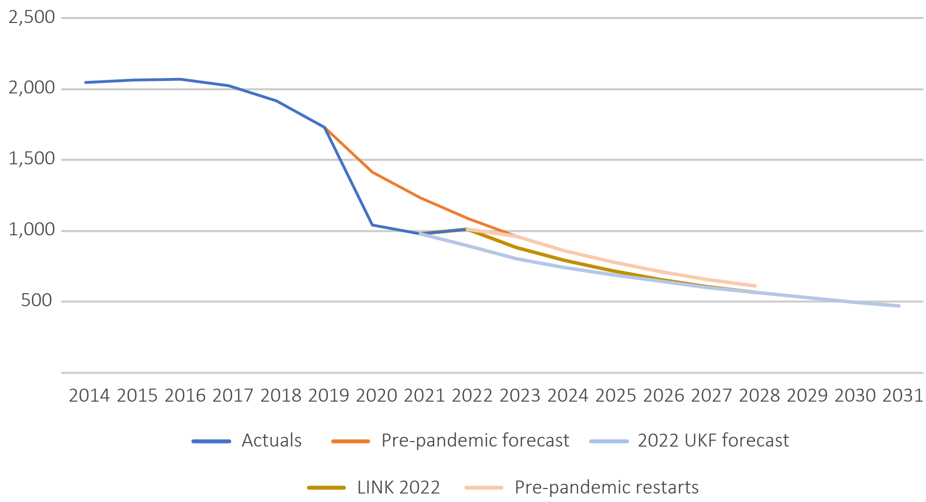
3. ATM use

THE FORECASTS OF CASH USE CAN BE USED TO CREATE forecasts of ATM use based on a number of plausible scenarios. The chart and table show the various outcomes that this work leads to. Given the underlying trend away from cash usage for payments, by the time we get to 2028 (and even more so for 2031) they have almost completely converged:

- **Pre-pandemic forecast** - this is based on the 2019 cash use forecast.
- **2020 UK Finance Forecast** - this uses this year's cash use forecast. However, it has a marked downturn between 2021 and 2022 and this does not seem to have occurred.
- **LINK 2022** - uses LINK's own forecast for 2022 and 2023 to give a higher number of transactions in these years, before the UK Finance pattern returns.
- **Pre-pandemic forecast returns,** illustrates that from the LINK forecast above it is a small change to return the exactly the same trajectory as was forecast in 2019, before the pandemic.

In summary, by 2031 all four trajectories will be aligned and 2031 ATM use will be around 473m cash withdrawals, 48% of what they were in 2021 and 27% of what they were in pre-pandemic 2019. This is a marked reduction in usage and leads to the need for the interventions recommended by LINK and now to be supported by legislation, to protect the UK's cash infrastructure until the country is better able to inclusively support digital payments.

ATM Cash Withdrawal Forecasts (m)



ATM cash withdrawals, actuals and forecasts (m)

	Actuals	Pre-pandemic forecast	2022 UKF forecast	LINK 2022	Pre-pandemic forecast restarts
2014	2,047				
2015	2,064				
2016	2,073				
2017	2,026				
2018	1,917				
2019	1,730	1,730			
2020	1,042	1,415			
2021	980	1,232	980		
2022	1,026	1,085	895	1,026	1,026
2023		962	807	886	962
2024		863	745	795	863
2025		782	692	720	782
2026		715	645	659	715
2027		660	603	608	660
2028		614	565	565	614
2029			531		
2030			501		
2031			473		

4. ATM numbers

THE FORECAST NUMBER OF ATMS IN THE LAST STRATEGIC PLAN were based on three broad assumptions: Each remote free-to-use ATM would continue to do the same number of transactions, branch ATMs would decline with branch numbers, and the number of pay-to-use ATMs would remain unchanged or increase, as their fees could increase to allow for the reduction in volumes.

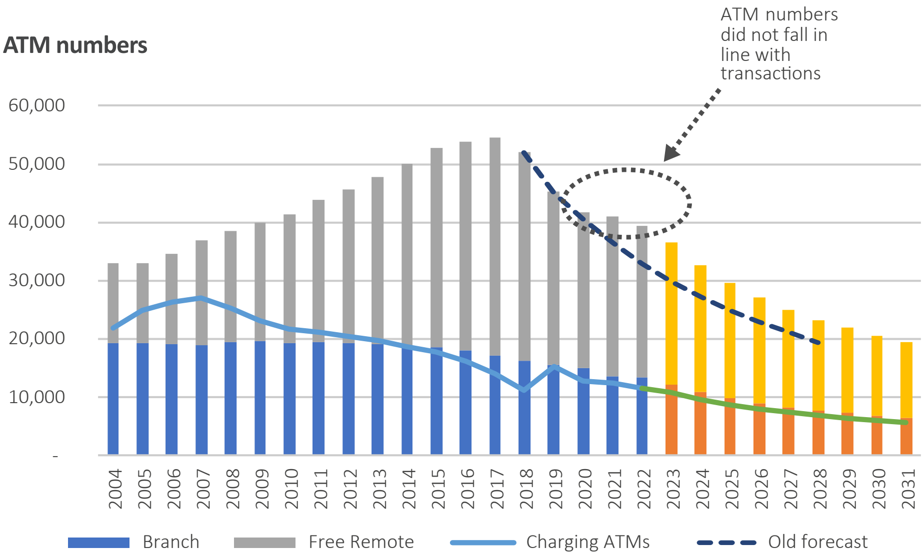
The pandemic challenged these assumptions and confirmed that the number of ATMs is not easily predicted. In particular, there is a high dependency on the commercial and business decisions made by ATM operators and host locations. However, the original likely outcomes remain broadly valid:

- **Remote Free-to-use ATMs do** not reduce at the same rate as transactions as the costs to operators either fall in line with the reduction in use or they are able to renegotiate some costs with their suppliers and hosts, most significantly rent. This means that ATMs are able to profitably operate at lower volumes than they were doing. If this principle remains valid, and going forward the current 2021 and 2022 number of transactions per ATM can be sustained, over time the number of ATMs will reduce, although remaining at a higher level than was previously expected. This could therefore mean some 15,000 free-to-use remote ATMs in 2028 (compared to 11,300 previously forecast) and some 13,000 in 2031. Both numbers are sufficient to provide national coverage provided that the footprint is managed effectively.

- **Branch ATMs are simply a factor** of the number of branches. While the number of branch closures is unknown, a forecast based on the same principle as remote ATMs seems plausible.

- **Pay-to-use ATMs are harder to** forecast as their numbers have dropped steadily during the pandemic and are continuing to do so. This does not appear to be because the machines are economically unviable. Fees could be increased to compensate for falling volumes. Rather, that many locations no longer need ATMs as they are not accepting cash in sufficient quantities to justify an ATM or they do not take enough cash to keep the ATM replenished. Therefore, by 2028 there could be some 7,000 charging ATMs and 6,000 by 2031. However, the impact of this on access to cash would be negligible as LINK does not recognise pay-to-use as a solution to consumers' cash access requirements and in any case they only account for around 4% of total ATM cash.

ATM numbers




RECEIPT
CARD

5. Introduction 2020

THIS PUBLIC VERSION OF THE STRATEGIC PLAN SETS OUT how LINK intends to manage the sharp reduction in cash usage underway in the UK in a way that ensures a smooth transition for the country from cash to digital payments. Commercially confidential sections have been removed and a new section on the coronavirus crisis has been added. It covers the three-year period from the start of 2020 to the end of 2022. LINK will update the key information in the Plan annually. It is envisaged that a new three-year year plan will be drafted for the period 2023 to end 2025.

The Plan describes how LINK has established a primary focus of delivering access to cash for UK consumers for as long as they need it. It also explains why this is a challenging task. This challenge flows from a number of factors. LINK's role includes balancing and managing all these powerful and often competing commercial and political forces. In particular, LINK has taken careful account of its Members' objectives, strategies, and challenges.

It is also a necessity, regardless of commercial and political factors, for any payment system to maintain consumer confidence in its safety and integrity. Without this confidence, any payment system will simply not be used. LINK therefore has to manage its network to high levels of operational resilience, which entails a detailed understanding and management of system-wide risks. This is not only a consumer requirement, but also a regulatory obligation, as LINK is designated as the systemic risk manager of the LINK payment system by the Bank of England.

Finally, the cash market in the UK is not a utility but instead a competitive market of scores of companies taking individual decisions based on their commercial interests. There is no inherent requirement for LINK to exist, nor for any particular community to be provided with access to cash, free or otherwise. LINK has to work in a way that deals with this reality. In particular, this means maintaining as Members the largest Automated Teller Machine (ATM) card issuers and ATM deployers. Without these large organisations as Members, LINK ceases to be a national ATM network and is no longer able to deliver a managed transition from cash to digital. The government is assessing its overall policy with regards to the cash market and whether this fully competitive position is desirable and announced in the 2020 Budget that it will bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term. It may well be that this changes the obligations on participants with regard to LINK membership. However, LINK cannot assume this, and it has developed its strategy based on the current regulatory, legal and commercial situation.

The Strategic Plan sets out how LINK will address these various challenges.

6. Strategic Plan

The Market in which LINK Is Operating

CONSUMERS' USE OF CASH and therefore their need for cash from ATMs is reducing rapidly. This can be seen across the LINK network where the total annual fall between 2018 and 2019 was 10.6% and for December 2018 and December 2019 was 12.9%. This matches the forecasts in consumers' cash usage from UK Finance in its annual Cash and Cash Machines and UK Payment Markets Reports, and from the Access to Cash Review, commissioned by LINK but delivered independently by a panel chaired by Natalie Ceeney CBE, which estimate cash use by 2028 will have fallen from 28% of payments in 2018 to less than 10% in 2028. Even after this huge drop, one in ten payments will still be in cash and this is still a massive need for consumers. These consumers include high numbers of the more vulnerable (such as low income, less well-off, the elderly, and rural communities). Cash is also a fallback when digital systems fail. When this happens, consumers need more access to cash. Given the well-publicised vulnerabilities of digital systems, cash is likely to be needed by all consumers for a long time.

Most cash today (about 90%) is distributed to consumers via ATMs. 75% of ATM cash is via LINK (connecting banks' customers to the ATMs of other organisations) and 25% via direct connection from a bank's own ATMs servicing its own customers. The non-ATM 10% is made up mainly of Post Office counter withdrawals and cashback with purchase. LINK's forecast is for a sharp decline in ATM numbers over the next decade (the forecast is to 2028 as this is the date used by UK Finance for its long-range cash usage forecast which is used as part of LINK's analysis). By 2028, branch and remote free-to-use (FTU) ATMs will both reduce by 50-60% from present levels. This is a reduction in free ATMs of some 25,000 machines (to 20,000 from 45,000 today). Given that consumers get so much of their cash from free ATMs, this scale of change needs managing as basic economics means that free ATMs with lower footfall will close or switch to charging first. As these are often in remote and less well-off areas, unmanaged change will lead to bad outcomes for consumers. There are possible alternative channels, notably at post office counters and retailers' tills. However, post offices are not yet extensively used by consumers for cash withdrawals, and the use of retailers' tills, at least without purchase, is not viable until regulatory and commercial barriers are dealt with. Pay-to-use (PTU) ATMs could also provide an alternative, but this would be unpopular with many people.

More work to accelerate the move by consumers, including more vulnerable ones, to digital could be undertaken. However, this is very challenging and would rely on adequate digital products, consumer acceptance, and reliable national connectivity in all parts of the UK including rural locations. Of course, ATMs are not needed to use cash, and it is possible in theory for UK consumers to use cash without retail distribution such as ATMs for a long period. However, without an alternative, the inconvenience would be high and the loss in confidence in the overall stability of the UK potentially significant. It is for reasons like this that LINK has been regulated as a systemically important payment system and why protecting national cash distribution is seen as an important policy objective, indeed the March 2020 Budget announced that the government will bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term.

LINK's Focus for the Next Three Years – Strategic Objectives

This Strategic Plan for the next three years is built around four objectives that address the various challenges that LINK faces. Delivering access to cash for UK consumers for as long as they need it is the focus of the access to cash objective. Maintaining confidence in the LINK payment system is the focus of the operational resilience and risk management objectives. Retaining the support of large issuers, without which LINK cannot exist, is the focus of the membership objective:

- **Strategic Objective 1:** Deliver Satisfactory Consumer Access to Cash in the UK.
- **Strategic Objective 2:** Ensure Effective Operational Resilience of the LINK Payment System.
- **Strategic Objective 3:** Ensure Systemic Risk Management of the LINK Payment System.
- **Strategic Objective 4:** Sustain a Viable LINK Membership.

Strategic Objective 1: Deliver Satisfactory Consumer Access to Cash in the UK

LINK's aim is to maintain geographic coverage over the same area, even as total ATM numbers fall. Action is needed now as the large and sustained drops in cash usage underway risks having an increasingly disruptive effect, for example, if the large numbers of free-to-use ATMs which are already disappearing or moving to charging cannot be balanced by effective management of the remaining free ATMs. Without LINK's current interventions to protect ATM distribution, this fall in cash usage would already be removing free cash access in many lower-footfall areas.

The independent Access to Cash Review called for a number of government interventions in the marketplace that would guarantee cash access for consumers and require the banks to support an organisation such as LINK to deliver it. The March 2020 Budget announced that the government will bring forward legislation to protect access to cash plus a review of the payments landscape. While LINK will be fully engaged it is not yet clear what the end results will be. LINK therefore assumes for the time being that the current industry structure for cash distribution will remain. This situation has led to LINK being set up in the form that it is today: a not-for-profit company limited by guarantee; a strong and independent Board of Directors; ownership but not control by the membership; and a clear public interest objective. LINK also has an active, independent Consumer Council which provides advice on consumer issues and represents the interests of consumers in the governance and development of the network. This structure helps LINK to navigate the commercial and political tensions that exist as it is focused on the public good alone. Balancing the needs of issuers (who pay for free ATMs) and deployers (who need to make a fair return from their ATMs) is greatly assisted by LINK not being part of the commercial supply chain. This means that the Board can take decisions based on the interest of consumers.

LINK's target is maintaining free access to cash coverage as at 1st February 2018, when LINK implemented its new interchange approach. This is a credible position as coverage at that point was widely seen as satisfactory and, in a declining cash usage market, a good consumer outcome is to maintain rather than grow this footprint.

Although LINK cannot deploy ATMs, setting interchange – the fee paid by issuers to deployers to operate free ATMs – gives the Board a powerful tool to incentivise deployment in desired locations. The approach is to incentivise free ATMs in areas with limited provision (mainly less well-off and rural) and allow for the withdrawal of services where there is overprovision (mainly urban areas). Other cash channels, such as post offices, and potentially cash from retailers' tills, are actively supported by LINK's approach. LINK is also engaging directly with communities and their representatives to fix local problems when centralised rules do not resolve them. All of this is supported by funding from the banks, which are usually pleased to have an organisation doing this for them as they cannot achieve it individually.

Through LINK's work, the large issuers see a route to maintaining satisfactory cash access for their current account customers whilst overall costs reduce in line with cash usage. The alternatives of the previous inefficient high-cost LINK approach based on an independent Cost Study, or an unmanaged transition to VISA and Mastercard, are both less desirable. Large deployers have a viable path to reshaping their estate to be smaller, more focused on pay-to-use (so long as consumers have free cash access too), and for higher interchange and more deployer-friendly rules than available than through the International Card Schemes.

Given the politicised nature of access to cash and the reputational risks to the large banks of being seen to remove facilities from vulnerable consumers, LINK also takes the lead in the public eye to explain why the approach is in the best interests of consumers.

Strategic Objective 2: Ensure Effective Operational Resilience of the LINK Payment System

Ensuring the highest levels of operational resilience is a prime objective for LINK. Without this, all other objectives are undeliverable as consumers will not use an unsecure or unreliable payments network. Targets are based on the resilience of the core switch provided by Vocalink and the ATM estate. For the switch, LINK expects that it will be available 99.99% of the time and has zero tolerance for outages of longer than two hours. For ATMs, LINK currently has an uptime target for individual ATMs of 97% and an overall estate target that ATMs connected to LINK accounting for 25% or more of total expected transactions will not be down for more than a continuous 6-hour period. Collectively, these targets are consistent with the high level of resilience appropriate to a systemically important payment system.

Best practice, and the regulatory requirement, is that management of operational resilience is split between First Line operational activity, and Second Line risk management activity. This is LINK's approach. This objective is concerned with the work led by LINK's First Line. The next objective then covers the Second

Line. In practice, the two Lines are closely intertwined, with the Second Line tasked with providing independent assurance to the Board that the First Line is working well. A Third Line independent internal audit function then provides further independent oversight and assurance for the Board.

Whilst LINK is a systemic risk manager, and hence concerned with operational resilience across the LINK payment system and the other systems where there are dependencies, the priority focus has been on LINK itself, and the infrastructure provider Vocalink, as well as the Bank of England for settlement. This is because the payment system cannot work at all if these parts of the network fail. However, focus on other parts of the LINK Payment System, including Members and cross-cutting dependencies with other schemes, is increasing.

With regard to Vocalink, the new Switching and Settlement Agreement (SSA) negotiated as part of the infrastructure tender provides LINK with much improved and enhanced oversight. LINK's broader goal is to ensure robust oversight of all components of its supply chain, including Members and Certified Service Bureaus (CSBs). In developing this oversight, LINK will need to ensure that participation in LINK remains commercially viable for Members. This is to manage the risk that, should the LINK compliance requirements be judged overly prescriptive or burdensome, then Members could serve notice on LINK and route transactions through the International Card Schemes. This in turn could undermine the viability of LINK itself. Therefore, LINK's approach to enhancing its oversight of Members is carefully designed to deliver what is required by LINK as a systemic risk manager, whilst maintaining the commercial viability of the Scheme. A key lever is that all Members have an interest in being part of a systemically robust scheme. LINK's approach has been to start by strengthening its existing compliance approach, with a focus on the ten largest Members (this covers almost 90% of transactions). There is also an independent expert review underway in Q1 2020 to explore how to strengthen LINK's controls further, taking into account the competitive market position and the approaches of the other card schemes.

Finally, LINK's work includes the development of a comprehensive and robust Recovery and Wind Down Plan. The Wind Down Plan will set out what will trigger Wind Down. It will also set out how, in the event of Wind Down, LINK will deliver an orderly transition to new arrangements for its Members and consumers.

Strategic Objective 3: Ensure Systemic Risk Management of the LINK Payment System

LINK is one year into a major three-year transformation of its approach to risk management, addressing the findings of the independent report, commissioned by LINK. The report made a number of detailed recommendations, all of which have been accepted by LINK. This has been used to create a detailed Systemic Risk Management Strategy Implementation Plan (SRMSIP). By completing the actions in the SRMSIP, LINK will have effected a transformation of its risk management approach and delivered this objective. Therefore, achieving the SRMSIP is the target.

As a result of this transformation, LINK is now structured around the best practice "Three Lines of Defence" governance model supported by regulators. This objective is fundamentally about sustaining and growing the performance of the Second Line risk management activity to the highest level. Within LINK, this activity is owned directly by the Board. Other changes over the last year pay testament to the focus on this. These include the establishment of a Board Risk Committee to support the Board's work in this area, and recruitment of new Board directors to increase the capability of the Board in risk management to high levels, including the new Chair of the Risk Committee. They also include the recruitment of a new Chief Risk Officer who is a key member of the senior management team and who is developing a powerful Second Line Function. All of this is in addition to the Third Line independent internal audit function.

Strategic Objective 4: Sustain a Viable LINK Membership

The UK's ATM market structure is completely competitive. There is no central utility that manages national cash distribution or determines whether organisations should participate in LINK. Regulators require payment system operators like LINK to operate to certain standards, but membership of LINK is voluntary and if participants don't want to do what LINK says, then they can move to alternative ATM networks such as those provided by the two International Card Schemes, VISA and Mastercard. It is the market that decides the degree of cash access that consumers should be provided with, through what channel and at what price.

Understanding Members' objectives and maintaining LINK's membership is therefore critical to LINK. Central to this is the interchange fee. Set LINK interchange too high and issuers will be strongly driven to move to the two International Card Schemes, which currently have an interchange fee estimated at 20% lower than LINK's. The sums involved are enough to focus attention at all banks – LINK interchange was almost £600m in 2019. Set it too low and the risk is that the ATM estate reduces in size too sharply. The current risk is losing issuers, as deployers have no incentive to moving to a scheme with a lower interchange.

This is especially a problem with large issuers, as the following example illustrates: If a large bank were to leave LINK for a lower interchange competitor, the leaving bank would save significantly on its annual interchange costs. Those banks remaining in LINK would continue to pay higher costs, which in turn would sustain a large national ATM estate. The customers of the bank that has left would still get the benefit of using that large ATM estate as ATMs are typically connected to all networks and not just LINK. This is not sustainable, as the other banks would also be incentivised to leave LINK rather than paying LINK's higher fees that benefit a competitor who free rides on their investment. Once all the large issuers leave, LINK ceases to be relevant at a national level, and the market would default to VISA and Mastercard. LINK works only if all the major card issuers and deployers are in the Scheme. Small issuers do not pay enough interchange to affect the size of the national network or to pose a serious competitive threat to the large banks if they leave LINK.

The benefit of all large issuers supporting LINK is that consumers get a satisfactory access to cash network. The current interchange offered by VISA and Mastercard would not support such a network. Banks usually appreciate this and realise that causing the collapse of the current ATM estate by closing LINK could trigger expensive legislative or regulatory intervention and a costly rebuild of a satisfactory national network (much harder to do when the network has been lost and ATMs closed). The mishandling of cheques illustrated this, where an ill-planned attempt to withdraw the service led to a later Treasury intervention and a new national cheque infrastructure costing well over £1bn so far, according to some estimates.

Options to control this risk are limited, although LINK can benefit from political support. LINK is also supporting longer-term initiatives such as cash from retailer terminals and cashback as these could help to drive down cost faster to encourage banks to stay with LINK, although this will not make much impact in the short term, given the commercial and regulatory barriers to overcome.

Risk Management

LINK, as a regulated systemic risk manager, has an extensive and sophisticated risk management approach that is subject to direct and detailed scrutiny by the Bank. Maintaining this high level of risk management capability is an important strategic priority for LINK.

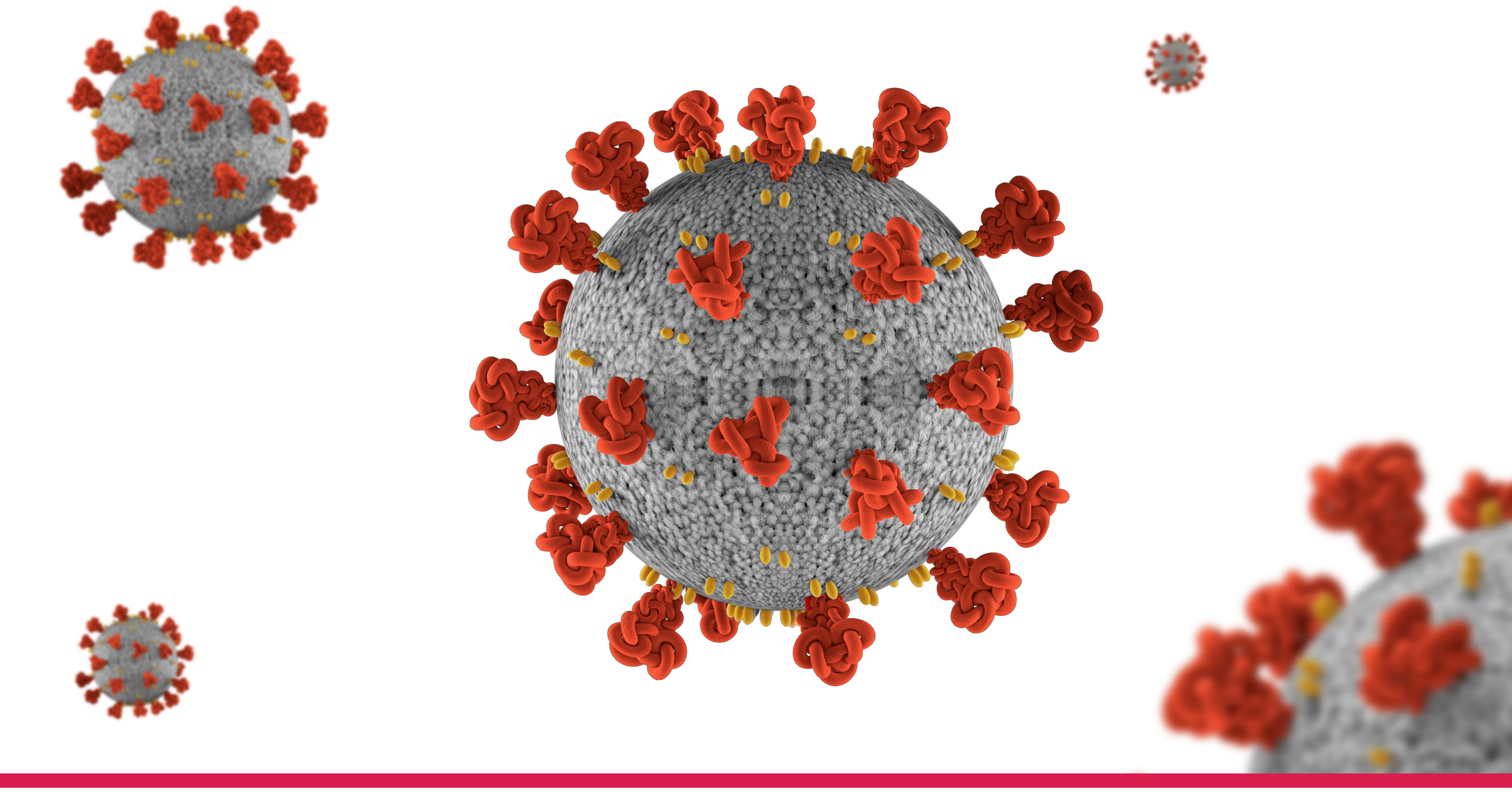
The Strategic Plan sets out LINK's risks and the mitigation plans and responses in place should they occur. As would be expected from a systemic risk manager, these are detailed and credible. However, there are some risks that are hard for LINK to control and existential in nature. As noted above, a large issuer leaving is an example. These kinds of risk will be a key issue for the Recovery and Wind Down Plan. So, for example, for the large issuer leaving risk, detailed discussions and analysis are underway to develop a response. In the meantime, regulators and government have been clearly briefed on the risk and its consequences. Short term, the reputational damage to an issuer departing is providing some mitigation. However, this cannot be relied upon as a long-term answer.

Those risks that LINK is not considering in detail (on the basis that they are unlikely) are set out, along with the high-level response should the probability increase. An example is a much higher cash usage reduction over the next three years than forecast (say 60%). For each of these risks, LINK has conducted sufficient assessment to demonstrate that it could be dealt with (in this case through more rapid consolidation of ATMs to fewer high-footfall locations such as supermarkets, post office counters, and cashback). There are also strategic options that LINK is not pursuing, such as becoming an Independent ATM Deployer (IAD) or moving into new markets. Detailed risk mitigation in these areas has therefore not been carried out.

Resources

The costs of LINK are funded by its membership (primarily the large issuers) and fall into three broad areas. The smallest relates to the costs for Link Scheme Holdings Ltd, the regulated Scheme holding company (£9.2m in 2019). The next relates to fees paid to Vocalink for providing the infrastructure. Vocalink's fee structure is locked for ten years under the terms of the deal recently signed. The largest cost by far is the cost of interchange (£574m in 2019). This means that, in practical terms, the issue of resources comes down to whether the Members are satisfied with access to cash and interchange. LINK has stress tested its resource plan and is satisfied it can meet its future requirements under a wide range of scenarios, including stressed cases where regulatory requirements drive up headcount, and volumes drop much faster than expected.

Best practice resource management activities are in place, including performance management systems, operational policies, and a well-developed Remuneration and Nominations Committee. In addition to this purely financial analysis, LINK intends to conduct an environmental assessment of its approach to resources (across the entire payment network) in 2020. This may lead to further developments of the resourcing approach.
The membership is likely to be comfortable with providing funding for the resources required (by remaining Members of LINK), provided they are satisfied with the interchange and footprint.



7. LINK and ATMs during the Coronavirus Crisis

A different world – a view from Graham Mott, Director of Strategy

THE UK AND INDEED THE ENTIRE WORLD IS A VERY DIFFERENT place to what was expected just a few months ago. The outbreak of coronavirus reminds us that, for all our knowledge and technology, there are events over which we have little or no control and the modern, globalised world is not immune to the ancient threat of infectious diseases. At the time of writing (June 2020), the outcome is uncertain, either to the pandemic or its economic consequences but early indicators point to a global economic slowdown greater than that experienced during the 2008 financial crisis. The impact on societies across the world appears profound, as old certainties around travel, leisure, health, privacy and personal freedom are all challenged. Inequality and unfairness have in some cases been exposed and governments may struggle to undo and reverse the policies they put in place to counter the effects of the virus in an attempt to save businesses, jobs and lives.

One outcome we are already witnessing is the acceleration of change. In the UK, before the pandemic, of the 32.6 million people in employment, 1.7 million worked mainly from home. Millions more (around 42%) are now working from home, made possible with recent technological advancements in smartphones, videoconferencing and broadband connections. Tech staples such as Skype, Google and Microsoft are now front and centre of millions of peoples' working lives, while smaller entities such as Zoom, Trello and Slack are scaling up to meet demand and are now part of our everyday vocabulary.

The infrastructure and business practices now exist for millions of people to work remotely for weeks or even months at a time and the situation forced on the country by the crisis may encourage businesses to continue this as we go forward. This will profoundly change many peoples' experience of "work" and their boundaries between work and home life. It will also have huge knock on effects for travel, town and city centres and a huge range of businesses such as landlords, shared office spaces, conference venues, cleaners and caterers which service the office environment.

A whole range of other changes, such as raising the contactless limit to £45 or the Post Office's "Carer Cards" have gone live in weeks rather than months - as organisations have rushed to support their customers and adapt to the new world. The retail environment is changing before our eyes with Perspex screens, social distancing, self-service terminals and in some cases a reluctance to accept cash. Meanwhile places which are still currently locked down, either fully or partially, such as pubs, hotels restaurants, schools, colleges, sports stadiums, theatres and cinemas all struggle to work out how they will balance the new demands of social distancing with delivering an acceptable (and profitable) consumer experience.

It is a similar situation for cash with changes in consumer use which might have been expected over the next few years taking place in weeks or months. Cash and ATM usage, which over the past decade, had already been declining as a method of payment has had a profound shock, falling by up to 60% as lockdown took effect. Cash usage has already fallen from 60% of payments in 2008 to 28% in 2018, and was expected to fall to 9% in 2028. However depending on the degree to which cash "bounces back" this level may be reached in 2024. This fall had been driven by an increase in the use of cards, contactless and mobile payments, particularly for low value transactions and lockdown has brought this forward, exacerbated by some consumers' and retailers' reluctance to use or accept cash. However, the reality is not so simple. Many still use cash, cash withdrawals have been gradually rising through lockdown and some still rely on it entirely as their main form of payment. This tension between cash's overall decline in use and some consumers' continued need for it has already led to the 2019 Access to Cash Review and the Government's commitment earlier this year to legislate to protect access to cash. There is a real concern that the coronavirus crisis will accelerate an irreversible shift from cash to digital payments, leaving already identified vulnerable and disadvantaged consumers behind.

The year 2020 will not be the year anyone was expecting but amid the tragic of loss of life and disruption not all the changes may prove to be negative; individuals and companies have taken the opportunity to re-evaluate and reconsider what they could and should be doing in the world. Consumers, suddenly constrained, realise the strength and importance of their local community and on an individual level many will have discovered or rediscovered the pleasures of time with close family, their garden, home cooking and the simple joys of walks, jogging or local cycle rides. The use of technologies like Skype to bring people together for quizzes, games and family get togethers are now common and the sense of community and purpose shown by the rainbows in windows, the weekly "clap the carers" and the charity efforts of the likes of Captain Sir Tom Moore will not be forgotten.

Chart 1: LINK weekly transaction volumes 2019 - 2022 (m)

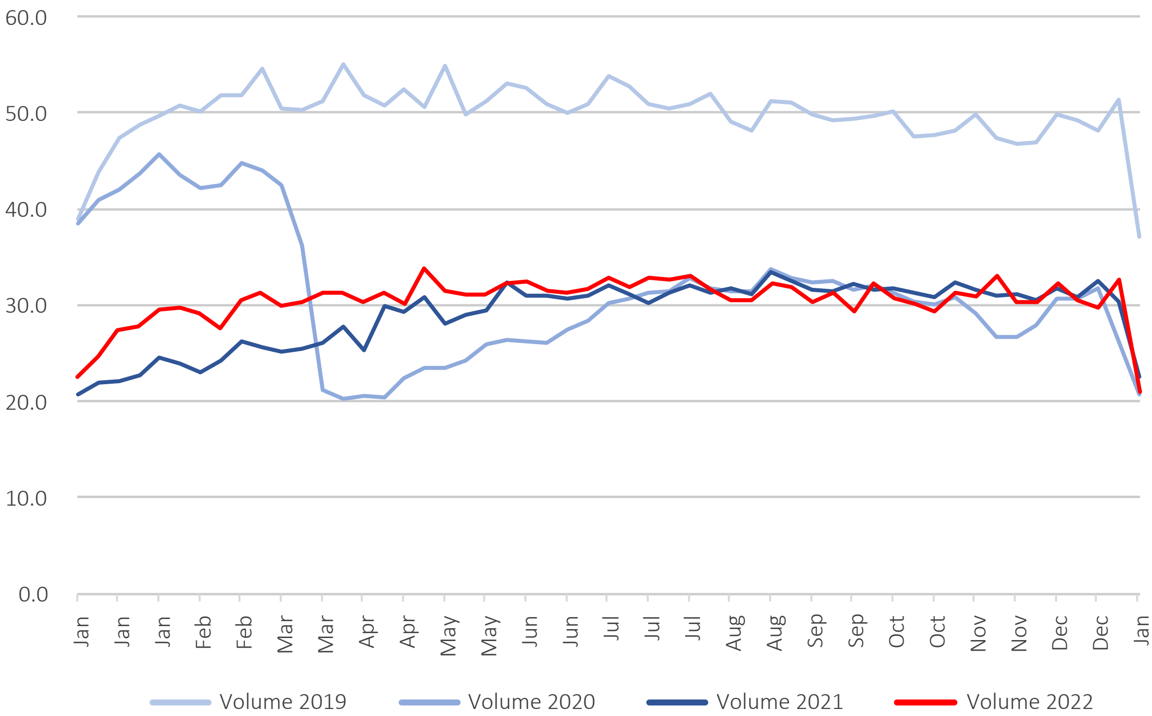
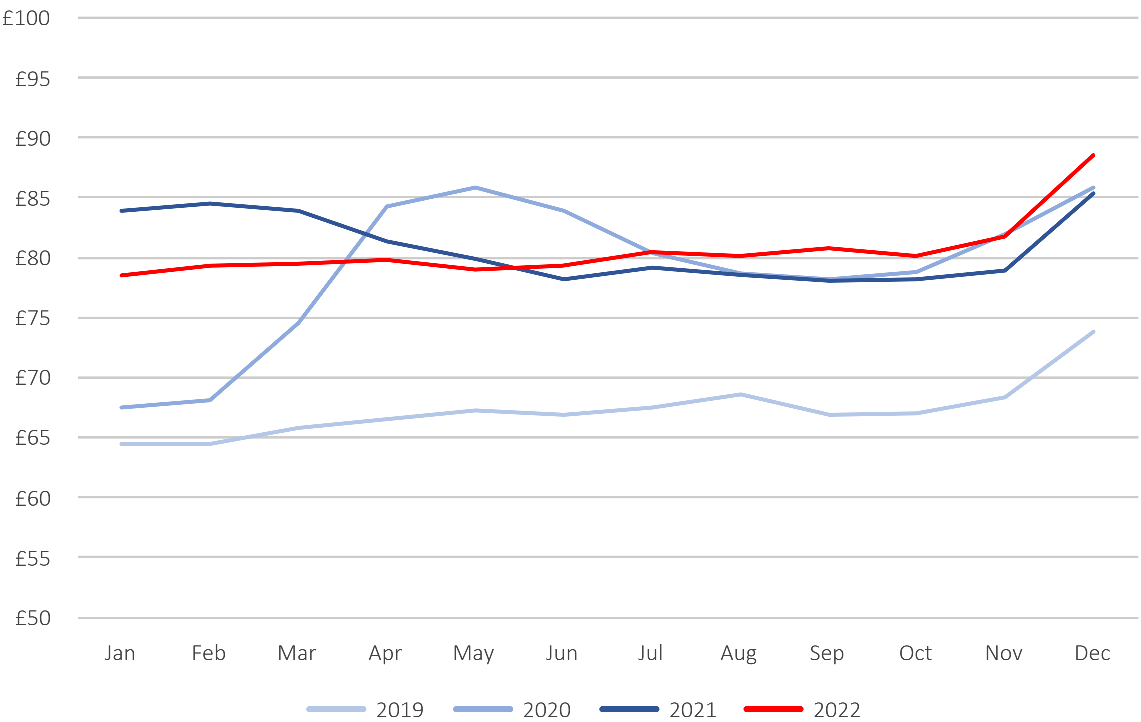


Chart 2: Average LINK cash withdrawal value 2019- 2022



The average cash withdrawal value increased dramatically during the pandemic, especially during lockdowns and has remained much higher than pre-pandemic levels ever since. This is because although consumers are using ATMs less often and using less cash overall, when they do visit an ATM they are taking out more cash.

Table 1: LINK monthly transaction volumes and withdrawal values 2019 -2022

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2019	209	207	232	220	232	221	226	225	211	214	208	204	2,608
2020	185	181	155	91	110	117	139	141	139	138	118	129	1,643
2021	99	97	114	123	131	133	140	140	137	141	133	135	1,522
2022	118	117	134	135	138	135	144	137	132	134	132	130	1,587
Variance 2022 - 2019	-44%	-44%	-42%	-39%	-41%	-39%	-36%	-39%	-37%	-37%	-36%	-36%	-39%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2019	8,788	8,859	10,211	9,701	10,354	9,837	10,070	10,271	9,336	9,512	9,494	9,985	116,417
2020	8,182	8,258	7,450	4,399	5,664	5,972	7,076	7,105	6,903	6,939	6,016	7,044	81,010
2021	5,062	5,127	5,995	6,446	6,809	6,757	7,242	7,177	6,928	7,156	6,785	7,478	78,960
2022	5,946	6,018	6,952	7,047	7,065	6,921	7,481	7,054	6,848	6,959	6,932	7,558	82,781
Variance 2022 - 2019	-32%	-32%	-32%	-27%	-32%	-30%	-26%	-31%	-27%	-27%	-27%	-24%	-29%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Appendix A – LINK Member Summary at end 2022

	ATMs			
	Branch	Remote Free	Remote Charging	Total
AIB Group	8	5	-	13
American Express				Card issuer only
Bank of Ireland	38	-	-	38
Bank of Scotland	347	-	-	347
Barclays Bank	1,181	1,330	-	2,511
Barclays Bank UK	12	2	-	14
Cardtronics	-	9,338	6,041	15,379
ChangeGroup	-	245	69	314
Citibank	4	-	-	4
Clydesdale Bank	128	-	-	128
Cooperative Bank				Card issuer only
Coventry Building Society	44	5	-	49
Cumberland Building Society	20	-	-	20
G4S	1	2	-	3
Halifax	1,393	-	-	1,393
Handelsbanken				Card issuer only
HSBC UK	1,133	11	-	1,144
Lloyds Bank	1,697	-	-	1,697
Metro Bank				Card issuer only
Nationwide Building Society	1,268	1	-	1,269
NatWest	2,300	3,579	-	5,879
Northern Bank	86	88	-	174
NoteMachine	313	5,809	2,982	9,104
PayPoint	-	2,121	1,269	3,390
Post Office	45	1,357	-	1,402
Sainsbury's Bank	2	1,368	-	1,370
Santander	1,677	4	-	1,681
Tesco Personal Finance				Card issuer only
Travelex	-	151	198	349
TSB Bank	648	-	-	648
Yorkshire Bank	196	-	-	196
Yorkshire Building Society				Card issuer only
YourCash	-	1,472	312	1,784
Total LINK ATMs	12,541	26,888	10,871	50,300

Appendix B – Strategy Scorecard December 2022

LINK will track delivery against its Strategic Plan using the following scorecard

1	**Deliver Satisfactory Consumer Access to Cash in the UK**	LINK will maintain the broad geographic footprint of access to cash that was provided by free ATMs on 1st February 2018. The measures include the following: • Retain free cash access via protected ATMs. • Ensure that every high street has free access to cash. • Maintain cash access in deprived areas. • Communities can also request help for cash access directly from LINK.
	Status	
	RAG Score	
2	**Ensure Effective Operational Resilience of the LINK Payment System**	Ensuring the highest levels of operational resilience is a prime objective for LINK. Without this, all other objectives are undeliverable as consumers will not use an unsecure or unreliable payments network. • LINK expects the switch will be available to Members 99.99% of the time. • LINK has zero tolerance for outages of the switch for longer than two hours. • ATMs connected to LINK will be available 97% of the time. • ATMs connected to LINK accounting for 25% or more of total expected transactions will not be down for more than a continuous six-hour period.
	Status	
	RAG Score	
3	**Ensure Systemic Risk Management of the LINK Payment System**	LINK is now two years into a major three-year transformation of its approach to risk management, addressing the findings of the independent report commissioned by LINK following a requirement notice from the Bank of England, performed by Promontory Financial Group (UK) Limited: • Deliver the SRMSIP
	Status	
	RAG Score	
4	**Sustain a Viable LINK Membership**	Deliver satisfactory access to cash for the large issuers at a total interchange cost that is acceptable. • Avoid the loss of issuers with an aggregate 10% or more market share of current accounts. • Total free ATM system costs (interchange plus direct issuer calls to support the various financial inclusion initiatives) will fall broadly in line with reductions in cash usage for payments from a baseline cost position at the start of 2018.
	Status	
	RAG Score	

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