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Mr Tim Masela
Head: National Payment System Department
The South African Reserve Bank
370 Helen Joseph Street,
Pretoria, 0002

Dear Mr Masela,

Why cashless retail outlets should be banned in South Africa

ATMIA is a global not-for-profit trade association, founded in 1997, with members across the world and in all sectors of the ATM industry, including in South Africa. Our association has noted with growing concern that some businesses and organisations in the Republic are no longer accepting cash as a form of payment.

As the CEO of ATMIA since 2005, I write to SARB to propose a ban on cashless outlets in SA in order to ensure that there is no discrimination against cash users in the country, as well as no digital divide in the payments space between the digital “haves” and “have nots”. At the same time, we should be reinforcing financial inclusion for the unbanked and underbanked instead of marginalising those who don’t have online banking or payment cards.

A citizen’s freedom to choose is an essential aspect of any democracy and in any free economy. Shouldn’t the payments space also be a domain of free choice? It is an invidious position to deny the right of a citizen to pay in cash if they so wish, especially when cash is legal tender throughout our entire country. If cash is legal tender in the country, no business should refuse to accept cash.

In an era in which both cyber warfare and cyber-crime are common, it is strategically unwise to have a payments system biased towards digital and electronic payments. The payments system is part of the nation's critical infrastructure, and such systems can be brought down by cyber-attacks, terrorist attacks, power black outs, systems malfunctions, human error or natural disasters. Unlike electronic forms of payment, cash in hand always works as a form of payment, for immediate settlement, whether in daily life, during natural disasters, after cyber-attacks or when power is down. Cash always works! For these reasons, it is highly risky to have a situation where enforced "cashlessness" continues to creep into the retail and business sector at the expense of millions of cash users.

Those who gain most from enforced "cashlessness", namely card schemes and digital payments providers, have no concern about issues like the digital divide in our society, discrimination against various demographic groups in our country, the rights of citizens to freedom of choice, or the strategic risks to critical infrastructure discussed above, because they profit from bans on use of cash and from their anti-cash marketing and lobbying activities.

In the USA, the world's top economy, there is today growing bipartisan support for banning retail establishments from refusing cash payments – at the city, state, and federal levels. The stated motivation in all of these instances is that a cashless environment discriminates against the poor and the unbanked. The issue, however, is much larger than that in America. Cashless retail severely limits consumer payment choice and eliminates the favoured payment method for 26% of the population (according to recent Fed numbers). There are now approved bans in New York City, NY, San Francisco, CA, Philadelphia, PA, as well as in Colorado, Massachusetts, New Jersey, and the state of Rhode Island. In addition, there is a well-supported federal bill in the pipeline to ban cashless establishments throughout the nation.¹

In the European Union, ATMIA Europe participates in two European Savings and Retail Banking Group (ERPBG) working groups studying access to, and acceptance of, cash across the whole of the eurosystem. In November 2020, the ERPBG expressed the view that access to and acceptance of cash is crucial. To that end, a working group was set up in February 2021 to prepare a report summarising the following:

1. Overview of the factors influencing the bank branch and ATM networks (credit institutions and, where applicable, IADs) and description of possible future initiatives how to avoid cash supply deficits, for example in rural areas;
2. Overview of various initiatives aiming at ensuring adequate cash withdrawal and lodgement facilities, especially for smaller and medium sized enterprises (which usually do not contract CITs to take care of cash lodgements/withdrawals and need to rely on "local" cash services);
3. Overview of obstacles regarding the acceptance of cash and initiatives aiming to ensure acceptance of cash also in the future; and

¹ See <https://www.atmia.com/connections/regions/united-states-americas/>

4. Overview and evaluation of alternative ways where other actors (e.g. retailers, post offices) could offer services to provide access to cash (i.e. cashback, cash-in-shop etc.), including possible obstacles hindering such cash services.

In short, the ECB recognises the importance of protecting the right to use cash across all 26 European Union nations, especially in view of closure of many bank branches, including in rural communities.

Returning to South Africa, cognisant of the above points and of these global developments in protecting access to, and acceptance of, cash, it remains true that excluding people with a specific form of tender is contradictory to financial inclusion principles. This is especially true given the highly diversified nature of South Africa's population. Not all citizens have equal access to all forms of tender, banking services and digital technology. Selective bans on cash acceptance run counter to broader inclusivity principles, while refusals to accept cash as a form of payment run the risk of excluding less advantaged/under-banked people from participating in specific economic activities (unintentionally, or even worse intentionally).

For these reasons, ATMIA recommends to SARB that cashless retail establishments should be banned in our country as undesirably discriminatory and strategically unwise.

Should you have any questions or comments, do not hesitate to contact me at ++27-(0)729561351 or mike@atmia.com.

We greatly respect your ongoing contribution to the industry and to monetary stability in South Africa.

Yours sincerely,

A handwritten signature in black ink that reads "Michael Lee". The signature is written in a cursive, slightly slanted style.

Michael Lee
CEO
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