



INTRODUCTION TO THE LINK SCHEME

2019

The LINK Scheme is a network which connects the UK's cash machines and provides consumers with universal access to their cash.

Link Scheme Holdings Ltd "LINK" is the operator of the LINK payment system as set out in the Financial Services (Banking Reform) Act 2013. It works with the Payments Systems Regulator "PSR" to achieve its core objectives of promoting innovation and competition in LINK and furthering the interests of people and businesses that use LINK.

LINK is Recognised as an inter-bank payment system under section 184 of the Banking Act 2009, bringing LINK into the scope of the Bank of England's supervisory regime. This is because of the crucial role that LINK plays in the UK economy as the main facilitator of free-to-use cash withdrawals.

Link Scheme Holdings Ltd Registered Office: RSM, 5th Floor, Central Square Leeds LS1 4DL. Registered in England and Wales. Company Number 10535808.

Access to cash and cash machines is vital for the UK economy:

- Cash is still a very significant payment method in the UK. There were 13.1 billion cash payments in 2017, accounting for 34% of all consumer payments¹ and cash is still the second most popular payment method
- ATMs dominate consumers access to cash with 44 million cards being used to make almost 2 billion LINK cash withdrawals in 2018, amounting to £125 billion.
- While 3.4 million consumers rarely use cash, around 2.2 million (4% of the adult population) rely on cash almost entirely. While these are spread fairly evenly across age groups people with an income of less than £10,000 a year are far more likely to mainly use cash than people with higher incomes.²

The LINK Scheme provides the operational service and contractual certainty which connect card issuers and cash machine operators together to enable card holders to access their cash:

- LINK membership consists of all the UK's main debit and cash machine card issuers (predominantly banks and building societies) and also all the main cash machine operators (banks, building societies and independent ATM deployers (IADs)).
- Effectively all of the UK's approximately 62,000 cash machines are LINK-enabled and around 52,000 of these ATMs are free-to-use³. There are over 100 million UK issued LINK-enabled cards in circulation.

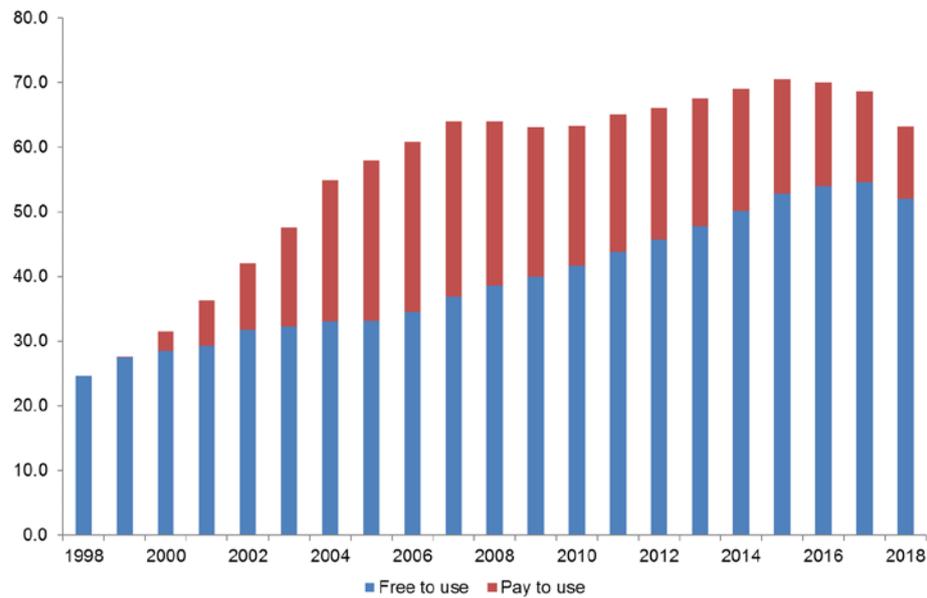
¹ Source: UKFinance – UK Payment Markets 2018

² Ibid

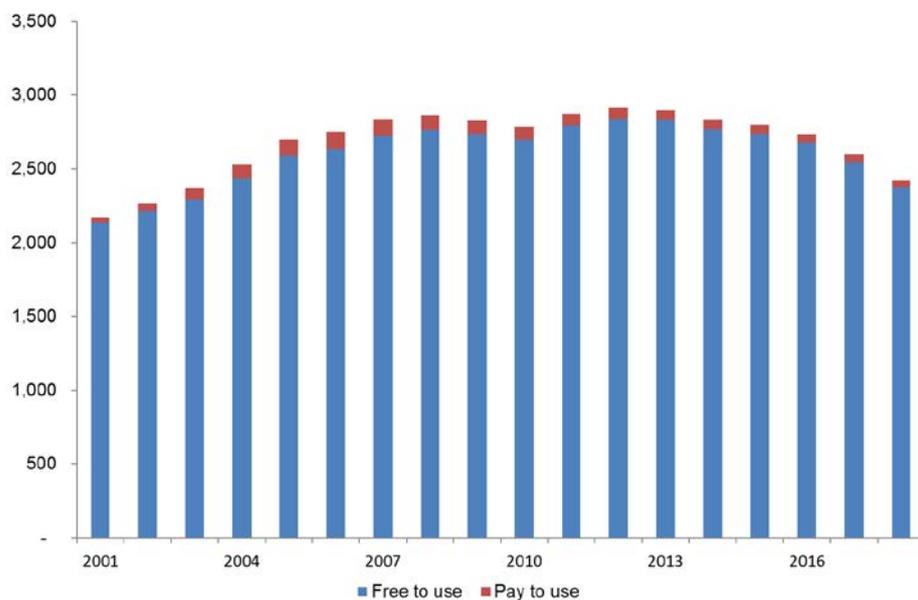
³ Source: LINK Scheme - www.link.co.uk.



ATM numbers (thousands)



Total free-to-use and pay-to-use withdrawals – including on-us (millions)



- LINK is not involved with cash machine withdrawals made by a cardholder at their own bank or building society's ATMs. These account for around 20% of total consumer cash withdrawals, a percentage which is falling as card issuers reduce their ATM networks and IADs increase theirs.

LINK's objective is to provide universal access to cash for consumers across the UK and financial inclusion is a key common objective for all of LINK's Members:



- LINK's Members compete vigorously to identify and secure new ATM locations. There is no central organisation or plan for ATM locations, rather competition to meet consumer demand. This has proved very effective and UK consumers enjoy excellent access to free-to-use cash machines.
- LINK and its Members are committed to defending and improving access to cash and LINK has operated a Financial Inclusion Programme to support this since 2006. This Programme has subsidised ATMs to provide free access to cash in over 1,800 deprived communities that did not previously have free access. It is funded voluntarily by LINK Members and in 2019 we expect around £10m to be invested in ATMs in the most deprived remote and rural locations.
- In January 2018 LINK announced that it would not reduce interchange for free-to-use ATMs that do not have another free-to-use ATM within 1km, these are called protected ATMs. This is to maintain the good level of free coverage consumers enjoy today.
- In April 2019 LINK launched a new 'super premium' that will significantly increase payments to ATM operators by up to £2.75 per cash withdrawal. The premium is available to around 3,500 potentially eligible free-to-use ATMs in the most remote, rural and deprived areas of the UK.
- LINK has an independent Chairman and Directors to support governance, consumer focus, and Member participation.
- LINK has a Consumer Council to provide advice on relevant consumer issues and to represent consumers in the governance and development of the network. The Consumer Council brings together delegates from consumer organisations such as Toynbee Hall, Citizens Advice and Consumer Council Northern Ireland, independent members including Teresa Pearce MP, Lady Margaret Bloom, Department for Work and Pensions plus card issuing banks, and independent operators. It gives advice to the Scheme's governing body for consideration and can independently publish its views as it wishes. Its independent Chair is Tracey Graham who is also a Non-Executive Director of Link Scheme Holdings Ltd.

Innovation is important to LINK remaining more attractive than the other schemes that it competes with:

- LINK membership is voluntary with low barriers to entry and any Member can leave and join a competitor, indeed many ATMs are already connected to other schemes such as VISA, and Mastercard to facilitate overseas ATM transactions.
- LINK has innovated to enable its Members to collectively support their financial inclusion plans in an effective and efficient manner by providing industry-subsidised enhanced pricing for the provision of ATMs in deprived areas through its Financial Inclusion Programme.
- LINK launched an ATM Locator App in 2017, the most comprehensive mobile tool for finding ATMs in the UK. Connected to LINK's ATM database it shows the location of all LINK ATMs – effectively every cash machine in the UK.



- LINK's focus on consumer access to cash means it has supported new business models which have improved cash access:
 - The growth of the substantial Independent ATM Deployer (IAD) sector, was enabled by LINK rule changes. These companies now operate over half of all UK cash machines.
 - The merchant refill model which has extended the cash machine network.
 - Charging cash machines which have provided additional reach alongside the extensive free-to-use ATM network.
- The Bank of England has noted the effectiveness of the £5 and £10 polymer note programme at ATMs.
- Charity Giving at ATMs went live in 2012.
- Innovation in fraud and crime control.
- LINK is working closely with the Bank of England and the whole industry on the introduction of Polymer banknotes, £5 notes were issued in September 2016 with £10 notes following in September 2017 while polymer £20s are due in 2020.

The LINK network is a safe and secure payments system that makes and receives real-time payments at high volume across the UK:

- LINK's transactions are processed by Vocalink, (which also processes for the BACS and Faster Payments schemes) in a contractual relationship.
- The ATM infrastructure is capable of dealing with very high transaction volumes, peaking at almost 14 million a day⁴.
- Switching and Settlement fees are paid to Vocalink.
- Risk management is key to LINK and, as with the other Recognised schemes
- LINK Scheme membership fees are paid to Link Scheme Ltd. (a wholly owned subsidiary of Link Scheme Holdings Ltd).
- LINK Scheme fees are set to recover costs.
- The settlement between Members for the cash dispensed through the ATMs is made the following working day through a net settlement mechanism at the Bank of England. All Members must have access to a Real Time Gross Settlement Account (known as an RTGS account) at the Bank of England, whether directly or through another LINK Member.

Link Scheme Holdings Ltd operates the LINK payment system. It is regulated by both the Payment Systems Regulator and the Bank of England

Membership is open to all on equal terms – existing Members have no say over who joins:

⁴ Source: LINK Member Stats



- LINK has 35 Members consisting of banks, building societies, schemes, and independent operators:

AIB Group	Creation Financial Services	Note Machine
American Express	Cumberland Building Society	PayPoint
Bank of Ireland	G4S	Raphaels Bank
Bank of Scotland	Halifax	Santander
Barclays Bank UK	Handelsbanken	Sainsbury's Bank
Barclays Bank PLC	HSBC UK	Tesco Bank
Cardtronics	Lloyds Bank	Triodos Bank
Change Group	Metro Bank	TSB
Citibank	Moneycorp	Travelex
Clydesdale Bank	Nationwide Building Society	Yorkshire Building Society
Cooperative Bank	NatWest	YourCash
Coventry Building Society	Northern Bank	

- LINK Members have no control over potential Members joining the Scheme. This process is controlled by the LINK management team and, whilst there are criteria around solvency and security requirements, no potential Member has ever had an application refused.

Cash machine operators cover the cost of free-to-use ATMs through a per-transaction ATM interchange fee paid to them by the card issuing banks and building societies:

- Card issuers pay operators of free cash machines an ATM interchange fee. ATM interchange is unrelated to the interchange charged by card issuers through schemes such as VISA and Mastercard to retailers for point-of-sale transactions.

The LINK rules also support pay-to-use cash machines as they supplement the strong free-to-use network with additional machines to improve consumer access:

- These cash machines do not receive ATM interchange for their charging transactions. They account for a very low proportion of the total number of cash withdrawals, less than 3% and just under 20% of all ATMs, approximately 11,000. All decisions about charging are made by the ATM operator in agreement with the owner of the premises where the ATM is located and not by LINK itself. The majority of pay-to-use ATMs are in low transacting locations and Government and Parliament have recognised that charging as well as free machines can help to improve the public's access to cash and benefit local businesses.
- LINK requires all cash machine owners and card issuers which use the LINK network to follow rules on charging and the signage and transparency of charging.
- Currently, all charging ATMs are provided by IADs with all bank and building society cash machines being free-to-use. IADs now provide well over half of the free-to-use machines in the UK.