

Staff Analytical Note / Note analytique du personnel 2019-29

Cashless Bank Branches in Canada



By Walter Engert and Ben S. C. Fung

Currency Department
Bank of Canada
Ottawa, Ontario, Canada K1A 0G9
wengert@bankofcanada.ca, bfung@bankofcanada.ca

Bank of Canada staff analytical notes are short articles that focus on topical issues relevant to the current economic and financial context, produced independently from the Bank's Governing Council. This work may support or challenge prevailing policy orthodoxy. Therefore, the views expressed in this note are solely those of the authors and may differ from official Bank of Canada views. No responsibility for them should be attributed to the Bank.

Acknowledgements

We would like to thank Kim Huynh, Christine McAllister, Ryan Martin and Mitchell Nicholson for comments, and Matthew Strathearn for assistance in collecting information on tellerless branches in Canada.

Abstract

Cashless or tellerless bank branches have proliferated in several countries in recent years. In a cashless bank branch, teller or counter services such as cash withdrawals, deposits and cheque-cashing are not available. These services are instead provided via automatic teller machines. This note discusses the development of tellerless bank branches in Canada and analyzes the potential implications for cash demand.

Bank topics: Bank notes; Digital currencies and fintech; Financial services

JEL codes: E4, E41, E42, E51

Résumé

Ces dernières années, les succursales bancaires sans argent comptant ou sans caissier se sont multipliées dans plusieurs pays. Aucun service au comptoir, comme le retrait et le dépôt d'espèces ou l'encaissement de chèques, n'est offert dans de telles succursales. Ces transactions doivent plutôt être effectuées aux guichets automatiques. La présente note traite de l'apparition de succursales bancaires sans caissier au Canada et analyse les conséquences possibles pour la demande d'espèces.

Sujets : Billets de banque; Monnaies numériques et technologies financières; Services financiers

Codes JEL : E4, E41, E42, E51

Cashless Bank Branches in Canada

Introduction

Cashless bank branches have proliferated in the Nordic countries in recent years. For example, cashless branches were introduced in Sweden in 2010 and their importance has steadily increased. By 2014, cashless branches accounted for 55 percent of all Swedish bank branches, according to the Swedish Bankers' Association.¹ Further, some Swedish banks are planning to convert all of their branches to cashless. This means that all cash withdrawals and deposits would have to be done via automatic teller machines (ATMs), which might not be located in bank branches. Engert, Fung and Segendorf (2019) argue that cashless bank branches, together with other influences, contributed to the rapid decline in the demand for bank notes in Sweden, especially large notes, over the last decade or so.

According to a recent article in *The Globe and Mail*, "some bank branches operated by Canadian Imperial Bank of Commerce no longer handle cash at their counters, where teams provide advice instead. Anyone who needs cash can turn to nearby ATMs."² More recently, Laurentian Bank of Canada has converted almost all of its branches into tellerless, entirely advice-based financial offices.³ This note discusses the development of cashless bank branches in Canada and analyzes the potential implications for cash demand.

What is a cashless or tellerless branch?

In cashless branches in Sweden, teller or counter services—such as cash withdrawals, deposits and cheque cashing—are not available. These services are accessible only via ATMs. However, some cashless bank branches do not have ATMs onsite; that is, these branches are without any cash services at all. In Sweden, ATMs are increasingly being installed in cash centres located in shopping malls and not at bank branches.⁴

¹ See [Bank Statistics](#) on Swedish Bankers' Association's website.

² David Berman, "Going Cashless: How Far Will Canadians Go in Parting with Their Bills and Coins?" *The Globe and Mail*, January 29, 2019.

³ "Laurentian Bank Ending Teller Services at Nearly all Branches as of Monday," *The Globe and Mail*, July 9, 2019.

⁴ Since 2013, all bank ATMs in Sweden have been under the management of Bankomat, a company jointly owned by a consortium of financial institutions. Bankomat has been installing ATMs in cash centres that are located in shopping centres, railway stations and other high-traffic areas to facilitate

Further, deposit services are not available at all Swedish ATMs. Similar trends regarding bank branch services and ATM distribution are also increasingly common in other Nordic countries, such as Norway and Denmark.⁵

In the emerging Canadian landscape, while cash cannot be withdrawn from or deposited with a teller in a tellerless branch, cash services are currently always available at one or more ATMs located in the same bank branch.

Given the distinctions between the Swedish and Canadian experiences, in the rest of the note we use “cashless” bank branch to refer to the Swedish case and “tellerless” bank branch to refer to the Canadian case.

Why are banks moving to cashless or tellerless arrangements?

As cash use continues to decline and many bank customers switch to online and mobile banking, banks are removing teller services from branches to reduce costs. This appears to be accompanied by a reallocation of branch space and branch staff to more valuable financial advice, sales and investment services. Accordingly, cash services are provided through bank ATM networks.

Cashless bank branches in Sweden, for example, were introduced in 2010 as a cost-reduction measure and have spread rapidly. In 2010, about 10 percent of Swedish branches were cashless; this increased to around 45 percent in 2012, and by 2014, 55 percent of Swedish bank branches were cashless.⁶

Development of tellerless bank branches in Canada

Canadian banks seem to be experimenting with tellerless branches to align with a decrease in demand for cash services and to reduce cash handling costs (as described above).

Over the last four years, Laurentian Bank, a regional institution, has been transitioning its network of over 90 branches from traditional bank branches to tellerless financial advice centres. Completion of this transition is expected by the end of 2019. The Canadian Imperial Bank of Commerce (CIBC), a major Canadian bank, has also increased the number of its tellerless branches in recent years. Based

access to cash. For more information about ATMs in Sweden, see Engert, Fung and Segendorf (2019) and [Bankomat's](#) website.

⁵ For Denmark, see, for example, Danish Payments Council, *Report on the Role of Cash in Society*, August 2016. For Norway, see, for example, “Norway’s Second Largest Bank Abandons Cash,” *The Local*, October 30, 2015.

⁶ See [Bank Statistics](#) on the Swedish Bankers’ Association website. The Swedish Bankers’ Association stopped reporting the number of cashless bank branches after 2014.

on information available on its website, CIBC has about 185 tellerless branches, accounting for 18 percent of CIBC branches in Canada.⁷

At least two other major Canadian banks are also introducing tellerless branches: TD Canada Trust and Scotiabank. TD Canada Trust operates a number of TD Help & Advice Centres, where cash services are available only through onsite ATMs.⁸ Scotiabank is opening two types of new bank branches, called Scotiabank Express and Scotiabank Solutions. According to the description of these new branches, cash services are available only through onsite ATMs.⁹

Will tellerless bank branches encourage a cashless society in Canada?

Engert, Fung and Segendorf (2019), in comparing cash use and demand in Canada and Sweden, argue that the development of cashless branches in Sweden has contributed to the rapid decline in cash demand there. Cashless branches in Sweden increase frictions around consumers' access to and use of bank notes. This friction applies especially to large-denomination bank notes because Swedish ATMs typically dispense only one or two denominations of bank notes and have daily and weekly limits on withdrawals. In addition, ATMs in Sweden are mainly set up for cash withdrawals, and only specific machines accept cash deposits. As a result, and given the growing prevalence of cashless branches, it is increasingly difficult to deposit cash in Sweden, which could also discourage the acceptance of cash in general.

The proliferation of cashless branches in Sweden, along with the nature of the Swedish ATM network, could also inhibit merchants' willingness to accept cash at the point-of-sale—due to the increased cost to merchants of cash management. This might affect small and medium-sized merchants particularly and generally raises the cost of accepting cash.¹⁰

The Bank of Canada has conducted method-of-payment surveys to collect information on Canadians' use of payment methods and behaviour around cash management. The surveys show that Canadians continue to rely on ATMs for cash withdrawals (see Henry, Huynh and Welte 2017). On average, Canadians withdraw cash from an ATM more than two times per month, but from bank tellers less than once a month. And from 2013 to 2017, Canadians continued to reduce their number of visits per month to an ATM or a bank branch.

⁷ This information was collected from CIBC's website on May 4, 2019, and should be considered an approximation. A branch is identified as a tellerless branch if cash is available through ATM only.

⁸ For example, according to TD Canada Trust's website, the branch at 1042 King Street West in Toronto opened in December 2014 as a Help & Advice Centre.

⁹ See additional information on Scotiabank Express and Scotiabank Solutions on Scotia Bank's [website](#).

¹⁰ For a more detailed discussion, see Engert, Fung and Segendorf (2019).

In Canada, bank branches always have one or more ATMs, and these ATMs are multifunctional. Thus, at a tellerless bank branch, cash withdrawals and deposits, cheque deposits, bill payments and bank transfers can be made through in-branch ATMs or a 24-hour deposit box (for business customers). In addition, bank customers can call the telephone banking centre to temporarily increase their daily ATM withdrawal limit or they can ask staff at the branch for assistance.

Many banks have also installed, or are in the process of installing, new ATMs that allow customers to choose among several denominations of bank notes (from \$5 to \$50) when withdrawing cash. Some of these ATMs can also provide \$100 notes, although this denomination is not yet broadly available. In addition, a built-in bank note scanner allows easy deposits of cash to a bank account.

In sum, the transition to tellerless bank branches in Canada seems unlikely to increase the frictions or costs around accessing cash that could discourage cash demand in Canada.

Conclusions

Access to cash services for consumers and merchants has important implications for the use and holding of cash. Given that ATMs in Canada are multifunctional—providing a range of services to bank customers—the development of tellerless bank branches itself seems unlikely to have a significant adverse impact on cash demand in Canada. This contrasts with the trend observed in some other countries, notably Sweden.

Nevertheless, it would be useful to continue to monitor these ongoing developments in Canada and assess their implications. Future work should also focus on understanding how banks' decisions on the consolidation and location of branches and ATM deployment affect customer access to cash services and the demand for cash (see Chen and Strathearn forthcoming).

References

- Chen, H. and M. Strathearn. Forthcoming. "A Spatial Panel Model of Bank Branches in Canada." Bank of Canada Staff Working Paper.
- Engert, W., B. S. C. Fung and B. Segendorf. 2019. "A Tale of Two Countries: Cash Demand in Canada and Sweden." Bank of Canada Staff Discussion Paper No. 2019-07.
- Henry, C., K. Huynh and A. Welte. 2017. "2017 Methods-of-Payment Survey Report." Bank of Canada Staff Discussion Paper No. 2018-17.