

## **LINK's response to the Consultation CP11/24: Fundamental Rules for Financial Market Infrastructures**

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### **Introduction**

1. LINK is a not-for-profit company governed by an independent Board. It has a public interest objective to protect access to cash across the UK.
2. LINK sustains access to cash through maintaining the coverage of free-to-use ATMs in remote and rural locations as well as improving free access in deprived areas of the UK through the operation of its well-established financial inclusion programme.
3. As part of its work, LINK manages the UK's main cash machine (ATM) network. LINK's network connects the vast majority of ATMs (both free and charging) in the country and allows customers of banks and building societies (card issuers) that are LINK Members to make cash withdrawals and balance enquiries with their payment cards at almost all ATMs. All of the UK's major card issuers and ATM operators currently choose to become Members of LINK. LINK processes around 1.5 billion transactions and dispenses £7 billion in cash each year through a network of around 44,700 ATMs.
4. LINK's access to cash role also includes acting as a Coordination Body, having been designated as such by the Treasury on 24<sup>th</sup> May 2024. In this part of its role, LINK is notified by those Designated Firms that choose to participate in LINK's coordination arrangements of their intention to close branches, and LINK then assesses the impact of the closure on the local area. LINK also receives requests from communities (individuals and groups, including elected representatives) to review cash access. Where LINK identifies a gap in cash access services that cause a significant impact on communities, it recommends new cash facilities such as shared banking hubs and deposit services. To date, LINK has recommended new cash deposit and withdrawal services in approximately three hundred communities. Responsibility for implementing LINK's recommendations is with the bank or banks concerned, some of whom choose to use a bank-owned infrastructure company called Cash Access UK for implementation.
5. LINK is regulated by the Payment Systems Regulator (PSR), and by the Bank of England (the Bank) as a systemically important payment system and is designated as such by the Treasury. LINK is also designated by the Treasury and supervised by the Financial Conduct Authority in its role as an industry Coordination Body, and is subject to the FCA's Access to Cash Sourcebook.

## Analysis of the Bank's Proposals: The Fundamental Rules (the Rules)

6. LINK acknowledges that the Rules as proposed are broadly consistent with the FCA's Principles for Business, and the PRA's Fundamental Rules. LINK considers this a sensible approach allowing regulators to exercise their supervisory functions consistently, across the sector firms they supervise.
7. LINK agrees that the Rules will reinforce the exacting standards that the Bank expects (and under the current regime, has always sought) from those FMI firms subject to supervision by the Bank.
8. LINK notes the Bank's emphasis that the Rules are complementary to (and not replacing) the current regulations applicable to FMIs. This is important as FMIs operate in an already heavily regulated sector with supervisory expectations and standards set and overseen by the Bank (including in relation to the IOSCO Principles for FMIs) and by the Payment Systems Regulator.
9. As proposed, LINK considers that the Rules are reasonable and appropriate and do not appear to introduce additional obligations for FMI firms. However, LINK does have observation in relation to:
  - a. Fundamental Rule 8. As proposed, this requires a firm to *"Prepare for resolution or administration so, if the need arises, it can be resolved or placed into administration in an orderly manner with a minimum disruption to critical services"*.
  - b. The Supervisory Approach document published alongside the Bank's consultation, which explores the Bank's risk appetite and what the Bank perceives to be the key risks within FMI firms that it expects be managed and mitigated effectively.
10. Rule 8: For LINK, crystallisation of certain risks will trigger a wind down of the LINK Scheme as opposed to resolution or administration, as anticipated by this Rule. In this regard, LINK has a Recovery and Wind Down Plan in place to facilitate an orderly exit and to minimise any adverse impact on the wider payment system. LINK considers that, as a consequence of certain events, not all FMIs will continue to exist and be resolved and for this reason, the Bank should recognise and reflect this in the drafting of Rule 8.
11. The Supervisory Approach: Specifically, risk management and the actions an FMI firm should take to understand and manage the risks they may pose to the broader financial system. The Supervisory Approach document was published alongside the consultation to provide clarity for firms and assist it in the delivery of effective supervision as FMIs will have a clear understanding of what the Bank is seeking to achieve. LINK fully supports the Bank's use of a risk model to drive its supervision activity, as well as the detail of the model which consists of individual elements to allow assessment of the risk posed by FMIs to the Bank's financial stability objectives. However, in relation to firm-specific risks, it is important for the Bank to appreciate that the Board and Senior Management of an FMI must (and are best able) to judge their own key risks and how these should be mitigated and managed and ensure this is reflected in the Bank's supervisory approach.
12. Other than in relation to Rule 8 and the comment on the Bank's Supervisory Approach as noted above, LINK has no additional comments on the Bank's consultation.

13. The Chair, CEO and relevant Non-Executive Directors of LINK look forward to contributing to the roundtable on 10<sup>th</sup> February 2025 to discuss these publications, seek views on the consultation, and to get perspectives from other Financial Market Infrastructure senior leadership.

**Ends.**