

**Application for interim and final
authorisation under s88(1) of the
*Competition and Consumer Act 2010 (Cth)***

Lodged by:

The Australian Banking Association

on behalf of itself and others

Public Version

30 November
2023

Contents

1	Executive Summary	3
2	Background	4
2.1	Overview of cash distribution and cash services in Australia	4
2.2	Decline in use of cash in Australia	6
2.3	Reviews by the RBA and Treasury	9
2.4	ACCC authorisation of Armaguard / Prosegur merger	10
2.5	Recent developments	11
3	Parties to the Proposed Conduct	12
3.1	Applicant	12
3.2	Email address for service of documents in Australia	13
3.3	Other persons who propose to engage in the Proposed Conduct	13
4	Proposed Conduct	13
4.2	Application for interim authorisation	14
4.3	Provisions of the CCA which might apply to the Proposed Conduct	15
4.4	Term of authorisation sought	15
5	Persons who may be directly impacted by the Proposed Conduct	16
6	Counterfactual	16
7	Public benefit	16
8	Public detriment	18
9	Declaration by applicant	19
	Annexure A	20
	Annexure B	23
	Annexure C	24
	Annexure D	25

1 Executive Summary

This application is made to the ACCC by the Australian Banking Association (**ABA** or the **Applicant**), on behalf of itself, its members (**Member Banks**) and other stakeholders listed in section 3.3 below.

The Australian cash-in-transit (**CIT**) industry has been in structural decline for many years as a result of the decreasing use of cash as a payment method. This decline has resulted in significant financial pressure on private participants due to the underutilisation of cash distribution infrastructure and the materially increased unit costs of transporting and distributing cash.

In June 2023, the ACCC authorised the merger of the two largest providers of CIT services in Australia, Linfox Armaguard Pty Ltd (**Armaguard**) and Prosegur Australia Holdings Limited (**Prosegur**), on public benefit grounds.¹ Given the financial pressures faced by the merger parties, it was determined that without the merger, one of the CIT providers would likely cease supplying CIT services. Whilst the merger may have given rise to competitive detriment,² the ACCC considered that this was outweighed by the public benefit of avoiding a disorderly exit by one of the parties and the flow-on effects to access to cash for banks, retailers and the community. The merger was completed in September 2023.

At the end of October 2023, the Reserve Bank of Australia (**RBA**) scheduled an industry roundtable meeting in order to discuss the ongoing viability of wholesale banknote distribution in Australia. Attending the roundtable were industry participants, the RBA, the ABA, the four major commercial banks (ANZ, CBA, NAB and Westpac) and Treasury. Notwithstanding the merger, Armaguard expressed the view that the industry is unsustainable in its current form. Armaguard also advised that, as the sole distributor of wholesale cash, it has insufficient self-generating funds to reinvest in the future sustainability of the wholesale cash distribution network on an ongoing basis.

In a confidential presentation (see **Confidential Annexure C**) prepared by Armaguard prior to these discussions, it made the following statements:

[REDACTED]

[REDACTED] emphasis added]

Based on these developments, there is a serious concern that any suspension or disruption in the supply of CIT services could reduce the availability of cash to the Major Banks at a distribution level, and other participants in the retail cash distribution chain such as other commercial banks, Australia Post, major retailers and ATM services providers. This in turn could reduce the availability of cash to consumers and businesses across Australia.

The challenges facing the CIT industry are complex and multifaceted and cash usage as a payment method is projected to continue to decline. These issues are not unique to Australia and governments globally are addressing similar concerns related to access to cash.

¹ See the ACCC, *Reasons for Determination, Application for merger authorisation lodged by Armaguard and Prosegur in respect of the merger of their respective cash-in-transit and device monitoring and maintenance and ATM businesses*, Merger authorisation number: MA1000022, 13 June 2023 <https://www.accc.gov.au/system/files/public_registers/documents/Reasons%20for%20Determination%20-%2013.06.23%20-%20PR%20-%20MA1000022%20Armaguard%20Prosegur_0.pdf> (**ACCC Determination**).

² The combined entity would control greater than 90% of the CIT market in Australia. See ACCC Determination, page 30.

As major participants in wholesale and retail cash distribution, the banking industry will necessarily play a role in supporting government and shaping and implementing some of these solutions. The ABA and its Member Banks wish to work with Treasury, relevant government agencies, the RBA and other relevant stakeholders on potential responses to these matters in order to support sustainable wholesale and retail cash distribution and secure ongoing access to cash by members of the public. Treasury and the RBA have also requested that the ABA and its Member Banks participate in these discussions.

Without ACCC authorisation, the ABA and its Member Banks will be unable to meaningfully and effectively discuss and develop industry responses to the immediate challenges facing the CIT industry, nor will they be able to participate in multilateral discussions with Treasury, the RBA and other industry stakeholders about these matters. Given the scale of the challenges facing Australia's cash services and the time frames in which solutions must be progressed, this could impede the development of effective solutions to support the ongoing viability of wholesale cash distribution in Australia and secure continued access to retail cash services in metropolitan and regional locations by businesses and members of the public.

The Applicant seeks interim and final authorisation under section 88(1) of the *Competition and Consumer Act 2010* (Cth) (**CCA**) to engage in the conduct described in section 4 of this application. Given the urgency, the Applicant requests that interim authorisation be granted prior to 8 December 2023 for the period up until the ACCC has granted final authorisation.

The Applicant is seeking a short-term ACCC authorisation only until 30 June 2024 to enable the ABA and its Member Banks to explore and evaluate urgent industry responses to support viable wholesale cash distribution and secure access to retail cash services. The Proposed Conduct is limited to discussions and in-principle agreement about potential industry responses. It does not extend to the implementation of any solutions, which would be the subject of a separate ACCC authorisation (if required). The ABA and its Member Banks propose that an external competition lawyer attend each meeting of ABA and its Member Banks held under the authorisation and that monthly reports be submitted to the ACCC regarding progress and discussions to date. In these circumstances, the Applicant submits that the potential for public detriment is very limited and that any theoretical public detriment is outweighed by the substantial public benefits of facilitating the development of industry responses to the challenges facing the CIT industry.

This Application is made with the support of the RBA and Treasury.

2 Background

2.1 Overview of cash distribution and cash services in Australia⁴

The cash distribution system manages how banknotes (and coins) move between the RBA and the major banks, and then on to businesses and consumers. Australia's banknote distribution system has been in place since 2001. It was designed when cash was the most commonly used retail payment method.

The RBA is responsible for the production, issuance and wholesale distribution of banknotes. The wholesale issuance of banknotes from the RBA into circulation is managed through a series of agreements, known as the Banknote Distribution Agreements (**BDAs**). Any organisation can enter into a BDA with the RBA, provided they are prepared to comply with the contractual requirements. Currently there are four financial institutions which have bilateral agreements in place with the RBA, being the Major Banks (**BDA participants**).

⁴ Chapter 3 of the RBA, *Review of Banknote Distribution Arrangement: Issues Paper*, November 2021 <<https://banknotes.rba.gov.au/resources/banknote-distribution-consultation/issues-paper/pdf/review-of-banknote-distribution-arrangements-issues-paper-2021-11.pdf>>.

Only BDA participants can purchase banknotes directly from the RBA. BDA participants take ownership of banknotes following collection from the RBA's distribution site. At this point, banknotes are considered to be in circulation. As an alternative to purchasing banknotes directly from the RBA, BDA participants can purchase surplus banknotes from each other. This is also how other banks, retailers and businesses that are not party to a BDA are able to obtain banknotes.

The distribution of banknotes is carried out by the private sector. BDA participants engage CIT companies to transport, process and store banknotes on their behalf. In order to collect banknotes directly from the RBA, CIT companies must be nominated by a BDA participant and approved by the RBA.

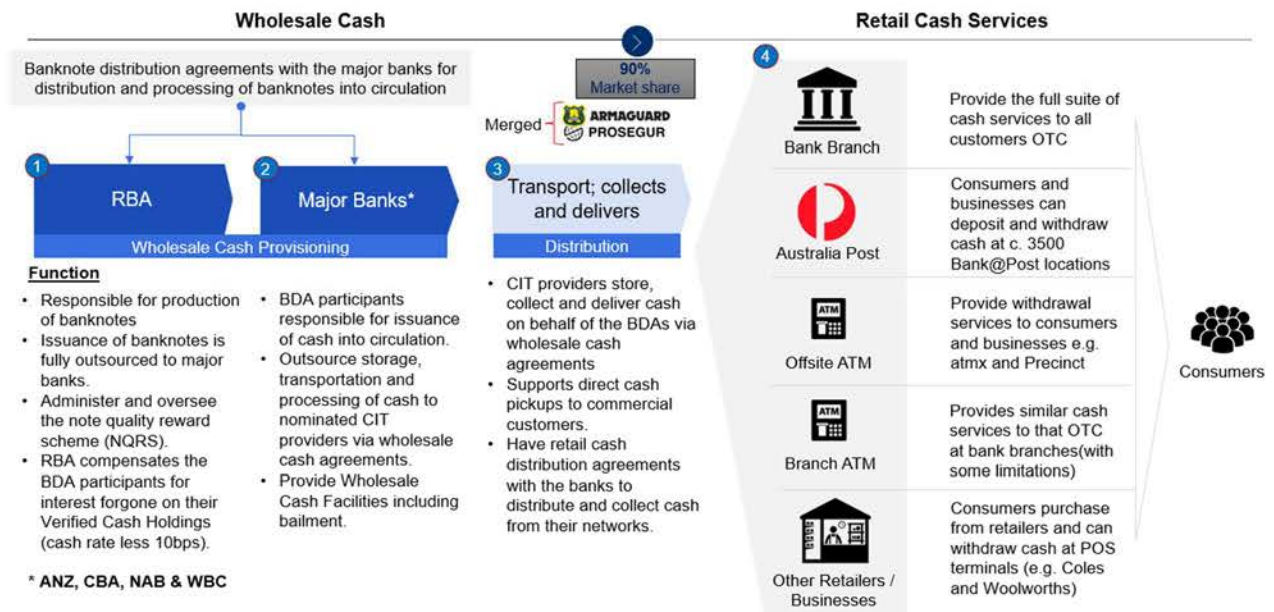
There are currently only three approved wholesale CIT providers in Australia; Streamcorp, Brink's and Armaguard. Streamcorp provides armoured and unarmoured CIT services in Perth and Melbourne, but does not have a national presence. Brink's no longer supplies CIT services in Australia, but has retained its status as an approved supplier. Armaguard accounts for more than 90%⁵ of the provision of approved wholesale CIT services nationally. There are also a large number of smaller CIT companies operating in the Australian market that are not part of the wholesale arrangements but support retail cash distribution.

The movement of cash by CIT providers to locations where it is made available to the public (ie, bank branches, ATMs, retailers, supermarkets, etc.) takes place as part of the retail cash distribution system. Once cash is returned to approved depots (which are managed by the approved CIT service providers), cash is lodged back in the major banks' note pools, at which point the cash becomes part of the wholesale cash system again.

The larger wholesale CIT providers are required to reliably and safely move significant volumes of banknotes, and do so using armoured vehicles and specialised security guards. They generally also offer a range of cash management services in addition to transportation, including: cash quality sorting; cash packaging; resolving cash order variations / discrepancies; vaulting and safes; cash processing; banknote refilling for ATMs and ticket machines; and cash demand forecasting. Smaller CIT firms typically use non-armoured vehicles and undertake lower-volume cash transports for retailers, supermarkets and smaller banks.

Figure 1 below illustrates the overview of the supply, distribution and management of cash in Australia.

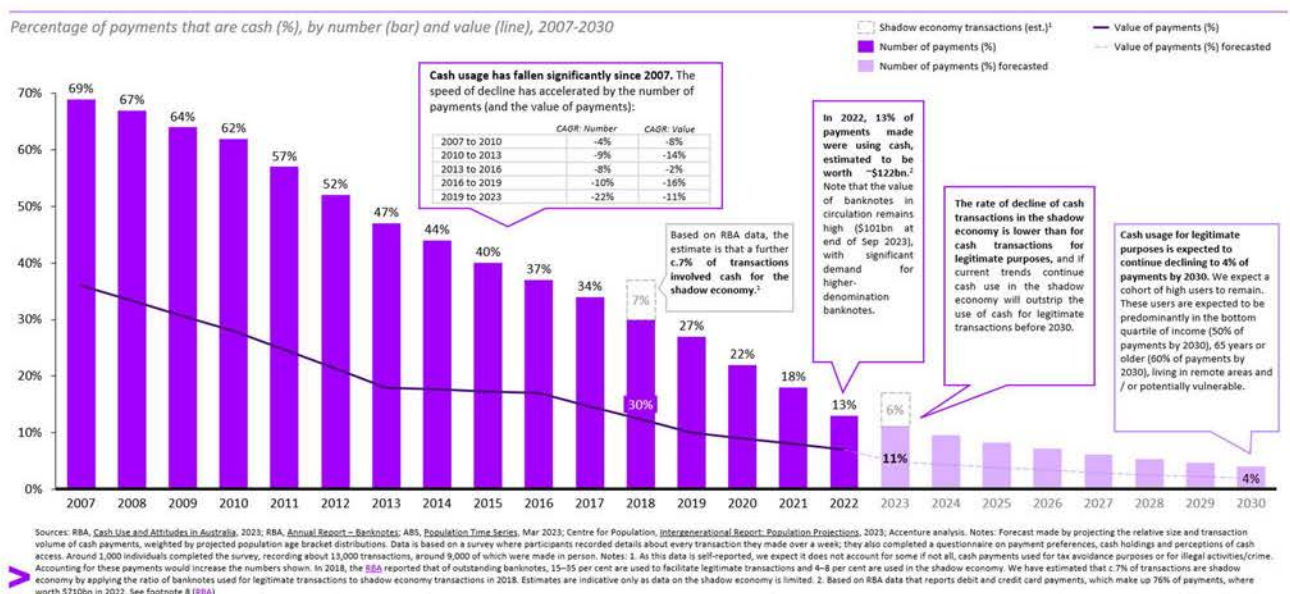
⁵ ACCC Determination, paragraph 5.19.



2.2 Decline in use of cash in Australia

The use of cash as a payment method in Australia is in decline and has been for many years. This is as a result of consumers switching to digital payments, a trend which accelerated during the Covid-19 pandemic. As illustrated in Figure 2 below, cash accounted for 69% of payments in Australia in 2007, with this figure declining to 13% in 2022. Forecasts indicate that cash usage as a payment method will continue to decline over the coming years, before dropping to 4% by 2030.

Figure 2

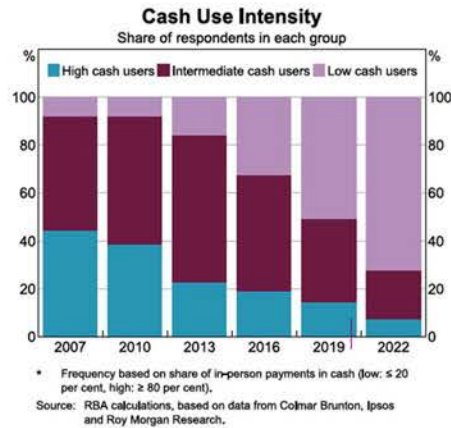


Source: Accenture

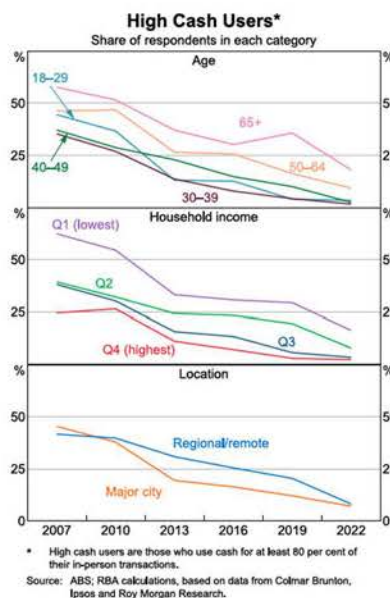
According to previously unreleased RBA research (which includes updated figures on cash and customer trends – see **Annexure D**) 72% of Australians are classified as low cash users,⁶ up from

⁶ Low cash users are defined as customers who use cash for 20% or less of their in-person transactions.

40% in 2007. At the same time the proportion of Australians classified as 'high cash users'⁷ has dropped from just over 40% in 2007 to 7% in 2022, **Figure 3**.



The same research finds that traditionally high cash users such as the elderly, those on lower incomes and those in regional areas, experienced the largest decline in cash usage as a payment method between 2019 and 2022. See **Figure 4** below:



As identified in Figure 4 above, the oldest age bracket – those aged 65 and above – experienced the largest percentage point decline in the share of high cash users. Similarly, the share of high cash users in regional and remote areas decreased more than in major cities, such that there is now little difference between these locations – in 2022, a little under 10 per cent of people in both major cities and regional or remote areas were high cash users. The lowest household income quartiles recorded the largest decline in the share of high cash users. As a result, cash use is now more similar across age, location and household income than at any time since the RBA's Consumer Payments Survey began in 2007.⁸

⁷ High cash users are defined as customers who use cash for at least 80% of transactions.

⁸ Annexure D, RBA, *Roundtable on Wholesale Banknote Distribution: Background Paper*, October 2023, Graph 3, p.2.

Although the volume of banknotes in circulation remains high (at around \$100.6 billion in September 2023)⁹ and demand for high denomination banknotes continues to grow, the RBA found that to be due to the precautionary and store-of-wealth function performed by banknotes, particularly during times of financial and economic uncertainty (see Figures 5 and 6 below).

Figure 5

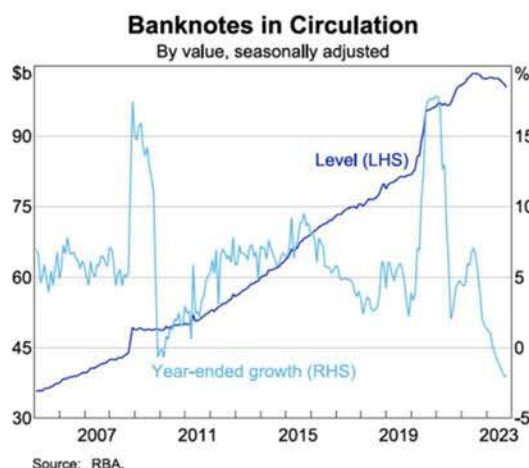
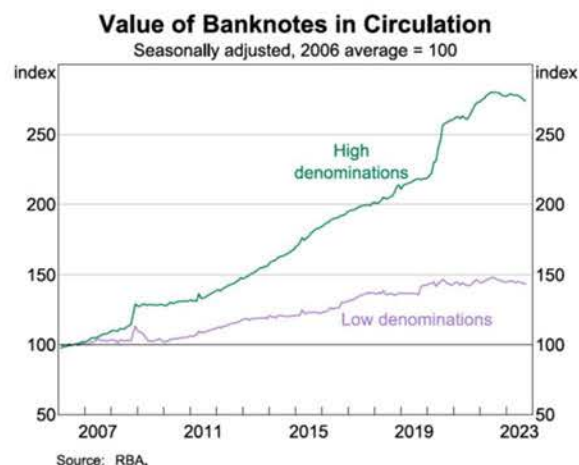


Figure 6



This decline in the use of cash has had a significant impact on the cash services system in Australia, affecting participants at both retail and wholesale levels. RBA analysis found that *“the lower volumes of banknotes being transported and processed had contributed to significant excess capacity within the wholesale distribution network”*.¹⁰

Other participants in the supply chain have also been severely affected, with CIT providers one of the hardest hit. The decline in the volume of banknotes being transported and processed has led to an underutilisation of cash distribution infrastructure, directly affecting the profitability and viability of CIT service providers. This is addressed in more detail in section 2.4 below.

These issues are not unique to Australia. Other countries have faced similar declines in cash usage as a payment method and have implemented various cash access and cash acceptance schemes, with varying degrees of success, including:

- (a) In the UK, legislating to ensure reasonable provision of cash access services, including free access to cash and regulatory monitoring of cash access services and service levels;¹¹
- (b) In Norway, mandating minimum cash access requirements on banks;¹²
- (c) In Denmark¹³ and certain states and municipalities in the US,¹⁴ mandating cash acceptance by merchants;
- (d) In the Netherlands, voluntary industry agreements to maintain minimum numbers of ATMs or to freeze ATM fees;¹⁵

⁹ Annexure D, RBA, *Roundtable on Wholesale Banknote Distribution: Background Paper*, October 2023, p.3.

¹⁰ Annexure D, RBA, *Roundtable on Wholesale Banknote Distribution: Background Paper*, October 2023, p.5.

¹¹ See the HM Treasury Cash Access Policy Statement, 18 August 2023 <<https://www.gov.uk/government/publications/cash-access-policy-statement>> and the Financial Conduct Authority Statement, 18 August 2023 <<https://www.fca.org.uk/news/statements/financial-services-markets-act-2023-gives-fca-new-powers-protect-access-cash>>.

¹² See section 16-4 of the *Financial Institutions Act* <https://lovdata.no/dokument/NLE/lov/2015-04-10-17/KAPITTEL_17#KAPITTEL_17>.

¹³ See section 81 of the *Danish Payments Act (Lov om betaling)* in *Consolidated Act no. 1024 of 3 October 2019* (in Danish) <<https://www.retsinformation.dk/eli/lt/2019/1024>>.

¹⁴ See, for example, *Senate Bill-926 Business: retail locations: cash payments* (California) <https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201920200SB926> and *House Bill 21-1048: A Bill for an Act Concerning a Requirement that Retail Establishments Accept United States Currency for Purchases* (Colorado) <https://leg.colorado.gov/sites/default/files/documents/2021A/bills/2021a_1048_ren.pdf>.

¹⁵ See the Cash Covenant dated 7 April 2022, available at <https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2022Z07016&did=2022D14241> (in Dutch) and De

- (e) Cash utility models whereby a single consolidated entity is formed to carry out wholesale cash distribution functions and/or operate ATMs, including in Sweden¹⁶ and the Netherlands;¹⁷ and
- (f) Public sector involvement in wholesale cash distribution, including in Sweden¹⁸ where the central bank operates a number of cash distribution centres.

Australia's geography however (including its size, relative distance between major cities and low population density) means that it faces particular challenges, especially with regard to the costs associated with transporting and processing cash and servicing ATMs and bank branches in regional and remote locations.¹⁹

Despite the overall decline in cash use in Australia, cash remains an important payment method for certain demographic groups, in particular, the elderly and those on lower incomes (ie, groups which have traditionally been classified as high cash users, even if cash use among this group has also declined).²⁰

Cash also remains an important form of backup payment method. Additionally, cash is important in emergencies, including natural disasters, as evidenced by the 2022 eastern Australia floods, where cash was flown in via helicopter to provide those affected with means of payment.²¹

2.3 Reviews by the RBA and Treasury

In 2021/2022, the RBA conducted a public consultation to determine *"what changes to Australia's banknote distribution system might be required so that banknote distribution is effective, efficient, sustainable and resilient"*.²² The consultation considered:

- (a) The structure of the banknote distribution system and the roles of existing participants including the RBA, commercial banks and the CIT industry;
- (b) Issues faced by industry participants in carrying out banknote distribution; and
- (c) How the current banknote distribution arrangements with the RBA impact the ability of industry participants to meet banknote demand and adapt to or innovate within the changing economic environment, including the ability of new participants to enter into the banknote distribution industry or for new business models to emerge.²³

The RBA considered a range of measures that could be taken to address issues in the CIT industry, noting that these measures would require, to varying degrees, actions by industry participants, as well as the RBA, government and government agencies. Potential solutions raised during the consultation included:

- (a) Improvements to distribution efficiency: The RBA suggested that existing industry participants could work together to improve the efficiency and viability of their operations. For example, CIT companies could seek to reduce costs by restructuring their depot networks, increasing automation, restructuring pricing, changing the range of vehicle fleets used or

Nederlandsche Bank Press Release, 7 April 2022 <<https://www.dnb.nl/en/general-news/press-release-2022/new-covenant-lays-down-agreements-on-proper-functioning-of-cash/>>.

¹⁶ See the Bankomat AB Website, "Om Bankomat AB" (in Swedish) <<https://www.bankomat.se/om-oss/>>.

¹⁷ See the Geldmaat Website, "Ons verhaal" (in Dutch) <<https://www.geldmaat.nl/over-ons/wat-we-doen/>>.

¹⁸ See the Bankomat AB Website, "Om Bankomat AB" (in Swedish) <<https://www.bankomat.se/om-oss/>>.

¹⁹ RBA, Review of Banknote Distribution Arrangements: Issues Paper, November 2021, p.19. <<https://banknotes.rba.gov.au/resources/banknote-distribution-consultation/issues-paper/pdf/review-of-banknote-distribution-arrangements-issues-paper-2021-11.pdf>>.

²⁰ Annexure D, RBA, Roundtable on Wholesale Banknote Distribution: Background Paper, October 2023, Graph 3, p.2.

²¹ Ayesha de Kretser, "Choppers fly cash in to devastated Lismore flood zone", Australian Financial Review, 7 March 2022 <<https://www.afr.com/companies/financial-services/choppers-fly-cash-in-to-devastated-lismore-flood-zone-20220307-p5a2i5>>.

²² RBA, Review of Banknote Distribution Arrangements: Consultation Page, November 2021 <<https://banknotes.rba.gov.au/resources/banknote-distribution-consultation/>>.

²³ RBA, Review of Banknote Distribution Arrangements: Consultation Page, November 2021 <<https://banknotes.rba.gov.au/resources/banknote-distribution-consultation/>>.

changing the mix of services provided. The RBA also flagged that it is important to consider whether there are any barriers to efficiency gains as a result of the BDA arrangements currently in place.

- (b) Coordination within the system: The RBA considered that CIT firms may wish to engage in some degree of coordination in an attempt to remove excess capacity. This could be achieved in a variety of different ways. For example, CIT companies could explore avenues for coordination between each other in order to reduce duplication and excess capacity in the depot and transport network.
- (c) Consolidation within the system: The RBA considered whether establishing a utility model for banknote distribution would assist (ie, a number of organisations forming a new single entity to carry out banknote distribution functions).

In June 2023, Treasury released its *Strategic Plan for Australia's Payments System*²⁴ (**Strategic Plan**) which set out its policy objectives and priorities for the payments system. The Strategic Plan was developed through a consultation process in collaboration with regulators, industry, consumer and business representatives, and is intended to be reviewed every 18 months.

Under the Strategic Plan, the RBA is working to reduce impediments to improved efficiencies in cash distribution. This includes introducing transparent and standard contractual arrangements for the distribution of banknotes by the RBA, as well as the establishment of a banknote distribution industry forum to facilitate more timely changes to make the distribution of cash more effective, efficient, resilient and sustainable.²⁵

The Treasurer specifically noted in the context of the cash payments system that:

*"The Government understands the important role cash still plays in our payments system and supports Australians having continued access to cash. **The Government will work with the relevant agencies across the public sector and with industry to ensure that Australia has a sustainable cash distribution network that maintains adequate access to cash.**"*

"The Government will closely monitor developments regarding access to cash for Australians, in close consultation with relevant regulators. This is to ensure that, as cash reliance declines and the CIT industry undergoes transition, the market can operate both efficiently and fairly, that the potential for disruptions that could impact cash access are identified early and minimised, and that Australians continue to have access to cash." [emphasis added]

2.4 ACCC authorisation of Armaguard / Prosegur merger

In June 2023, the ACCC conditionally authorised the merger of the two largest providers of CIT services in Australia, Armaguard and Prosegur, on public benefit grounds.²⁶

In its Determination, the ACCC acknowledged that *"the cash-in-transit industry is in structural decline due to decreasing use of cash as a payment method"*. The ACCC accepted that there are *"high fixed costs"* associated with providing CIT services and the declining volume of cash as a payment method had meant that Armaguard and Prosegur had recorded significant trading losses in recent years.²⁷

The ACCC accepted that, given the financial pressures faced by the merger parties, without the merger, one of either Armaguard or Prosegur would be likely to cease to supply CIT services, which would likely affect customer's access to cash, with significant consequences for customers and the

²⁴ Treasury, *A Strategic Plan for Australia's Payments System: Building a modern and resilient payments system*, June 2023, <<https://treasury.gov.au/sites/default/files/2023-06/p2023-404960.pdf>>.

²⁵ Treasury, *A Strategic Plan for Australia's Payments System: Building a modern and resilient payments system*, June 2023, p.23 <<https://treasury.gov.au/sites/default/files/2023-06/p2023-404960.pdf>>.

²⁶ ACCC Determination, page iii.

²⁷ ACCC Determination, page iii.

broader public.²⁸ The proposed acquisition would however "avoid disorderly disruption to the supply of cash-in-transit services and the flow-on effects for access to cash for the community".²⁹

In particular, the ACCC accepted that one of the parties would likely cease supplying CIT services almost immediately (as opposed to a gradual wind down), and that an abrupt exit in this way would cause significant disruption to the supply of CIT services (including to the Major Banks) and therefore access to cash. Customers of the party that ceased to supply CIT services would be required to switch suppliers, moving all volumes at once urgently, and at the same time as each other. This would result in large scale disruption that would impact businesses (banks, ATM services providers and retailers) and consumers (especially those that rely on cash payment methods).³⁰ The ACCC noted that there would be other potential consequences including a decrease in confidence in cash as a payment method; a possible "run" on cash; ATMs and businesses being vulnerable to security threats and a need for government assistance to facilitate the continued supply of CIT services and access to cash in the short term.³¹

The ACCC found that avoiding a disorderly exit, the related disruption to CIT services, and the flow on effects of the unavailability of cash, constituted a material public benefit that would flow from the merger. The ACCC granted merger authorisation on condition that the parties give and comply with a court enforceable undertaking. That undertaking provides certainty regarding pricing and service levels, with the ACCC considering that it may also "avoid the need for government to consider an urgent response to assist in maintaining access to cash, allowing adequate time for consideration of any policy or broader regulatory response in the longer term".³²

The merger of Armaguard and Prosegur completed in September 2023.

2.5 Recent developments

[REDACTED]

At the end of October 2023, the RBA scheduled an industry roundtable meeting in order to discuss the ongoing viability of wholesale banknote distribution in Australia. Attending the roundtable were industry participants, the RBA, the ABA, the four major commercial banks (ANZ, CBA, NAB and Westpac) and Treasury. Notwithstanding the merger, Armaguard expressed the view that the industry is unsustainable in its current form. Armaguard also advised that, as the sole distributor of wholesale cash, it has insufficient self-generating funds to reinvest in the future sustainability of the wholesale cash distribution network on an ongoing basis. In a confidential presentation (see **Confidential Annexure C**) prepared by Armaguard prior to these discussions, it made the following statements:

[REDACTED]

[REDACTED]

²⁸ ACCC Determination, page i.

²⁹ ACCC Determination, page v.

³⁰ ACCC Determination, page 89.

³¹ ACCC Determination, page 89-90.

³² ACCC Determination, page 90.

Member Banks have since held a number of bilateral discussions with Armaguard, and the ABA has continued discussions with the RBA and Treasury about these issues. However, it is apparent that the scale of the challenges facing the cash distribution system, and access to cash more generally, and the potential abrupt and disorderly cessation of CIT services, requires the development of urgent solutions. While Government led policy or regulatory changes are likely, and imperative, it is clear that the banking industry must necessarily play a role in exploring and contributing to some of these solutions, particularly the Major Banks / BDA participants who have a direct relationship with the RBA, and are intrinsically involved in the supply of cash to other financial institutions, retailers and businesses. In exploring and contributing to solutions regarding wholesale cash distribution, it is in turn essential that the sustainability of retail cash networks can also be considered and the interaction between arrangements in those networks and the viability of wholesale distribution and Armaguard's operations.

Given the scale of the challenges facing Australia's cash services and the time frames in which solutions must be progressed, the Applicant seeks urgent interim and final authorisation to facilitate meaningful and effective discussions regarding banking industry responses to these challenges. The authorisation is short term in nature (until 30 June 2024) and is limited to discussions and in-principle agreement about potential industry responses. It does not extend to the implementation of any solutions, which would be the subject of a separate ACCC authorisation (if required).

Given statements made by Armaguard, the RBA has convened a forum between Member Banks and Armaguard on Thursday 14 December 2023 and Member Banks' full participation in that forum is required so that urgent solutions can be explored and evaluated in an expedited time frame. To prepare for these meetings, and subject to receipt of interim authorisation, discussions on cash issues will be held at a meeting of ABA Council on Friday 8 December 2023.

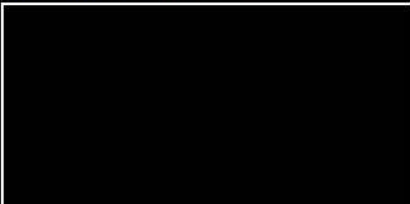
It is for this reason that interim authorisation is requested prior to 8 December 2023.

3 Parties to the Proposed Conduct

3.1 Applicant

The ABA is an incorporated association under the provisions of the NSW Associations Incorporation Act 1984. There are 20 Member Banks. The ABA is governed by a Council which comprises the Chief Executive Officers of Member Banks. There are currently 15 members of the ABA Council.

The ABA works with its members to provide analysis, advice and advocacy and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to ensure Australia's banking customers continue to benefit from a prudentially stable, competitive and accessible banking industry.

Name, address (registered office), telephone number and ACN	Contact person's name, position, telephone number and email address	Description of business activities
The Australian Banking Association (ACN 117 262 978) Level 18, 6 O'Connell Street, Sydney 2000 (02) 8298 0417		The ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services.

3.2 Email address for service of documents in Australia

Rosannah Healy
Partner, Allens

(03) [REDACTED]

3.3 Other persons who propose to engage in the Proposed Conduct

A list of the Member Banks who will be participating in the proposed conduct can be found at **Annexure A**. This includes the Major Banks / BDA participants.

The Proposed Conduct will necessarily involve discussions with Armaguard, the RBA and Treasury.

It may also involve discussions with other stakeholders in the cash ecosystem such as other suppliers of CIT services, Australia Post, non-Member Banks and retailers, supermarkets and other businesses who distribute and utilise cash in their business.

4 Proposed Conduct

As noted above, the challenges facing the CIT industry are complex and multifaceted. As major participants in wholesale and retail cash distribution, the banking industry will necessarily play a role in supporting government and shaping and contributing to some of the solutions being explored to address these challenges. The ABA and its Member Banks wish to work with Treasury, relevant government agencies, the RBA and other relevant stakeholders in the cash eco-system on potential responses to these matters in order to support sustainable wholesale and/or retail cash distribution.

The Applicant seeks ACCC authorisation on behalf of itself, Member Banks and other stakeholders listed in section 3.3, to:

- (a) engage in discussions and exchange information that is for the purposes of, and reasonably necessary for, developing and evaluating potential urgent responses to:
 - (i) the viability of wholesale cash distribution in Australia; and/or
 - (ii) securing continued access by banks, retailers, other businesses and/or members of the public to retail cash services in one or more metropolitan and/or regional locations; and
- (b) reach in-principle agreement on the form and content of any urgent industry responses to be pursued, the implementation of which would be the subject of a separate application for ACCC authorisation, as required.

The Proposed Conduct will involve multilateral discussions and the exchange of information between either:

- (a) the Applicant and its Member Banks; or
- (b) the Applicant, Member Banks and one or more of the stakeholders listed in section 3.3 above,

including in relation to:

 - (i) actions to be taken by the Federal Government, the RBA and others to ensure the ongoing availability of cash to Australians in metropolitan and regional areas;
 - (ii) modelling of anticipated customer cash usage so that Member Banks can form an understanding of projected short and long-term demand for cash services in metropolitan and regional locations;

- (iii) information about Armaguard's business so that Member Banks can form an understanding of the financial arrangements underpinning Armaguard's CIT services that are core to the immediate and longer-term sustainability of its cash services;
- (iv) Armaguard's current service delivery arrangements for core CIT services, including economics of supply, logistical efficiency, the terms of Member Banks CIT contracts with Armaguard and potential options to support the sustainability of metropolitan and regional cash services;
- (v) short-term business continuity planning for CIT services, including for disruption of existing CIT services providers;
- (vi) wholesale cash policy changes to support the sustainability of cash services including the terms of the BDAs;
- (vii) costs of cash products and retail service distribution and measures to increase the sustainability of cash products and retail service distribution;
- (viii) discussions with other key industry participants including Australia Post, other major cash handlers and other suppliers of CIT services;
- (ix) responses and submissions to any consultation or inquiry undertaken by governments relating to cash services; and
- (x) information required to prepare a separate application to the ACCC for authorisation of measures to implement the Banking Industry Proposal on Cash Sustainability.

(collectively, the **Proposed Conduct**).

The Proposed Conduct is intended to facilitate the urgent exploration and evaluation of industry responses to the current challenges in the cash supply chain. It does not involve entering into contracts, arrangements or understandings regarding non-cash services provided by Member Bank, such as home loans, credit cards, savings accounts or other forms of financing.

For the duration of interim and final authorisation, the Applicant undertakes to:

- (a) provide the ACCC with a report each month (or such other period as the ACCC may approve) setting out material activities, discussions, developments and/or decisions in the previous period that involved conduct enabled by this authorisation, including:
 - (i) topics discussed at meetings involving the Applicant; and
 - (ii) potential urgent industry responses considered.
- (b) have an external lawyer with expertise in competition law, engaged by the ABA and approved by the ACCC, in attendance at meetings with instructions to immediately advise the attendees if, during the course of the meeting, they develop concerns that there is conduct occurring that is outside the scope of this authorisation and risks breaching the CCA.

4.2 Application for interim authorisation

The Applicant seeks interim authorisation on an urgent basis prior to 8 December 2023 for the period up until the ACCC has granted final authorisation.

Given the scale of the challenges facing Australia's cash distribution system and the time frames in which solutions must be progressed to avoid a suspension or disruption to the supply of CIT services, the Applicant seeks urgent interim authorisation in order for Member Banks to engage in meaningful and effective multilateral discussions regarding industry responses to these challenges immediately. In particular, the RBA has convened a forum between Member Banks and Armaguard

on Thursday 14 December 2023 and Member Banks' full participation in that forum is required so that urgent solutions can be explored and evaluated in an expedited time frame. To prepare for these meetings, and subject to receipt of interim authorisation, discussions on cash issues will be held at a meeting of the ABA Council on Friday 8 December 2023.

Member Banks have progressed some bilateral discussions with Armaguard to date. However, given the projected structural decline in cash usage as a share of customer payments, immediate issues in the CIT industry and the interdependence of Armaguard's business with the BDA participants in particular, it is apparent that steps taken by the Member Banks individually and without regard to the collective effect of those actions are unlikely to be successful in securing the viability of wholesale cash distribution and/or supporting ongoing access to cash at bank branches and ATMs. Member Banks and the RBA consider that bilateral discussions have been taken as far as is reasonably practicable and that there is an immediate need to commence multilateral discussions under the protection of an ACCC authorisation.

It is emphasised that the authorisation is short term in nature and is limited to discussions and in-principle agreement about potential industry responses. It does not extend to the implementation of any solutions, which would be the subject of a separate ACCC authorisation (if required). In addition, there are a number of important safeguards which will mitigate the risk of the Proposed Conduct giving rise to competitive detriment, including:

- (a) The limitations on the information that can be shared and discussed (ie, it must be for the purposes of exploring urgent responses to the viability of wholesale cash distribution or supporting access to cash, and only information which is reasonably appropriate for those solutions can be shared); and
- (b) the ABA and its Member Banks propose that an external competition lawyer attend each meeting of the Member Banks held under the authorisation and that monthly reports be submitted to the ACCC regarding progress and discussions to date.

In these circumstances, the Applicant submits that the potential for detriment under interim authorisation is very limited and that any theoretical detriment is outweighed by the substantial public benefits of facilitating the development of urgent industry responses to the challenges facing the CIT industry.

4.3 Provisions of the CCA which might apply to the Proposed Conduct

The Applicant seek authorisation in respect of the following provisions of the CCA:

- (a) cartel conduct (Division 1 of Part IV), in that it may involve contracts, arrangements or understandings containing provisions which have the purpose or effect of fixing, controlling or maintaining, or providing for the fixing, controlling or maintaining of, the price or a discount, allowance, rebate or credit in relation to goods or services supplied, acquired or likely to be supplied or acquired by the parties, or have the purpose of preventing, restricting or limiting the acquisition or supply or likely acquisition or supply of goods or services by the parties (ss45AD(2), 45AD(3), 45AF, 45AG, 45AJ, and 45AK of the CCA);
- (b) conduct, contracts, arrangements or understandings, concerted practices, exclusive dealing and other conduct that have the purpose, effect or likely effect of substantially lessening competition (ss 45(1), 46 and 47 of the CCA).

4.4 Term of authorisation sought

The Applicant seeks authorisation to engage in the Proposed Conduct for a short-term period only, until 30 June 2024.

5 Persons who may be directly impacted by the Proposed Conduct

The persons who would be directly impacted by the Proposed Conduct include:

- (a) Armaguard, and other suppliers of CIT services;
- (b) Banks (including both Member Banks and non-member banks);
- (c) Retailers, supermarkets and other businesses who distribute and utilise cash in their business;
- (d) Australia Post who distributes cash in regional areas through Bank@Post;
- (e) Australian consumers, particularly vulnerable Australians; and
- (f) Government and the RBA.

6 Counterfactual

The Applicant has been advised that Armaguard has insufficient self-generating funds to reinvest in the future sustainability of the wholesale cash distribution network. There are accordingly serious concerns that if urgent action is not taken, there is a material risk of a suspension or disruption to the supply of CIT services in Australia. Without ACCC authorisation, the ABA and Member Banks will be unable to meaningfully and effectively discuss and develop industry responses to the challenges facing the CIT industry without exposing themselves to potential competition law risks. Nor will they be able to participate in multilateral discussions with Treasury, the RBA and other industry stakeholders as requested. Given the scale of the challenges facing Australia's cash distribution system and the time frames in which solutions must be progressed, this could impede the development of effective industry responses to support the ongoing viability of wholesale cash distribution in Australia and ensure continued access to retail cash services in metropolitan and regional areas by businesses and members of the public either at all, or in a timely manner.

7 Public benefit

As noted above, the challenges facing the CIT industry are complex and multifaceted. They will likely require Government led policy or regulatory changes as well as ongoing actions by the RBA under the Strategic Plan discussed above in section 2.3. However, it is clear that the banking industry must necessarily play a role in exploring and contributing to some of these solutions, particularly the Major Banks / BDA participants who have a direct relationship with the RBA and the wholesale supply of cash to other participants.

The Applicant and Member Banks consider that the Proposed Conduct will give rise to substantial public benefits, facilitating the exploration and evaluation of urgent industry responses to the challenges facing the CIT industry, and to support other policy measures being developed and implemented by the RBA and Treasury. In particular, the Proposed Conduct will result in the following significant public benefits:

- (a) **Effective evaluation of the challenges facing the CIT industry.** The Proposed Conduct will enable Member Banks, and in particular the Major Banks, to effectively and efficiently evaluate the scale and nature of the challenges facing Armaguard and the immediate banking industry responses that might be taken (in conjunction with other policy measures) to support the ongoing viability of Armaguard's business and the wholesale cash distribution system more generally, as well as continued access to retail cash services in metropolitan and regional areas. This is because authorisation will facilitate the sharing of information among Member Banks, as well as between Member Banks and other relevant industry stakeholders, which is reasonably necessary for exploring and evaluating urgent industry responses. Without authorisation, Member Banks would be limited in the information which

they could share with one another and with relevant stakeholders, potentially resulting in an incomplete or inaccurate picture of the nature of those challenges and the industry responses that could effectively target those challenges and support more sustainable wholesale cash distribution and continued access to retail cash services.

- (b) **Development of effective urgent industry responses.** Given the structural decline of the CIT industry, it is apparent that steps taken by Member Banks individually and without regard to the collective industry effect of those actions are unlikely to be successful in supporting the viability of wholesale cash distribution and/or supporting continued access to retail cash services, including by banks, retailers, other businesses and by members of the public. By facilitating multilateral discussions among Member Banks and between Member Banks and key stakeholders, the Proposed Conduct will facilitate the development of more effective industry responses to the challenges facing Armaguard, wholesale cash distribution more generally and retail cash services. This will in turn support other policy measures that are likely to be implemented by Government. An evaluation of these industry responses necessarily involves an evaluation of the interdependence between wholesale cash distribution and retail cash distribution, and the steps which can be taken in parallel to secure more sustainable wholesale cash distribution and retail cash services. In respect of Member Banks' retail cash services, it is noted that the Proposed Conduct is limited to discussions and urgent industry responses which relate to supporting continued access to retail cash services. Conduct which relates to any other products or services offered by Member Banks in competition with one another is excluded from the Application.
- (c) **Timely development of urgent industry responses.** Given the scale of the challenges facing Australia's cash services and the time frames in which solutions must be progressed to avoid a suspension or disruption to cash services, it is clear that urgent action by Government, the RBA and broader industry is required. By facilitating multilateral discussions among Member Banks in which information that is reasonably necessary for evaluating urgent industry responses can be shared, the Proposed Conduct will facilitate the development of effective industry responses in an expedited time frame. The scale and complexity of the issues means that bilateral discussions between Member Banks and key stakeholders such as Treasury and the RBA are not practically feasible and could impede the development of effective industry responses in the required time frames. Moreover, as noted above in (a) and (b), an inability to engage in multilateral discussions would likely impede the effective evaluation and development of effective industry responses to these matters at all.
- (d) **Avoidance of potential disruption to the supply of CIT services.** By facilitating the development and evaluation of effective industry responses to the viability of wholesale cash distribution and continued access to retail cash services, the Proposed Conduct will assist in avoiding a potential disruption to the supply of CIT services and the flow-on effects for access to cash for the community. As the ACCC recognised in its determination of the Prosegur / Armaguard merger, a disruption to the supply of CIT services and associated disrupted access to cash would significantly impact both businesses and consumers. Cash remains *"an important method for certain consumers...[including those] who are unable to use non-cash payment methods or have a greater preference for cash, such as those living in regional or remote areas, the elderly, and those without reliable access to the internet"*³³ (even though as noted above, cash use in these groups has also declined). Confidence in access to cash is also critical to the public's confidence in the security and stability of

³³ ACCC Determination, p.89.

Australia's financial system. A disruption to CIT services and access to cash could lead to the following consequences which were also previously recognised by the ACCC:³⁴

- (i) **A 'run' on cash:** the potential that public concern about access to cash could cause a "run" on cash in some areas, exacerbating supply issues;
- (ii) **Security concerns:** ATMs, businesses and customers could be potentially vulnerable to security threats (such as robberies); and
- (iii) **Urgent government intervention:** a need for government assistance to manage the above impacts, to facilitate the continued supply of CIT services and access to cash in the short term.

8 Public detriment

The Applicant submits that the Proposed Conduct will result in significant public benefits and is unlikely to result in any material public detriments for the following reasons:

- (a) The Applicant seeks **short term ACCC authorisation only** until 30 June 2024 to enable Member Banks to explore and evaluate urgent industry responses to support viable wholesale cash distribution and continued access to retail cash services in metropolitan and regional areas. This is no more than is reasonably necessary to explore and evaluate urgent industry responses to the viability of wholesale cash distribution and/or continued access to retail cash services.
- (b) The Proposed Conduct is limited to discussions and in-principle agreement about potential industry responses and **does not extend to the implementation** of any solutions which would be the subject of a separate ACCC authorisation (if required).
- (c) The Proposed Conduct is **confined in nature**:
 - (i) Discussions, information sharing and in-principle agreement can only occur where it has the **purpose of, and is reasonably necessary for** urgent industry responses to the viability of wholesale cash distribution and supporting continued access to retail cash services in metropolitan and regional areas; and
 - (ii) The Proposed Conduct does **not** involve entering into contracts, arrangements or understandings regarding **non-cash services** provided by the Member Banks, such as home loans, credit cards, savings accounts or other forms of financing. While the Proposed Conduct may involve a discussion by Member Banks regarding their retail cash services, this is reasonably necessary given the interdependence of retail cash distribution and the wholesale cash distribution system (eg, the scale of retail cash distribution influences the cost and complexity of wholesale cash distribution, including logistical arrangements, scheduling, service levels etc). In addition, as noted in (i) above, Member Banks may **only** discuss or share information about retail cash services to the extent it has the purpose of developing urgent industry responses to support the viability of wholesale cash distribution and/or continued access to retail cash services in metropolitan and regional areas.
- (d) No Member Bank is prevented from engaging in **bilateral discussions** with Armaguard, although the success of these is likely to be limited (as discussed above).
- (e) The Proposed Conduct is **voluntary** and No Member Bank or other industry stakeholder is required to participate in the Proposed Conduct.

³⁴ ACCC Determination, pp.89-90.

- (f) The ABA and its Member Banks propose that an **external competition lawyer** attend each meeting of Member Banks held under the authorisation and that **monthly reports** be submitted to the ACCC regarding progress and discussions to date.

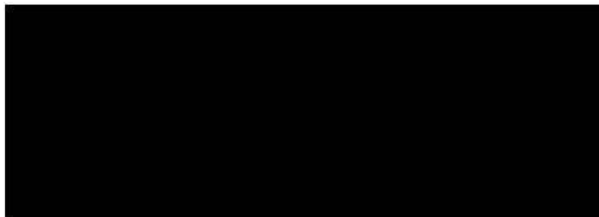
In light of all of these circumstances, the Applicant submits that the potential for detriment is very limited and that any theoretical detriment is outweighed by the substantial public benefits of facilitating the development of industry responses to the challenges facing the CIT industry.

9 Declaration by applicant

The undersigned declare that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.



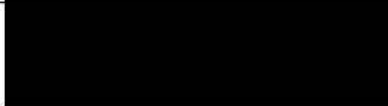




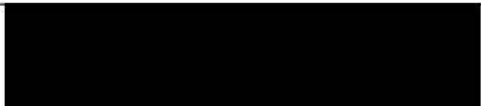
The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the Criminal Code (Cth).


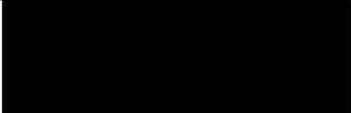




Annexure A

ABA Member Banks

Member Bank	Contact Details
AMP Bank Limited Locked Bag 5059 Parramatta NSW 2150 Ph: 13 30 30 ACN 081 596 009	
Australia and New Zealand Banking Group Limited ANZ Centre Melbourne 833 Collins Street DOCKLANDS VIC 3008 Ph: (03) 9273 5555 ACN 005 357 522	
Arab Bank Australia Limited Exchange Centre Level 7, 20 Bridge Street Sydney NSW 2000 Ph: (02) 9377 8900 ACN 002 950 745	
Bank Australia Limited Private Bag 12, Kew VIC 3101 Ph: (03) 9854 4644 ACN 087 651 607	
Bank of China (Australia) Limited Level 12, 39-41 York Street Sydney NSW 2000 Ph. (02) 8235 5888 ACN 110 077 622	
Bank of Queensland Level 17, 259 Queen Street BRISBANE QLD 4000 Ph: (07) 3212 3494 ACN 009 656 740	
Bank of Sydney Limited 62 Pitt Street Sydney NSW 2000 Ph: (02) 8262 9060 ACN 093 488 629	
Bendigo and Adelaide Bank Limited The Bendigo Centre Bendigo, Victoria 3550 Ph: 1300 361 911	

Member Bank	Contact Details
ACN 068 049 178	
Citigroup Pty Ltd 2 Park St Sydney NSW 2000 Ph: 13 24 84 ACN 004 325 080	[REDACTED]
Commonwealth Bank of Australia 48 Martin Place SYDNEY NSW 2000 Ph: 132 221 ACN 123 123 124	[REDACTED]
HSBC Bank Australia Limited Level 36, Tower 1, International Towers Sydney 100 Barangaroo Avenue Sydney NSW 2000 Ph: (02) 9006 5888 ACN 006 434 162	[REDACTED]
ING Bank (Australia) Limited 60 Margaret Street SYDNEY NSW 2000 Ph: (02) 9028 4000 ACN 000 893 292	[REDACTED]
JPMorgan Chase Bank, N.A, Sydney Branch Level 18, 85 Castlereagh Street Sydney NSW 2000 Australia ABN 43 074 112 011	[REDACTED]
Macquarie Bank Limited No.1 Martin Place SYDNEY NSW 2000 Ph: (02) 8232 3333 ACN 008 583 542	[REDACTED]
MUFG Bank Limited 25/1 Macquarie Place Sydney NSW 2000 ACN 103 418 882	[REDACTED]
MyState Bank Limited Level 2, 137 Harrington Street Hobart TAS 7001 Ph: 138 001 ACN 067 729 195	[REDACTED]
National Australia Bank Limited	[REDACTED]

Member Bank	Contact Details
800 Bourke Street MELBOURNE VIC 3000 Ph: 13 22 65 ACN 004 044 937	
Rabobank Australia Limited Level 16 Tower 3/Darling Park Tower 3, 201 Sussex St, Sydney NSW 2000 Ph. (02) 8115 4000 ACN 001 621 129	
Suncorp Bank (Suncorp-Metway Limited) Level 28, 266 George Street BRISBANE QLD 4000 Ph: (07) 3362 1222 ACN 66 010 831 722	
Westpac Banking Corporation Westpac Place 275 Kent Street SYDNEY NSW 2000 Ph: (02) 9293 9270 ACN 007 457 141	

Annexure B

Contact details of other industry stakeholders.

Industry stakeholder	Contact Details
RBA	[Redacted]
Armaguard	[Redacted]
Australia Post	[Redacted]
Coles Group	[Redacted]
Woolworths Group	[Redacted]
Customer Owned Banking Association (COBA)	[Redacted]

Annexure C



Annexure D

RBA Roundtable on Wholesale Banknote Distribution: Background Paper dated October 2023

Roundtable on Wholesale Banknote Distribution: Background Paper

1. Introduction

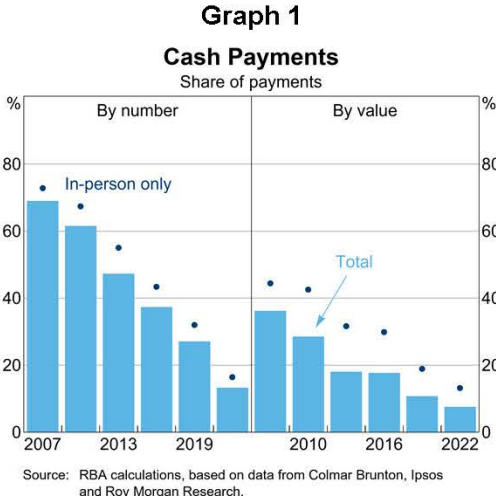
This paper describes recent trends in demand for cash, access to cash and wholesale banknote distribution in Australia, as well as developments in international cash-related policies. The use of cash for retail payments has been declining for some time and was further accelerated by the COVID-19 pandemic. Despite declining use in transactions, cash is still relied on by some members of the community and is important as a back-up for electronic payment methods and for precautionary/store-of-wealth purposes. As cash is circulating less frequently through the economy, there has been increased pressure on the participants in the cash distribution system.

The Reserve Bank of Australia (the Bank), as part of its 2023/24 Corporate Plan, has committed to assist the Australian Government develop policy options and contingency plans to ensure cash remains a viable means of payment for those who need or want to use it. Similarly, Treasury’s Strategic Plan for Australia’s Payments System stated that the Government supports Australians having continued access to cash (Treasury 2023).

2. Developments in cash demand

2.1 Cash use

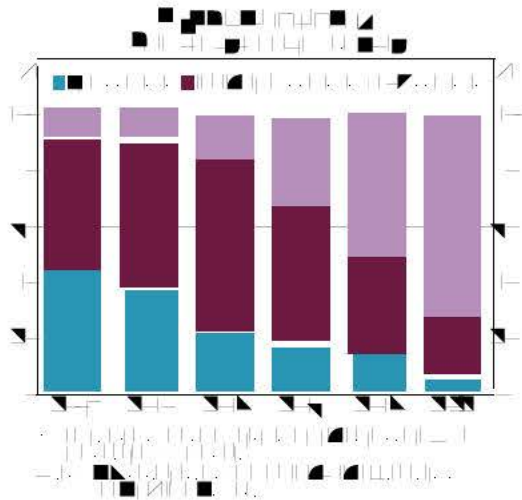
Cash use for retail payments has been declining alongside growing use of electronic payments for many years. The Bank’s triennial Consumer Payments Survey (CPS) shows that the ongoing decline in cash use in Australia has accelerated since the COVID-19 pandemic, partly reflecting the impact of the pandemic on people’s payment behaviour (Livermore and Mulqueeney 2023). Over the three years to 2022, the share of in-person payments made in cash (by number) halved to 16 per cent (Graph 1). The recent decline was particularly pronounced for low-value payments, with consumers increasingly switching to using cards. As a result, cash is now used less than electronic payment methods for all transaction sizes and makes up 8 per cent of payments by value (including online purchases).



This sharp decline reflects that most people now use cash infrequently. In 2022, 72 per cent of people were classed as ‘low cash users’, using cash for 20 per cent or less of their in-person transactions, compared with 50 per cent in

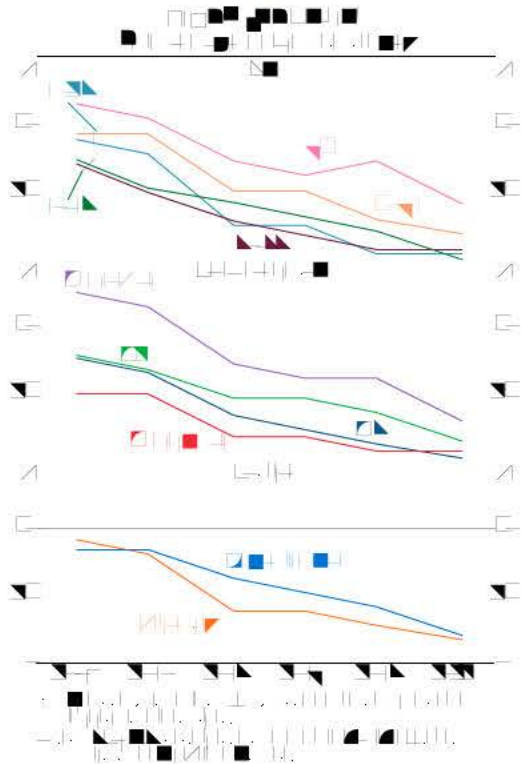
2019 (Graph 2). By contrast, ‘high cash users’, who use cash for at least 80 per cent of transactions, make up only 7 per cent of people – a number that has halved between 2019 and 2022.

Graph 2



Furthermore, the demographic groups that have traditionally been classified as high cash users – the elderly, those on lower incomes and those in regional areas – experienced the largest declines in cash use since 2019 (Graph 3). The oldest age bracket – those aged 65 and above – experienced the largest percentage point decline in the share of high cash users. Similarly, the share of high cash users in regional and remote areas decreased by more than in major cities, such that there is now little difference between these locations – in 2022, a little under 10 per cent of people in both major cities and regional or remote areas were high cash users. The lowest household income quartiles recorded the largest decline in the share of high cash users. As a result, cash use is now more similar across age, location and household income than at any time since the CPS began in 2007.

Graph 3



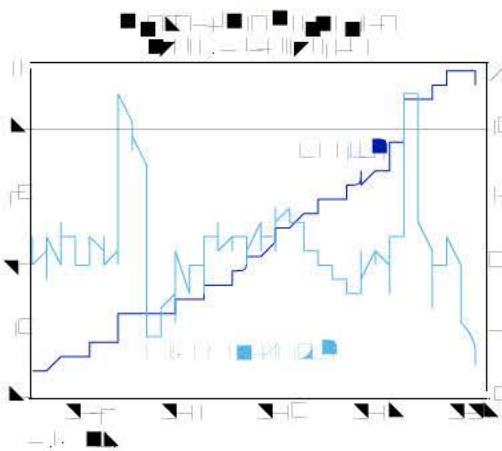
Nonetheless, many consumers still perceive cash to be important as a back-up payment method. Survey respondents indicated the most important reason for holding cash inside their wallet – aside from day-to-day purchases – was

for emergency transactions, followed by concerns about payments system reliability. Emergency transactions was also the most important reason for holding cash outside the wallet, followed by giving cash gifts.

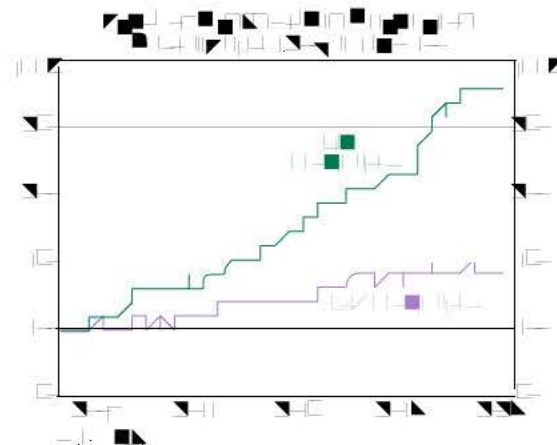
2.2 Banknote demand trends

Despite the continued decline in transactional cash demand, the value of banknotes in circulation remains high, at \$100.6 billion at the end of September 2023, equivalent to around 4 per cent of nominal GDP (Graph 4). Much of the growth in banknotes in circulation has been driven by demand for higher-denomination banknotes (Graph 5). This highlights the growing role of cash for precautionary and store-of-wealth purposes, particularly during periods of economic stress (Guttmann *et al.* 2021). Meanwhile, the growth in low denomination banknotes has been slow, particularly since the onset of the pandemic. This reflects the reduced use of cash for consumer spending. In recent months, the value of banknotes in circulation has declined, which is partly in response to higher interest rates, a reduction in precautionary savings and a return to more usual spending behaviour post-pandemic.

Graph 4



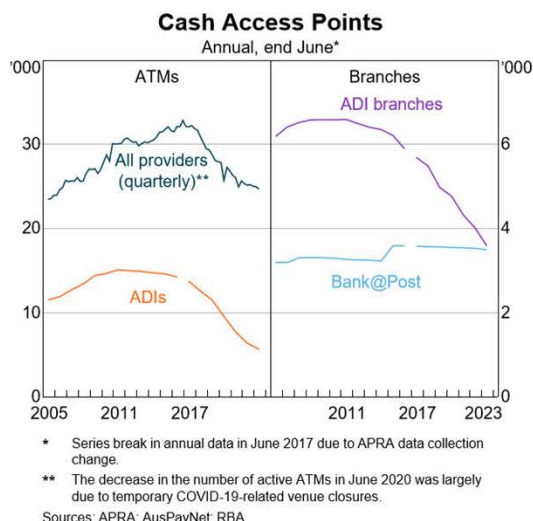
Graph 5



2.3 Cash Access and Acceptance

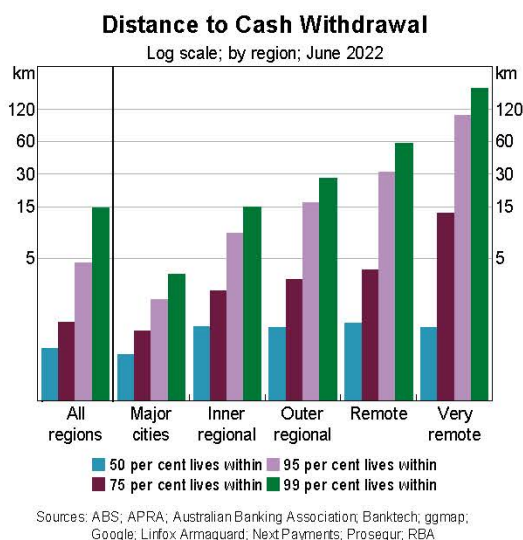
In recent years, there has been a significant reduction in the number of cash access points such as ATMs and bank branches (Graph 6). There has been around a 25 per cent decline in the number of ATMs since their peak in 2016. Some ATMs, predominantly those not attached to bank branches, have been acquired by non-bank ATM deployers ('independent deployers') growing their share of the ATM market. Compared with ADI-owned ATMs, independent deployers are more likely to provide more basic services on their ATMs and charge a fee for this service.

Graph 6



The removal of cash services may not substantially affect people’s ability to access cash if these points are located sufficiently close to one another. Overall, distance to cash services has been little changed in recent years, despite the significant number of cash access point closures. As of June 2022, 95 per cent of the population lived within 4.5 kilometres of a cash withdrawal point (Graph 7). This reflects the strong geographic coverage of Bank@Post outlets, which are limiting any increase in overall distances. However, there has been a substantial increase in distances for ADI branches and ADI-owned ATMs; this is especially the case for more remote and very remote communities. The varied increases in distance for these cash access points demonstrates a compositional shift in cash services away from traditionally used bank-owned points.

Graph 7

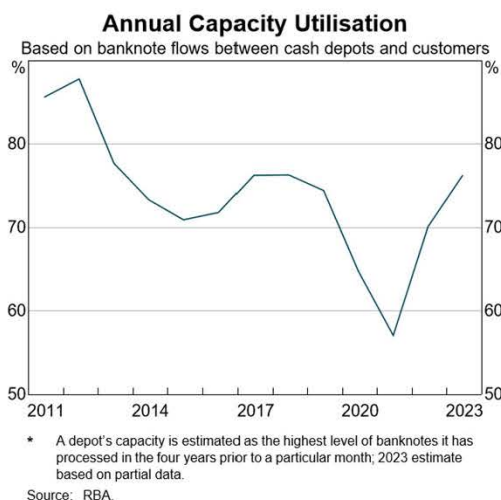


While cash is legal tender in Australia – cash generally needs to be accepted to settle debts – there is no legal requirement for merchants to accept cash for retail payments. Various surveys conducted by the Bank and AusPayNet of consumers and businesses have found that cash acceptance may be a little lower than prior to the pandemic, but nonetheless remains at a high level. For instance, the Bank’s Online Banknote Survey to consumers found that one-third of respondents noticed a vendor did not accept cash in 2022, compared with around one quarter of respondents in 2019 (Guttman *et al* 2023).

3. Developments in wholesale cash industry

For Australians to continue having good access to cash, the banknote distribution system needs to remain effective, efficient, sustainable, and resilient in the face of ongoing declines in cash usage. The wholesale banknote distribution system involves the bulk movement of cash from the Bank – the sole issuer of banknotes – to CIT cash depots around the country, on behalf of the four major banks. The Bank’s Review of Banknote Distribution Arrangements (the Review) found the lower volumes of banknotes being transported and processed has contributed to significant excess capacity within the wholesale distribution network (RBA 2021). A sustained high level of underutilisation can be costly to maintain and inefficient. Estimates of aggregate cash-in-transit (CIT) depot utilisation (based on the volume of banknotes processed) suggest that utilisation has declined over the past decade; however, utilisation has increased in the past two years with depot closures (Graph 8).

Graph 8



The Bank concluded in the Review that changes were required in the wholesale banknote distribution system to reduce excess capacity and withstand the further expected structural declines in cash use (RBA 2022). To support the industry in adapting, the Bank recommended establishing an industry forum; improving transparency and standardisation of arrangements and increasing quality-sorting incentive payments; these changes are currently being implemented. However, while these changes will make a positive difference in the current environment, they are unlikely to fundamentally reshape the economics of the industry.

A change in the wholesale distribution system over the coming years is the merger between Linfox Armaguard and Prosegur Australia – the two largest CIT companies in Australia. The merger is subject to an Undertaking to ensure the public benefit of the merger outweighs the public detriment (Armaguard 2023).

4. International developments in cash policy

4.1 Retail cash policies

Several jurisdictions are in the process of implementing cash access, and to a lesser extent, cash acceptance policies. The correlation between the level of cash use and having retail cash policies in place is not strong, with no apparent cash use ‘threshold’ at which policy interventions become more likely. Instead, the implementation of retail cash policies generally reflects attitudes, behaviours and politics surrounding cash use that are idiosyncratic to each country.

The UK, Sweden, Norway and the Netherlands have made or are considering legislative changes to mandate or improve **cash access**.

- In the *UK*, new legislation introduced in 2023 guarantees that 95 per cent of consumers and merchants are no more than three miles from a cash withdrawal and cash deposit point (HM Treasury 2023). The legislation provides that the Financial Conduct Authority will ensure reasonable provision of cash access services, which includes free cash access and considers service levels (e.g. types of cash services, hours of availability, vulnerable demographics).
- Since 2021, some large banks in *Sweden* have been required to provide withdrawal services for individuals and to receive deposits from businesses (Riksbank 2022a).
- *Norway* have imposed minimum cash access requirements on major banks (Ministry of Finance 2022).
- In the *Netherlands*, a voluntary ‘cash covenant’ signed with private participants in 2022 provided additional safeguards for cash accessibility; this included maintaining a minimum number of ATMs and freezing cash service fees until mid-2023 (DNB 2022). While the voluntary agreements have worked well in the short term, the Dutch government and central bank have proposed legislation to place obligations on banks to provide a basic level of cash services to guarantee cash infrastructure in the longer term (Kaag 2023).

Cash acceptance has been mandated, or is being considered, in some countries while it has been explicitly rejected in others.

- In *Denmark* physical stores must accept cash if the store is staffed and accepts electronic payments (Danmarks Nationalbank 2022).
- In *Spain*, cash must be accepted as payment within limits set to prevent tax fraud (Official State Gazette of Spain 2021).
- The *European Commission* and the *Norwegian* central bank have recently proposed legislative changes to make it harder for businesses to reject cash (European Commission 2023, Norges Bank 2023).
- In the *US*, cash acceptance rules exist in certain states and municipalities; legislation has been introduced to Congress in an attempt to legislate acceptance at the national level (US Congress 2023).
- By contrast, proposals to mandate cash acceptance in the *UK* and *Switzerland* were recently rejected (UK Parliament 2023, Federal Council 2022).

4.2 Wholesale cash distribution policies

There have generally been three broad responses to the changing economics of wholesale distribution, namely: consolidation within the private sector; the creation of utility models; and direct public sector intervention.

Consolidation among cash-in-transit providers has been a common in response to declining cash use. In the *Nordic* countries, the *Netherlands* and *Canada*, the CIT industry is serviced by dominant regional cash service provider/s following consolidation over the past decade.

Utility models – where a single consolidated entity is formed by several organisations to carry out wholesale cash distribution functions – is an alternative response to declining cash use. Variations of utility models for wholesale cash distribution have been in place in jurisdictions where distributional strain is greater; these include the *Nordic* countries and the *Netherlands* (Scholten 2017). Cooperative utility arrangements have allowed commercial banks to tender out the operation of depots to private CIT companies, although the extent of the utility’s involvement in cash processing and transports differs by country (Scholten 2017). Over time, these arrangements have expanded to encompass ATM networks in *Finland*, *Sweden*, *Netherlands*, and *Norway*.

The *UK* recently conducted feasibility studies into a utility model, but it was not implemented. This would allow common resources to be pooled among several organisations and for cash centres to be rationalised under a single entity. The utility would encompass wholesale cash centre processing and storage infrastructure, but not wholesale CIT transport services. Analysis conducted in the context of the *UK* cash distribution system indicated that a utility

model would reduce overcapacity and lead to lower costs across the industry in the medium term (Wholesale Distribution Steering Group 2020). However, implementing this model imposed significant transitional costs, which were uneven among industry players and so final agreement to implement this was not reached (Wholesale Distribution Steering Group 2021).

In the case of *Sweden*, a review of the utility model after five years found it had an appropriate incentive structure (because banks own the utility but are also the main customers) and created efficiency gains from centralised processing of large volumes of cash. However, some concerns were raised about competitive neutrality, as not all customers are part of the utility (Riksbank 2010). More recently, the Riksbank were given more responsibility for wholesale distribution, despite the utility model being in place, in order to manage monopoly pricing and contingency risks (Riksbank 2020).

Public sector involvement in wholesale distribution has increased in several jurisdictions, although the degree of intervention is highly varied. Some countries have made explicit legislative commitments to support cash distribution within the past five years, while others are considering such a move.

- In *Sweden*, the central bank (the Riksbank) is required to operate five distribution centres alongside expanded responsibilities in overseeing the wholesale distribution system (Riksbank 2022b).
- In the *UK*, the Bank of England is expected to play a larger interventionist role as part of its expanded supervisory regime, with powers to enforce penalties and gather information from participants (Bank of England 2022).
- The Reserve Bank of *New Zealand* articulated its role as one of stewardship for cash, part of which is directed toward ensuring the cash system is fit-for-purpose (RBNZ 2022).
- The *Netherlands* is still early in the stage of clarifying public sector responsibility for cash distribution. A public implementation model was recently discussed in a review of the cash distribution framework, which would broaden the government's responsibility for setting basic cash service requirements (DNB 2023).

References

- Armguard (2023), '[Undertaking to the Australian Competition and Consumer Commission](#)', ACCC website, June.
- Bank of England (2022), '[Consultation on the Bank of England's supervisory approach to wholesale cash distribution](#)', December.
- Danmarks Nationalbank (2022), '[The Use of Cash in Society](#)', March
- DNB (2022), '[Cash Covenant](#)', April
- DNB (2023), '[Future Design of the Cash Chain](#)', February.
- European Commission (2023), '[The Euro as Legal Tender](#)', June.
- Federal Council (2022), '[Federal Council Response to Mandating Cash Acceptance in Switzerland](#)', December.
- Guttman R, C Pavlik, B Ung and G Wang (2021), '[Cash Demand during COVID-19](#)', *RBA Bulletin*, March.
- Guttman R, T Livermore and Z Zhang (2023), '[The Cash-use Cycle in Australia](#)', *RBA Bulletin*, March.
- HM Treasury (2023), '[Cash Access Policy Statement](#)', August
- Kaag, S (2023), a letter from Sigrid AM Kaag (Dutch Finance Minister) to Chairman of the House of Representatives of the Netherlands about '[Next Steps for Cash Infrastructure](#)', May.
- Livermore T and J Mulqueeney (2023), '[Cash Use and Attitudes in Australia](#)', *RBA Bulletin*, June.
- Ministry of Finance (2022), '[Financial Institutions Act \(section 16-4\)](#)', July
- Norges Bank (2023), '[The Right to Pay Cash](#)', January.

- Official State Gazette of Spain (2021), '[Royal Decree Law 24/2021](#)', November
- RBA (2021), '[Review of Banknote Distribution Arrangements: Issues Paper](#)', November.
- RBA (2022), '[Review of Banknote Distribution Arrangements: Conclusions Paper](#)', August.
- RBNZ (2021), '[Future of Money – Cash System Redesign](#)'.
- Riksbank (2022a) '[Obligation for Major Banks to Provide Certain Cash Services](#)', October
- Riksbank (2022b), '[The Riksbank's Work and Policy](#)', Payments Report, December.
- Scholten B (2017), '[Decline Management: The Case of Cash. Policy Response in the Netherlands and the Nordic countries](#)', April.
- Treasury (2023), '[A Strategic Plan for Australia's Payments System](#)', June.
- UK Parliament (2023), '[Government Response to Petition for Cash Acceptance Mandate](#)', March.
- US Congress (2023), '[Payment Choice Act of 2023](#)', June.
- Wholesale Distribution Steering Group (2020), '[Consultation on the Future of the UK's Wholesale Cash Distribution Model](#)', June.
- Wholesale Distribution Steering Group (2021), '[Update on the Future of Wholesale Cash Distribution in the UK](#)', December.