

# Regulating Cash Distribution

---

A Consultation Paper by the Council of Financial Regulators and the  
Australian Competition and Consumer Commission

July 2025



© Australian Competition and Consumer Commission, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Reserve Bank of Australia and the Department of the Treasury 2025. All rights reserved.

The contents of this publication shall not be reproduced, sold or distributed without the prior consent of the Australian Competition and Consumer Commission, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Reserve Bank of Australia and the Department of the Treasury.

ISBN 978-1-7637270-5-2 (Online)

## Glossary

ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATM	Automatic teller machine
Cash acceptance mandate	A requirement, announced by the Australian Government on 18 November 2024, for businesses to accept cash payment for essential items, subject to exemptions for small businesses.
CIT	Cash-in-transit
CCA	<i>Competition and Consumer Act 2010</i>
CFR	Council of Financial Regulators
Designated entity	An entity that provides critical cash distribution services to a significant part of the market, and/or whose disruption would threaten the stability of the cash distribution system, according to the proposed new regulatory framework for cash distribution.
Mint	Royal Australian Mint
RBA	Reserve Bank of Australia
Registered entity	An entity that provides cash distribution services according to the proposed new regulatory framework for cash distribution.

## Request for feedback and comment

This consultation paper seeks stakeholder views on a draft regulatory proposal considered by the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC) in relation to the cash distribution system.

Submissions should include the name of your organisation (or your name if the submission is made as an individual) and contact details for the submission, including an email address and contact telephone number where available.

While submissions may be lodged electronically or by post, electronic lodgement is strongly preferred. Please email responses in a Word or RTF format to support accessibility requirements. An additional PDF version may also be submitted.

In the interest of transparency, the CFR and ACCC intend to publish all submissions. However, the CFR and ACCC reserve the right to edit (e.g. remove defamatory material or, where appropriate, de-identify personal or sensitive information), publish or not publish submissions at their own discretion. The CFR and ACCC's publication of a submission is not an indication of their endorsement of any views or comments contained in that submission.

Subject to the above, all information (including name and contact details) contained in published submissions will be made available to the public on the CFR website. If you would like all or part of your submission to remain in confidence, please indicate this. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain confidential should provide this information marked as such in a separate attachment. The CFR and ACCC may prepare and publish a summary of submissions. If you indicate that some or all of your submission is confidential, this summary may still include information taken from, or derived from, the parts of your submission that you have indicated are confidential. However, the CFR and ACCC will seek to ensure that you are not identified (or identifiable) as the source of any such information and that no such information relating to you can be found out from the summary. Any future request made under the *Freedom of Information Act 1982* for a submission marked 'confidential' to be made available will be determined in accordance with that Act.

Closing date for submissions: **15 August 2025, 5:00 pm.**

Mail: CFR and ACCC Cash Distribution Consultation Submissions c/o Note Issue Dept,  
Reserve Bank of Australia GPO Box 3947 Sydney NSW 2001

Email: [CashDistributionRegulationConsultation@cfr.gov.au](mailto:CashDistributionRegulationConsultation@cfr.gov.au)

## Contents

Request for feedback and comment .....	1
Executive summary .....	3
1. Introduction .....	8
2. A new regulatory framework for cash distribution .....	14
3. Visibility of entities, capabilities and challenges .....	17
4. Crisis readiness and resolution .....	21
5. Regulating price and non-price terms.....	24
6. Third-party access .....	28
7. Service level standards for regional business customers.....	30
8. Penalties and enforcement.....	32

## Executive summary

The Australian Government's *Strategic Plan for Australia's Payments System* sets out the Government's vision for the payments system. Maintaining access to cash is a key priority as part of modernising payments infrastructure in Australia.<sup>1</sup>

Despite the rise of digital payments, cash remains vital for many Australians, particularly in regional and remote communities. Cash supports secure, inclusive, and resilient transactions for those who prefer or rely on it. In 2022, the Reserve Bank of Australia's (RBA) Consumer Payments Survey found that 7 per cent of Australians (i.e., 1.5 million people) used cash for 80 per cent or more of their in-person transactions.<sup>2</sup>

Cash is critical for economic inclusion, particularly for older Australians and low-income households. Cash enhances the resilience of the payment system, serving as a fallback during natural disasters and electricity, telecommunications and digital payment system outages. Widespread availability of cash underpins trust in Australia's financial system and supports the role of cash as an important store of value during normal times and times of crisis.

The decline in the use of cash for payments in Australia has challenged the economics of the cash distribution sector, upon which access to cash relies. The industry has now consolidated, with a single provider of national-level cash distribution services, which has helped to secure cash distribution services across Australia.<sup>3</sup> The anti-competitive risks of a more consolidated cash distribution sector have been partly mitigated in the short term by ACCC merger authorisation conditions, which apply until September 2026.<sup>4</sup> Notwithstanding consolidation in the sector, the cash distribution industry has remained under pressure.<sup>5</sup>

Maintaining cash as a widely available and accepted means of payment is in the public interest, helping to promote an inclusive and accessible payments system for all Australians. This challenge is of particular significance in regional and remote Australia, where cash distribution services are most expensive.

---

<sup>1</sup> Department of the Treasury (Treasury), [A Strategic Plan for Australia's Payment System](#), Commonwealth of Australia, 2023, accessed 11 July 2025.

<sup>2</sup> A Faferko, G Rylah and F Wang, ['Access to Cash in Australia'](#), in Bulletin, RBA (Reserve Bank of Australia), January 2025, accessed 11 July 2025.

<sup>3</sup> Armaguard (Linfox Armaguard Pty Ltd), [Linfox Armaguard and Prosegur Australia merger complete](#), Armaguard website, 2 September 2023, accessed 11 July 2025.

<sup>4</sup> ACCC (Australian Competition and Consumer Commission), [ACCC authorises Armaguard and Prosegur's merger, subject to undertaking](#) [media release], ACCC, 13 June 2023, accessed 11 July 2025.

<sup>5</sup> ACCC, [Industry to continue collaborating on cash transit arrangements](#) [media release], ACCC, 27 May 2024, accessed 11 July 2025.

So that Australians can continue to pay with cash for essential items if they want to, the Government has announced that it will mandate the acceptance of cash for essential items, with appropriate exemptions for small businesses.<sup>6</sup>

The CFR and ACCC are exploring a regulatory framework to support the long-term sustainability of the cash distribution system, to ensure that it operates in the public interest – guided by four policy principles: access, sustainability, resilience and efficiency.

The preliminary view of the CFR and ACCC is that a regulatory framework is likely to be the most proportionate approach to meeting the public interest objective. A regulatory framework for the cash distribution sector could incorporate:

- better visibility of cash distribution service providers and their capabilities and challenges
- crisis readiness and resolution powers to safeguard the continuity of critical cash distribution services
- regulatory powers to ensure the sector continues to function sustainably, effectively and efficiently by ensuring fair terms, third-party access, and service level standards for regional business customers
- powers for regulator(s) to enforce the framework and pursue penalties where appropriate.

This consultation paper seeks stakeholder views on a framework for regulating the cash distribution sector. Regulation of the cash distribution sector would require legislation. Responses to the consultation will help inform the advice that the CFR and ACCC will provide to Government on options for design of this legislation.

---

<sup>6</sup> J Chalmers and S Jones, [Ensuring the future of cash and next steps in phasing out cheques](#) [media release], Australian Government, 18 November 2024, accessed 11 July 2025.

## Summary of proposals

### **Proposal 1: Establish a register of all entities providing cash distribution services**

Registered entities would be subject to minimum reporting requirements and information gathering powers. The register would give regulators a basic oversight function on the smaller entities providing relevant cash distribution services.

### **Proposal 2: Provide a regulator and/or Minister with designation powers**

The designation powers could enable the regulator or Minister to:

- designate specific registered entities under the regulatory framework.
  - To be designated, a registered entity would provide critical cash services to a significant part of the market, and/or a disruption to the entity's functions would likely threaten the overall stability of the cash system.
- impose obligations on, and exercise powers in respect of, the designated entity, as set out in the regulatory framework.

### **Proposal 3: Provide the regulator(s) with oversight powers**

The oversight powers would apply to designated entities, enabling regulator(s) to:

- establish reporting obligations
- conduct monitoring with the aim of ensuring compliance with framework obligations
- gather information to enable the regulator(s) to effectively perform their oversight role
- support the regulator(s) to exercise their framework powers, where further information is required to make a decision.

### **Proposal 4: Crisis readiness and resolution powers**

Proposed crisis readiness and resolution powers include:

- gathering information to support crisis preparedness and crisis response
- assessing and enforcing resolvability and resolution planning
- issuing directions to a designated entity to take or prohibit a specified action
- appointing a statutory manager to a designated entity
- initiating the transfer of a business or shares of a designated entity.



#### **Proposal 5: Ongoing crisis readiness powers and triggers for crisis resolution powers**

To ensure crisis readiness, a regulator may need ongoing powers enabling it to assess a designated entity's crisis preparedness and to improve that entity's resolvability in a crisis.

Crisis resolution powers could be triggered in instances where a designated entity:

- ceases, or intends to cease, one or more cash distribution services critical to the functioning of the cash system
- is at risk of being financially non-viable or appoints (or is at risk of appointing) an external administrator
- engages in conduct that threatens, or is likely to threaten, continuity of cash distribution services critical to the functioning of the cash system.

#### **Proposal 6: Oversight of agreement terms**

The regulatory framework could provide a regulator with agreement oversight powers, including a power to require a designated entity to consult on its price and non-price terms with the regulator and relevant stakeholders, and to require that relevant (price and non-price related) terms reflect public interest principles set in regulation.

#### **Proposal 7: Agreement setting powers**

Where an agreement is unable to be negotiated between a designated entity and its business customers, or the agreement is deemed to not be in the public interest, the regulatory framework should provide a regulator with powers to set price and non-price related terms for a designated entity's services to its customers.

#### **Proposal 8: Oversight of dispute resolution**

The regulatory framework could provide a regulator with the power to oversee (either directly or indirectly) a designated entity's dispute resolution processes for business customers.

#### **Proposal 9: Third-party access regime**

The regulatory framework could provide a regulator with the power to establish an access regime for critical services provided by designated entities.

#### **Proposal 10: Setting service level standards**

The regulatory framework could provide a regulator with the power to enforce service-level rules on designated entities, established by the relevant Minister, to ensure cash distribution services continue to be available to regional customers and are supplied on transparent, non-discriminatory and fair terms.

**Proposal 11: Provide enforcement powers to regulator(s) and establish penalties**

To ensure that registered and designated entities meet their obligations under the regulatory framework, it will need to set out penalties for non-compliance and provide the regulator(s) with investigative and enforcement powers. This may include:

- investigative and information gathering powers to assess potential breaches
- powers to issue infringement notices
- powers to apply to a court seeking civil remedies.

# 1. Introduction

## Importance of cash

Cash continues to have an important role in Australian society. The Government has committed to maintain adequate access to cash for as long as Australians want to use it.<sup>7</sup> The Government has subsequently committed to a cash acceptance mandate, requiring that businesses accept cash when selling essential items, with appropriate exemptions for small businesses.<sup>8</sup>

Given the important role of cash in society and the Government's commitments, regulatory arrangements to support the long-term availability of cash need to be considered. The CFR and ACCC have developed a proposed regulatory framework to help ensure that the cash system continues to support the needs of the community and are seeking feedback on it.

There is a public interest in cash remaining an accessible and useable payment method across Australia. Many Australians continue to rely on cash to participate in the economy, including a significant proportion of older Australians and those with lower household incomes. There are also particular logistical and economic challenges in distributing cash to regional and remote areas in Australia, and so serving these areas remains a key focus in ensuring sustainable cash access for all Australians.

The Government's *Strategic Plan for Australia's Payments System* recognises that cash supports a more inclusive and resilient payments system. Cash provides a fallback during natural disasters and system outages, which can disproportionately impact regional and remote Australia. It is a useful fallback payment method because it can function more independently of electricity, telecommunications and digital payment networks.

Cash supports confidence in Australia's banking system. Australian banknotes and coins are issued by public institutions and are recognised as legal tender.<sup>9</sup> The ability to convert a deposit held by a bank into cash can support confidence in those private institutions.<sup>10</sup>

Cash is also an important store of value. While the use of cash for payments has fallen in Australia, the amount of cash in circulation remains high at around \$100 billion (around 4 per cent of Gross Domestic Product).<sup>11</sup> Demand for cash as a store of value is typically higher during periods of heightened

---

<sup>7</sup> Treasury, [A Strategic Plan for Australia's Payments System](#), Commonwealth of Australia, 2023, accessed 11 July 2025.

<sup>8</sup> J Chalmers and S Jones, [Ensuring the future of cash and next steps in phasing out cheques](#) [media release], Australian Government, 18 November 2024, accessed 11 July 2025.

<sup>9</sup> Banknotes are produced by the RBA and coins are produced by the Mint. Banknotes and coins are made legal tender through the *Reserve Bank Act 1959* and *Currency Act 1965*, respectively.

<sup>10</sup> RBZ (Reserve Bank of New Zealand), [Future of Money – Cash system redesign](#) [issues paper], RBZ, 2021, accessed 11 July 2025.

<sup>11</sup> RBA, 'Section 2.4 Banknotes', in [Annual Report 2024](#), RBA, 2024, accessed 11 July 2025.

economic uncertainty (e.g., during the COVID-19 pandemic).<sup>12</sup> As such, the ability to access cash during periods of uncertainty can also help underpin confidence in the overall financial system.

The experience of peer economies is also instructive. For example, Sweden's rapid shift towards a cashless economy has led to a concern that some groups in society are being excluded from essential services and transactions.<sup>13</sup> There is also concern about the reliability of digital payments infrastructure during outages and periods of heightened geopolitical risk. In response, the Swedish Government has begun considering legislative measures to safeguard access to cash.<sup>14</sup> Other countries including Norway<sup>15</sup> and the United Kingdom<sup>16</sup> have taken action to support access to and acceptance of cash in their economies.

## The cash distribution system

Cash distribution services are critical to enabling consumers to make, and businesses to accept, cash payments. The key services provided by cash distribution service providers are set out in Table 1 and a simplified overview of the role cash distribution service providers play in Australia's cash distribution system is shown in Figure 1. In Australia, banknotes and coins are produced and issued by the RBA and the Royal Australian Mint (Mint), respectively.

The four major Australian banks (ANZ, CBA, NAB and Westpac) play a crucial role in the cash distribution system. They are parties to the Banknote Distribution Framework, which is administered by the RBA, and the Coin Supply Agreement, which is administered by the Mint. These agreements enable those banks to purchase banknotes and coins from the RBA and the Mint and require them to meet certain obligations, such as ensuring the quality of banknotes and coins in circulation.

The four major banks then facilitate the distribution of cash to their own branches and ATMs, as well as to the broader community via retailers and other banks, using the logistical services provided by cash-in-transit providers. The four major banks engage cash distribution providers to transport, process and store banknotes and coins on their behalf. At cash depots, activities undertaken for the four major banks can include sorting, storing and processing cash, forecasting demand for cash, enabling intra- and inter-depot trading of cash between banks, managing designated cash reserves,<sup>17</sup> performing quality control of banknotes and coins, and detecting counterfeit banknotes and coins.<sup>18</sup> Some of these

---

<sup>12</sup> R Guttman, C Pavlik, B Ung and G Wang, '[Cash Demand during COVID-19](#)', in Bulletin, RBA, 2025, accessed 11 July 2025.

<sup>13</sup> Sveriges Riksbank, '[Payments Report 2024](#)', Sveriges Riksbank, 14 March 2024, accessed 11 July 2025.

<sup>14</sup> Sveriges Riksbank, 'Many small retail businesses have stopped accepting cash – The Cash Inquiry proposes that food, medicine and public charges can be paid in cash', in '[Payments Report 2025](#)', Sveriges Riksbank, 10 March 2025, accessed 11 July 2025.

<sup>15</sup> Norges Bank, '[The right to pay cash](#)', Norges Bank website, updated 1 October 2024, accessed 11 July 2025.

<sup>16</sup> FCA (Financial Conduct Authority), '[Access to cash](#)', FCA website, updated 18 September 2024, accessed 29 June 2025. UK regulators have market and prudential oversight powers for entities recognised as 'market significant' in the cash distribution system, including some large banks and cash distribution providers.

<sup>17</sup> Some of the stock of cash held at depots is a reserve to meet unanticipated increases in demand for cash.

<sup>18</sup> Damaged and counterfeit banknotes and coins are returned, respectively, to the RBA and the Mint.

activities are required under the agreements with the RBA and the Mint; the major banks are able to outsource these obligations to these cash distribution service providers (subject to certain approval processes). For business customers (such as retailers), cash distribution service providers prepare and package cash for distribution, collect and deliver cash, and forecast the demand for cash. In addition, some providers may supply and service ATMs, lease safes, and transport other high value goods.

**Table 1: Cash distribution services<sup>(a)</sup>**

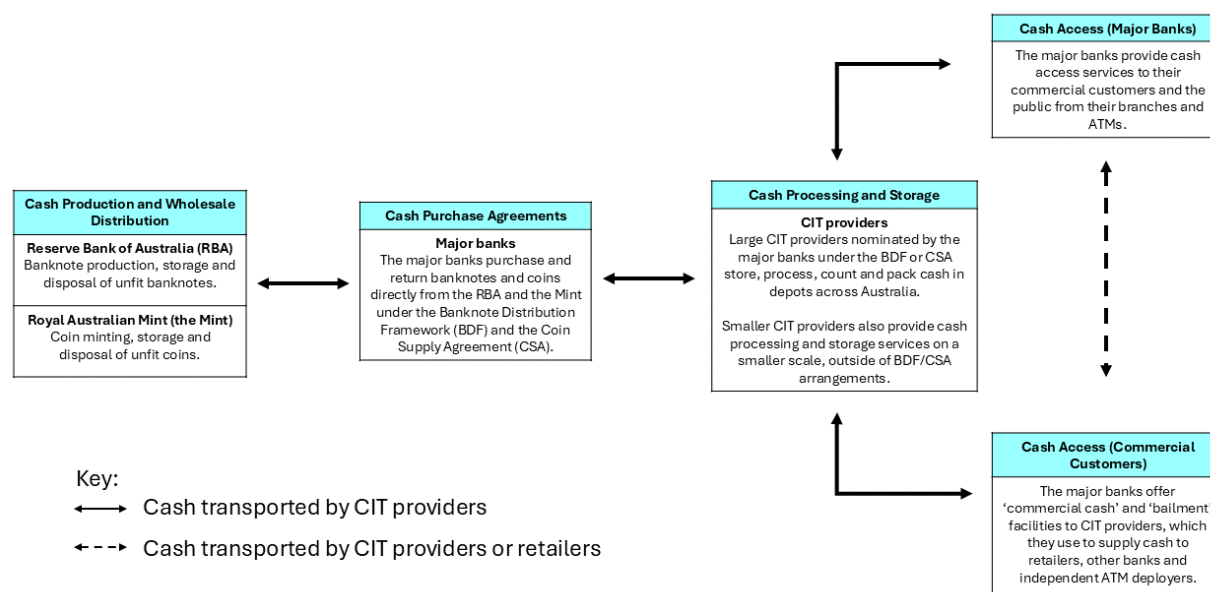
Cash access facilities	Cash storage and processing <sup>(b)</sup>	Cash transport <sup>(b)</sup>	Cash access support <sup>(c)</sup>
Purchase and return of cash to the RBA and the Mint	Administering cash requests from banks and businesses	Prepare and package cash for distribution	Deliver cash floats for businesses
Commercial cash facilities	Inter- and intra-depot transfers and trading	Provide cash collection and delivery	Deliver cash to bank branches
Bailment facilities	Sorting, storing and processing cash		Supply, restock and service ATMs
	Banknote and coin quality control		
	Counterfeit detection		
	Forecast cash demand		

(a) Cash distribution companies also provide other cash handling services such as reconciling cash records of customers (and resolving discrepancies), depositing funds into bank accounts, reporting (including for Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance) and transporting high value goods.

(b) 'Cash storage and processing' and 'Cash transport' activities are predominantly provided business-to-business.

(c) 'Cash access support' services are provided business-to-business and facilitate households' access to cash.

**Figure 1: Australia's cash distribution system**



## Consolidation of the cash distribution sector

The decline in the use of cash for payments in Australia has challenged the economics of the cash distribution sector. Lower cash use and excess capacity in cash distribution infrastructure (such as cash depots) were two factors contributing to an application in September 2022 to the ACCC for the merger of Australia's two largest cash distribution service providers, Linfox Armaguard Pty Ltd (Armaguard) and Prosegur Australia Holdings Pty Ltd. The merged entity was assessed to have a market share of more than 90 per cent. The ACCC authorised the merger in June 2023 to assist the industry to avoid the detriments associated with a disorderly exit of a major provider.<sup>19</sup>

The ACCC authorised the merger subject to a three-year court-enforceable undertaking with a range of obligations, including a requirement for the merged entity to maintain service levels and its existing geographic coverage, while imposing constraints on price increases, until September 2026.<sup>20</sup> The ACCC considered that a three-year undertaking would allow time for consideration of longer-term policy or regulatory responses to maintain adequate access to cash.

The merger has helped facilitate the ongoing provision of cash distribution services in Australia. To ensure this ongoing provision of services, Armaguard's major customers agreed to provide Armaguard with additional financial support under the terms of an ACCC authorisation. The authorisation also

<sup>19</sup> ACCC, [Reasons for Determination: Application for merger authorisation lodged by Armaguard and Prosegur in respect of their respective cash-in-transit and device monitoring and maintenance and ATM businesses](#), Merger authorisation number: MA1000022, ACCC, 13 June 2023, accessed 11 July 2025.

<sup>20</sup> ACCC, [Linfox Armaguard Pty Ltd](#) [section 87B undertakings register entry], ACCC, 13 June 2024, accessed 11 July 2025.

allows the parties to discuss and implement operational sustainability and efficiency measures across services provided to each of the major customers. Subsequently, the parties are also developing an independent pricing mechanism.<sup>21</sup>

In addition, the ACCC has provided interim authorisation to an application from the Australian Banking Association to allow industry participants to develop potential responses to address the viability of cash distribution in Australia; secure continued access by banks, retailers, other businesses and/or members of the public to retail cash services across Australia; and to support customers and businesses who use cash in the event of a suspension, disruption or exit of Armaguard's cash distribution services.<sup>22</sup>

## Supporting sustainable, effective and efficient access to cash

Given the Government's commitment to maintaining access to cash and the subsequent announcement of its intention to implement a cash acceptance mandate, it is necessary to consider whether existing regulatory regimes can support the cash distribution sector continuing to perform its critical role in facilitating long-term, sustainable and adequate access to cash across Australia.

Critical cash distribution services should be subject to appropriate safeguards to support the ongoing availability of cash across Australia. Some safeguards, including crisis readiness and resolutions powers, already apply to other critical services delivered in the financial system, including to services provided by banks, insurers, superannuation funds regulated by the Australian Prudential Regulation Authority (APRA),<sup>23</sup> and clearing and settlement facilities.<sup>24</sup> These powers are a prudent precaution reflecting the consequences for financial stability and confidence in the financial system if there were to be a sustained disruption to, or disorderly failure of, these services. By contrast, there is currently no regulatory regime that applies similar safeguards to critical cash distribution services, despite the consequences for the availability of cash across Australia should an event arise in the sector.

The cash distribution sector should, to the extent possible, operate sustainably, effectively and efficiently, with banks, ATM deployers, retailers and other business customers. In turn, this supports access to cash for consumers across Australia, at low or no cost. Challenges in the cash distribution

---

<sup>21</sup> ACCC, [\*Determination and interim authorisation: Application for authorisation lodged by the Australian Banking Association Ltd in respect of discussing, sharing information, reaching agreement on and/or implementing short-term financial contributions to Armaguard, operational sustainability and Efficiency Measures and the development and in-principle agreement to apply an Independent Pricing Mechanism\*](#), Authorisation number: AA1000674, ACCC, 25 June 2025, accessed 11 July 2025.

<sup>22</sup> ACCC, [\*Interim authorisation decision: Australian Banking Association Ltd: Application for revocation and substitution of authorisation AA1000664\*](#), ACCC, 23 October 2024, accessed 11 July 2025.

<sup>23</sup> APRA has powers under the *Banking Act 1959*, *Insurance Act 1973*, *Life Insurance Act 1995*, *Private Health Insurance (Prudential Supervision) Act 2015*, *Superannuation Industry (Supervision) Act 1993* and related laws, that enable, for example, the appointment of a statutory manager, issuance of directions, and transfer of assets or liabilities to allow for the orderly resolution of a crisis impacting an APRA-regulated entity.

<sup>24</sup> The RBA has powers under the *Corporations Act 2001* to intervene to prevent or resolve in a crisis at a domestic clearing and settlement facility.

sector include the long-term decline in the use of cash for payments, and a high degree of concentration and limited competition in parts of the market.

The *Competition and Consumer Act 2010* (CCA) seeks to address challenges arising from sectors with limited competition by prohibiting certain anti-competitive practices and conduct, including conduct by businesses with substantial market power that substantially lessens competition. The CCA also establishes a national access regime that provides a legal right for third parties to gain access to certain infrastructure services.<sup>25</sup> However, these existing provisions have characteristics that limit their timely application to the cash distribution sector to ensure it functions sustainably, effectively and efficiently.

There are other sectors that provide critical services and have limited competition where specific provisions have been introduced to ensure they function well. For example, sector-specific pricing and access regulation is applied to the telecommunications sector (in Part XIC of the CCA) and to clearing and settlement facilities (in Part XICB of the CCA).

This consultation paper considers adapting these regulatory precedents to critical cash distribution services.

---

<sup>25</sup> The national access regime requires either declaration of the service by the Minister on advice of the National Competition Council, or the provision of a voluntary undertaking by the service provider, before the statutory provisions for the provision of access on terms and conditions that are reasonable can be applied. Further, if negotiations around reasonable access granted under the regime fail, a legally binding regulator arbitration process then applies that can take several years to determine an outcome.



## 2. A new regulatory framework for cash distribution

### The objective of a new regulatory framework

The overarching objective of a new regulatory framework should be to ensure that the cash distribution system in Australia operates in the public interest. To that end, cash distribution regulatory arrangements should support adequate access to cash across Australia at low or no cost for consumers, including adequate access to cash withdrawal and deposit services via bank branches and ATMs in regional areas.

Achieving this overarching public interest objective requires a well-functioning cash distribution system, guided by the following policy principles:

- **Access:** Cash distribution services should be made available to business customers (such as retailers and banks) nationwide on fair and transparent terms.
- **Sustainability:** Cash distribution services should be financially sustainable over time, including in the face of declining and/or low levels of transactional cash use.
- **Resilience:** Providers of cash distribution services should plan for and manage risks in relation to service disruptions and shocks.
- **Efficiency:** Cash distribution services should be cost effective, and providers and their business customers should be incentivised to innovate and become more efficient, while supporting access to cash for consumers at low or no cost.

The development of a cash distribution regulatory framework will involve navigating trade-offs between these principles, such as between supporting resilience and efficiency in the cash system.

The regulatory framework design should be:

- **Transparent:** The regulator(s) should provide transparency on how powers are intended to be used, including by publishing guidance.
- **Flexible:** The regulator(s) should have the flexibility to monitor and proactively address risks in the cash distribution system.
- **Proportionate:** The regulatory treatment of regulated entities should be proportional to the risks posed by the entity, and aware of the costs imposed on them.

A new regulatory framework would be legislated and may require different regulators for different aspects of the regime. The Minister may be required to specify aspects of the regulatory framework through legislative instruments.

### Assessment of regulatory options

The CFR and ACCC have considered whether alternatives to the proposed regulatory framework could achieve the objectives outlined above for the cash distribution sector. The proposed framework is intended to mitigate current risks and ensure the sustainability of cash as a means of payment, but it is

also recognised that regulation can introduce some costs. The alternatives considered were ‘no action’ and ‘industry self-regulation’ (see Table 2).

**Table 2: Summary of regulatory approaches considered**

	Approach 1: No action	Approach 2: Industry self-regulation	Approach 3: New regulatory framework for cash distribution
<b>Visibility of entities, capability and risks</b>	Minimal data and information available	Ad hoc reporting from industry may be possible	Visibility through mandated reporting and monitoring to support proportionate regulatory responses
<b>Crisis readiness and resolution</b>	Limited capacity to ensure preparedness for, or to respond to, a crisis or significant disruption to cash distribution	Potential improved crisis preparation, but limited intervention options if crisis occurs	Clear safeguards apply to critical services
<b>Price and non-price terms</b>	Fair terms cannot be guaranteed	Fair terms may be more likely, but limited recourse if not delivered	Regulatory intervention available if fair terms not delivered
<b>Third-party access</b>	Third-party access on fair terms cannot be guaranteed	Third-party access on fair terms may be more likely, but limited recourse if not in public interest	Third-party access on fair terms to promote competition in key segments of the cash distribution system, and allows for dispute resolution
<b>Service level standards</b>	Continued service to regional areas not guaranteed to be supported	Continued service to regional areas more likely to be supported, but limited recourse if not delivered	Continued service to regional areas directly supported
<b>Accountability</b>	Existing regulatory regimes are inadequate to ensure accountability and/or would not deliver timely outcomes	Potential for improved accountability for ensuring functionality of the cash system, limited by maximum threshold of sanctions available to the relevant industry body	Clear accountability through penalty and enforcement regime

Considering Table 2, the preliminary view of the CFR and ACCC regarding each option is:

- **No action:** No action is unlikely to achieve the policy objective of the cash distribution system operating in the public interest and significant challenges would remain. For example, government or regulators would have limited means to ensure a provider is prepared for a crisis or significant disruption and would also have limited means to respond to a crisis or significant disruption.
- **Industry self-regulation:** Industry could seek to address some of the challenges to the cash distribution sector through, for example, an industry code that establishes agreed standards or practices for the sector. However, it is likely that significant challenges would remain, due in part to the challenging economics of providing cash services and the commercial incentives of market participants.
- **New regulatory framework:** If focused on entities providing critical services, the introduction of a new regulatory framework to apply safeguards to those services and ensure the sector functions well will likely be the most proportionate approach to ensuring the system operates in the public interest.

A new regulatory framework for cash distribution could incorporate the following elements, which are discussed further in subsequent chapters:

- **Visibility of entities, capabilities and challenges:** The scope of the regulatory framework and the tools available for monitoring entities providing cash distribution services are outlined in Chapter 3.
- **Crisis readiness and resolution:** The regulatory powers to safeguard critical cash distribution services are outlined in Chapter 4.
- **Ensuring a fair and transparent sector:** The regulatory powers to help ensure the sector continues to function effectively include:
  - **Regulating price and non-price terms:** An approach to ensuring that fair price and non-price terms are offered to business customers is outlined in Chapter 5.
  - **Third-party access:** An approach to ensuring third-party access is offered on fair terms is outlined in Chapter 6.
  - **Service level standards:** An approach to ensuring continued services to regional areas is outlined in Chapter 7.
- **Penalties and enforcement:** To ensure accountability, powers for regulator(s) to enforce the framework and pursue penalties, where appropriate, are outlined in Chapter 8.

**Consultation questions:**

- 2.1. Is the overarching objective for the proposed regulatory framework – to ensure the cash distribution system operates in the public interest – appropriate? If not, why?
- 2.2. Are the four policy principles (access, sustainability, resilience and efficiency) for the proposed regulatory framework appropriate? If not, why?

### 3. Visibility of entities, capabilities and challenges

To establish the new regulatory framework and ensure it is appropriately focused on the relevant entities, the cash distribution sector would need to be formally defined in legislation.

A relevant entity could be defined as an entity that performs one or a combination of cash distribution services, specifically:

- cash transport (armoured and unarmoured) to facilitate the collection or delivery of cash
- cash storage (including through the leasing of safes or holding cash in secure facilities)
- cash processing (including counting/reconciliation, quality sorting and counterfeit detection)
- cash access support (including providing cash facilities and other services to retailers or bank branches, or ATM service providers).

This definition is not intended to apply to non-financial services businesses performing any of these activities for themselves (such as transporting cash on their own behalf), or where these services are only incidental to the core activities of the businesses (such as secure storage or lock-box services).

The definition is intended to be broad and flexible enough to apply to a range of business types and structures that may be used currently or in the future to provide cash distribution services.

The framework should apply regulatory obligations and powers in proportion to the risk an entity poses to the cash distribution system.

The proposed framework distinguishes cash distribution providers as follows:

- **Registered entity:** Any relevant entity providing cash distribution services (which is required to be registered and meet minimum reporting requirements).
- **Designated entity:** An entity that the appropriate regulator determines is providing critical cash services and/or a disruption to the entity's functions would likely threaten the overall stability of the cash system (which could be required to meet additional regulatory obligations and be subject to additional regulatory powers).

## Registration

### **Proposal 1: Establish a register of entities providing cash distribution services**

Registered entities would be subject to minimum reporting requirements and information gathering powers. The register would give regulators a basic oversight function over the smaller entities providing relevant cash distribution services.

Requiring registration of cash distribution providers that meet the proposed relevant entity definition could help provide visibility over the structure of, and the entities that participate in, the cash distribution sector.

Registered entities would be subject to basic reporting requirements, such as providing information on the services provided (e.g., cash transportation), their size (e.g., turnover, number of employees, and approximate volume of cash handled), and geographic areas they serve. This would help regulators monitor the cash distribution market and service coverage.

The benefit of registering cash distribution providers, and particularly smaller providers, should be weighed against the regulatory burden involved. Registration and basic reporting requirements should therefore be as streamlined as possible, to ensure that the costs are proportionate.

## Designation

### **Proposal 2: Provide a regulator and/or Minister with designation powers**

The designation powers could enable the regulator or Minister to:

- designate specific registered entities under the regulatory framework
  - To be designated, a registered entity would provide critical cash services to a significant part of the market, and/or a disruption to the entity's functions would likely threaten the overall stability of the cash system.
- impose obligations and powers on the designated entity, as set out in the regulatory framework.

A registered entity with a critical role in the cash system could be declared a 'designated entity'. Designation would take place against relevant criteria and regulatory assessment of whether:

- the registered entity provides critical cash services to a significant part of the market; and/or
- a disruption to the registered entity's functions threatens the stability of the cash distribution system.

When deciding whether to designate a registered entity, a regulator or Minister could consider factors such as the importance of its cash services, geographic coverage, customer distribution, market share or other matters relevant to the ongoing provision of critical cash distribution services. Related parties essential for cash distribution may be within the scope of designation.

Once an entity is designated, a decision would be made about which regulatory obligations and powers will apply to the entity. Any regulatory obligations imposed on a designated entity would be proportionate to its role in the cash distribution system and would give due consideration to regulatory burden (and/or any other applicable regulatory obligations that the entity may be subject to).

A designation decision would be made in consultation with the relevant registered entity and other stakeholders. A designation decision would be subject to judicial review, but not subject to merits review, given the significant public interest in ensuring timely intervention.

## Oversight powers

### **Proposal 3: Provide the regulator(s) with oversight powers**

The oversight powers would apply to designated entities, enabling regulator(s) to:

- establish reporting obligations
- conduct monitoring with the aim of ensuring compliance with framework obligations
- gather information to enable the regulator(s) to effectively perform their oversight role
- support the regulator(s) to exercise their framework powers, where further information is required to make a decision.

In addition to the basic reporting requirements of all registered entities, designated entities would be subject to broader information gathering powers. These information gathering powers would help the regulator(s) to prevent and address disruptions to critical cash services, and to support decisions related to price and non-price terms, third-party access and service level standards. This could include:

- reporting business continuity arrangements, major system-wide operational risks and risk management arrangements
- reporting dispute resolution arrangements
- notifications where a designated entity plans to make major changes impacting cash distribution services
- information requests to identify the likelihood and severity of a potential disruption to the cash distribution system, to support a regulatory response
- information requests to support the assessment of the pricing and access arrangements of that entity
- to the extent a designated entity becomes distressed or intends to exit the market, information requests to support the regulator to work closely with the entity to ensure service continuity and/or to facilitate an orderly transition.

**Consultation questions:**

- 3.1. The proposed framework distinguishes between registration (for general oversight) and designation (that applies more substantial regulatory obligations and powers reflecting the critical cash services being provided). Is this two-tiered approach proportionate to the challenges facing the cash distribution sector? Are there alternative models that should be considered?
- 3.2. What baseline obligations should apply to all registered entities to support sector transparency? What additional reporting obligations should designated entities have, particularly in relation to service continuity, crisis preparedness, performance reporting, and/or compliance with industry codes of practice?
- 3.3. What factors should be considered when determining whether a cash distribution provider should be designated (e.g., criticality of services provided, market share and/or geographic coverage)? Should designation be the responsibility of a regulator or the Minister? What protections should be in place to ensure the designation process is fair?

## 4. Crisis readiness and resolution

### Safeguarding Australia's cash distribution system

A central objective of the proposed regulatory framework is to prepare for, and respond to, risks to the continuity of cash distribution services. Unlike other critical services in the financial system, the Government and regulators have limited powers to ensure a provider of critical cash distribution services is prepared for a major disruption or crisis; and have limited powers to intervene to safeguard the continued distribution of cash.

Cash continues to have an important role in society, including supporting public trust and confidence in the broader financial system. A regulatory framework should give a regulator the necessary tools to support community confidence in the cash distribution sector and, in turn, the broader financial system, and should be guided by international standards, where appropriate.

### Crisis readiness and resolution powers

A regulator would require broad, discretionary powers to act in the public interest to ensure the continued operation of services that are critical to the functioning of the cash distribution system.

Crisis readiness and resolution powers would apply to designated entities, with the regulator able to:

- require designated entities to proactively manage significant service continuity risks, including region-specific risks
- ensure designated entities are operated in a manner that would facilitate rapid resolution
- intervene in a crisis where there is a material risk to the continuity of critical cash distribution services
- during or in reasonable anticipation of a crisis, facilitate the orderly exit, or transfer the shares, of a designated entity.

#### **Proposal 4: Crisis readiness and resolution powers**

Proposed crisis readiness and resolution powers include:

- gathering information to support crisis preparedness and crisis response
- assessing and enforcing resolvability and resolution planning
- issuing directions to a designated entity to take or prohibit a specified action
- appointing a statutory manager to a designated entity
- initiating the transfer of a business or shares of a designated entity.



The design of financial system crisis and resolution regimes is guided by international standards, particularly the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions*.<sup>26</sup> The powers in these regimes aim to maximise a regulator's discretion to prevent or manage a crisis when rapid action is required. While some cash distribution providers more closely resemble logistics companies than financial institutions, they provide crucial services to supporting Australia's cash system. The Financial Stability Board's standards for resolution regimes for financial institutions therefore provide a useful framework from which a crisis and resolution regime for Australia's cash distribution sector can be modelled.

Two relevant examples of existing Australian financial system crisis and resolution regimes are APRA's powers related to APRA-regulated entities and the RBA's powers related to clearing and settlement facilities.

APRA has crisis management powers that enable it to facilitate the orderly resolution of a regulated entity, aiming to protect depositors, insurance policyholders and superannuation fund members (beneficiaries), minimise disruption to the financial system and maintain critical functions. These powers include the ability for APRA to set requirements for resolution planning, so that financial institutions are better prepared for potential crises. APRA also has powers to issue directions, appoint a statutory manager, and transfer assets or liabilities.

The RBA has crisis management powers with respect to domestically incorporated clearing and settlement facilities that enable it to prepare for and respond to threats to the continuity of critical services provided by these facilities.<sup>27</sup> These powers include information gathering arrangements, as well as the ability to conduct resolvability assessments, develop resolution plans, issue directions, appoint a statutory manager, and facilitate a transfer to another entity to ensure continuity of critical services.

---

<sup>26</sup> Financial Stability Board, [Key Attributes of Effective Resolution Regimes for Financial institutions](#), Financial Stability Board, 25 April 2024, accessed 11 July 2025.

<sup>27</sup> RBA, [Guidance for the Australian Clearing and Settlement Facility Resolution Regime](#) [consultation paper], RBA, 30 June 2025, accessed 11 July 2025.

## Applying crisis regulation in the Australian context

### **Proposal 5: Ongoing crisis readiness powers and triggers for crisis resolution powers**

To ensure crisis readiness, a regulator may need ongoing powers enabling it to assess a designated entity's crisis preparedness and to improve that entity's resolvability in a crisis.

Crisis resolution powers could be triggered in instances where a designated entity:

- ceases, or intends to cease, one or more cash distribution services critical to the functioning of the cash system
- is at risk of being financially non-viable or appoints (or is at risk of appointing) an external administrator
- engages in conduct that threatens, or is likely to threaten, continuity of cash distribution services critical to the functioning of the cash system.

### **Consultation questions:**

- 4.1. What key indicators or thresholds should trigger crisis resolution powers, to support the continued operation of cash distribution services critical to the functioning of the cash system?
- 4.2. Are the proposed powers and interventions appropriate for the cash distribution sector?

## 5. Regulating price and non-price terms

For the cash distribution sector to function as sustainably, effectively and efficiently as possible, and to support adequate cash access across Australia at low or no cost, the price and non-price terms for cash distribution services should be fair and transparent.

The price and non-price terms of any agreement made by a designated entity for the provision of cash distribution services must be fair to the business customers using the service. For these terms to be fair across Australia, some cross-subsidisation from metropolitan areas to regional areas may be required.

The price and non-price terms must also be fair to the designated entity providing the service. The entity must be able to earn a reasonable rate of return that enables it to be financially sustainable, including enabling it to invest in capital to maintain reliable and efficient services, and provide safe and fairly remunerated working conditions for employees.

It also matters how agreements on price and non-price terms are reached. A regulatory framework that facilitates parties developing their own agreements with fair terms is more likely to result in agreements that are fit for purpose, timely and lower cost compared with a regulator imposing terms and conditions. For example, if parties aim to reflect the public interest principles contained within the regulatory framework in their agreement, and consult with the regulator and stakeholders on the price and non-price terms of an agreement, the framework would likely give no cause for the regulator to intervene.

Internationally, there are limited examples of regulators intervening in agreements for cash distribution services. However, Australia is more geographically dispersed and has a more concentrated cash distribution market than most other countries, although the trend in comparable jurisdictions has been towards consolidation of cash distribution services over time.

### Objectives of regulating price and non-price terms

Regulator powers for price and non-price terms should balance the following objectives:

- **Adequate access:** Enable the cash distribution sector to support adequate cash access for communities at low or no cost, including in regional areas.
- **Industry-led:** Support sector participants to achieve agreement on price and non-price terms for cash distribution services and provide a regulator with powers to resolve disputes.
- **Sustainable:** Support appropriate price and non-price terms that enable a designated entity to achieve a reasonable rate of return, while supporting cash use by consumers at low or no cost.
- **Efficient:** Encourage productivity in the cash system through innovation and efficiency improvements.

In achieving these objectives, cross-subsidisation may be needed in the price and non-price terms applicable to different cash distribution services provided by a designated entity.

## Oversight of industry agreements

### **Proposal 6: Oversight of agreement terms**

The regulatory framework could provide a regulator with agreement oversight powers, including a power to require a designated entity to consult on its price and non-price terms with the regulator and relevant stakeholders, and to require that relevant (price and non-price related) terms reflect public interest principles set in regulation.

Under the proposed regulatory framework for cash distribution, a regulator should be given oversight over the price and non-price terms in agreements made by a designated entity with its business customers. Consultation between the designated entity and the responsible regulator should be required to ensure agreements support the adequate access, industry-led, sustainable and efficient objectives. The regulator would provide feedback on the proposed agreement, considering public interest principles established through regulation. These public interest principles may require, for example, that:

- designated entities should sufficiently consult on the proposed agreement with all relevant stakeholders, and take into account stakeholder feedback and respond to it
- pricing be fair and promote the sustainability of cash access across Australia
- the price of services should have regard to service standards or government obligations on the provider to supply cash to businesses in regional and remote areas
- pricing structures are easy to understand and simple to administer.

## Agreement setting powers

### **Proposal 7: Agreement setting powers**

Where an agreement is unable to be negotiated between a designated entity and its business customers, or the agreement is deemed to not be in the public interest, the regulatory framework should provide a regulator with powers to set price and non-price related terms for a designated entity's services to its customers.

Regulator price and non-price controls are a material market intervention that can impose costs on both the regulator and regulated entity. Careful design is needed to minimise the compliance costs on the entity, regulator and broader industry.

In consideration of these issues, the regulator should be given powers to set price and non-price terms for designated entities' services, as a backstop to its oversight of relevant agreements. This power to

intervene should be held in reserve for use by the regulator subject to defined decision-making criteria and scenarios, including:

- when a designated entity and its customers cannot reach an agreement within reasonable timeframes (to minimise disruption where major agreements have not been achieved)
- where agreements do not achieve adequate access, industry-led, sustainability and efficiency objectives (e.g. an agreement has been reached but will likely result in cash distribution services not being provided at fair prices)
- where significant market changes have taken place since an agreement was originally agreed, such that those terms no longer achieve the required objectives.

In applying a power to set price and non-price terms, the regulator should have the option to pursue either a more 'light touch' or 'comprehensive' model, as required. For example, different approaches may be used to set pricing, such as building block models and benchmarking. The regulator may also consider incorporating incentives for designated entities and their business customers to strive for productivity improvements, such as standardising service offerings, which could reduce the administrative costs of managing a significant number of bespoke agreements.

## Dispute resolution

### **Proposal 8: Oversight of dispute resolution**

The regulatory framework could provide a regulator with the power to oversee (either directly or indirectly) a designated entity's dispute resolution processes for business customers.

In a cash distribution sector that functions as sustainably, effectively and efficiently as possible, disputes on price and non-price terms, or other issues, between a designated entity and its business customers would be resolved in a timely, fair and inexpensive manner.

Under the proposed framework, the regulator (or a third party approved by the regulator) should be granted authority to govern the dispute resolution processes of a designated entity. This could include:

- the establishment of regulatory principles to guide the internal dispute resolution processes of designated entities
- regulatory approval of an independent third party to resolve complaints not able to be handled internally by the designated entity within a timeframe set by the regulator
- dispute resolution reporting requirements enabling the regulator to monitor emerging issues facing customers.

**Consultation questions:**

- 5.1. Under what circumstances should the regulator intervene on price and non-price terms in cash distribution agreements of designated entities to ensure they are in line with the objectives of enabling adequate access and being industry-led, sustainable and efficient?
- 5.2. In the instance that a regulator applies a pricing model, what is the most appropriate approach for setting prices?
- 5.3. Should dispute resolution processes for designated entities be regulated by a regulator or a third party?

## 6. Third-party access

In sectors where there are high fixed costs of infrastructure, economies of scale may mean the industry tends towards consolidation and a single major service provider. For example, electricity transmission networks or water supply systems are typically capital-intensive and not feasibly duplicable, making competition for the provision of that infrastructure inefficient and justifying regulation or third-party access to ensure fair and efficient service delivery.

Some of Australia's cash distribution services may have similar characteristics: high fixed costs mean that it may not necessarily be efficient for competitors to establish competing infrastructure in some parts of the system. To support competition in downstream markets, such as the market for cash transport, it could be appropriate to provide third-party cash distribution providers with access to these services on fair and transparent terms.

### A third-party cash distribution provider access regime

#### **Proposal 9: Third-party access regime**

The regulatory framework could provide a regulator with the power to establish an access regime for critical services provided by designated entities.

Enabling third-party cash distribution entities to access the critical services of designated entities has the potential to promote competition in downstream markets. For example, establishing an access regime for certain wholesale cash processing and storage services of a designated entity on fair price and non-price terms has the potential to promote competition in cash transport, cash collection and supply services, and in the supply, stocking and servicing of ATMs. It could also promote interoperability arrangements, which could enable the sector to be more resilient.

An access regime could establish the conditions under which third parties could gain access, or be refused access, to the critical services of a designated entity. For example, access may be required to be provided by the designated entity where it promoted competition in a related market, is economically feasible for the designated entity, and is in the public interest. By contrast, access may be reasonably refused by the designated entity where, for example, granting access would impose a significant risk to workplace health and safety, thereby contravening applicable occupational safety laws.

As part of the broader suite of proposed dispute resolution powers, the regulator could be granted arbitration powers for access regime disputes, to support timely and fair dispute resolution.

**Consultation questions:**

- 6.1. Should a new regulatory framework for the cash distribution sector seek to establish an access regime governing the terms and conditions by which third parties can access critical cash services operated by a designated entity?
- 6.2. What rules would support a third-party access regime to critical cash services operated by a designated entity?
- 6.3. How should disputes under such an access regime be settled?



## 7. Service level standards for regional business customers

Regional businesses, bank branches and ATM service providers rely on cash distribution services for cash transport, storage and processing. However, the commercial incentive for servicing regional routes has been decreasing over time, primarily due to the declining use of cash for payments across Australia and the fixed costs associated with providing those services. Relatedly, the change in consumer preferences to digital payments and banking services has contributed to fewer regional bank branches sharing the costs of cash distribution services on certain routes, leading to higher costs for the business customers that remain.<sup>28</sup>

### Objectives of intervening on service-level standards

A new regulatory framework for cash distribution could:

- support cash distribution service providers to transition to a more sustainable, resilient and efficient services delivery model while supporting adequate access to cash for consumers at low or no cost across different geographic regions in Australia
- ensure regional business customers (including banks, retailers and ATM providers) have access to cash distribution services, and that these are provided on transparent, non-discriminatory and fair terms.

### Service level standards for regional customers

#### **Proposal 10: Setting service level standards**

The regulatory framework could provide a regulator with the power to enforce service-level rules on designated entities, established by the relevant Minister, to ensure cash distribution services continue to be available to regional customers and are supplied on transparent, non-discriminatory and fair terms.

A Minister could be empowered to determine rules for designated entities to support business customers (e.g. banks and retailers) in regional areas to have access to cash distribution services on fair price and non-price terms. These rules could clarify certain non-price terms and service-level standards, by:

- establishing baseline service level standards for cash distribution customers based upon their cash needs, particularly related to cash volumes and frequency of delivery
- establishing criteria governing the geographic regions where service level standards would apply.

---

<sup>28</sup> Senate Rural and Regional Affairs and Transport References Committee, [Bank closures in regional Australia](#) [committee report], Commonwealth of Australia, 2024, accessed 11 July 2025.

Providing cash distribution services to regional customers on fair terms may require cross-subsidisation from higher revenue routes in metropolitan areas to lower revenue routes in regional areas.

The pricing, third-party access and service standard aspects of the proposed regulatory framework may assist with the supply of cash distribution services to businesses in regional Australia. However, further policy interventions may be warranted to assist with the availability and affordability of cash access to consumers in regional Australia. Such policies may focus on maintaining adequate cash and banking access in regional Australia and are outside the scope of this consultation process.

**Consultation questions:**

- 7.1. Do regional business customers require service level standards established through a regulatory framework to ensure they continue to have adequate access to cash on reasonable terms?
- 7.2. What standards are required for cash distribution services, including service frequency? How should this be considered by the Minister?
- 7.3. What criteria should the Minister use to determine where service level standards should apply?

## 8. Penalties and enforcement

### Penalty and enforcement powers

#### **Proposal 11: Provide enforcement powers to regulator(s) and establish penalties**

To ensure that registered and designated entities meet their obligations under the regulatory framework, it will need to set out penalties for non-compliance and provide the regulator(s) with investigative and enforcement powers. This may include:

- investigative and information gathering powers to assess potential breaches
- powers to issue infringement notices
- powers to apply to a court seeking civil remedies.

Penalty and enforcement powers will be necessary to compel entities to adhere to the regulatory framework. These powers could be guided by standard regulatory enforcement powers, such as those in the *Regulatory Power (Standard Provisions) Act 2014* or in existing legislation administered by a relevant regulator.

Penalties should be proportionate to the impact of the breach, the size of the entity, and have regard to the market impacts of the penalty. The regulator will need discretion to tailor its response to different circumstances (particularly to complement the use of crisis readiness and resolution powers). The explanatory materials of legislation changes should set clear expectations around when the relevant regulator would apply penalties.

Penalty and enforcement powers would be focused on supporting the reporting, crisis readiness and resolution, agreement setting, third-party access, and service level standards aspects of the framework.

#### **Consultation questions:**

- 8.1. What principles should guide the design of penalty and enforcement powers to ensure they are proportionate, transparent and effective in achieving compliance?
- 8.2. In what circumstances should the regulator be empowered to issue an infringement notice or take court action? In what circumstances would penalties not be appropriate?