

15 August 2025

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



By email only: CashDistributionRegulationConsultation@cfr.gov.au

Australian Payments Network (AusPayNet) welcomes the opportunity to respond to the consultation paper released by the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC) on a regulatory framework for cash distribution in Australia.

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. Our purpose is to create confidence in payments by: setting enforceable industry standards for a safe, reliable and effective payments system; leading transformation in payments to drive efficiency, innovation and choice; and being the home for ecosystem collaboration and strategic insight. AusPayNet currently has more than 160 members, including financial institutions, payment system operators, major retailers and financial technology companies.¹

Of particular relevance to this consultation, AusPayNet administers the Australian Cash Distribution and Exchange System (ACDES), a framework of rules and regulations that governs the wholesale exchange and distribution of cash between the four major financial institutions that supply cash to the community. Through ACDES, we facilitate efficient inter-bank cash movements and maintain quality standards that underpin the supply of cash to the community. This gives us both practical experience in cash system governance and insight into the broader challenges facing Australia's cash ecosystem.

Executive Summary

AusPayNet supports the Government's commitment to ensuring that cash remains a viable means of payment for all individuals who want or need to use it. As highlighted in the consultation paper, the relative decline in cash use over recent years has not diminished the important role that cash continues to play in Australia's society and economy.

As noted in our February 2025 submission to Treasury's consultation on mandating cash acceptance, achieving this policy objective will fundamentally depend on the ongoing availability of efficient, reliable and sustainable cash access and distribution arrangements for both consumers and businesses.² While the industry has been undertaking significant work over the past few years to help address the challenges facing the cash-in-transit (CIT) sector and support the ongoing viability of cash distribution services, we had encouraged the Government and relevant regulators to continue engaging and collaborating with the industry on identifying long-term solutions for a sustainable and efficient cash distribution system in Australia.

¹ The views expressed in this submission are those of AusPayNet Management, and may not necessarily represent the views of all of our members.

² Treasury (2024), [Mandating Cash Acceptance: Consultation Paper](#), 19 December.

AusPayNet therefore welcomes the CFR and ACCC's work on establishing a regulatory framework to help support the long-term sustainability of the cash distribution system in Australia. We support a regulatory framework that is designed to be transparent, flexible, and proportional, and is underpinned by the proposed policy principles of access, sustainability, resilience, and efficiency. To best achieve the intended policy outcomes, we encourage the regulators to give further consideration to some aspects of the proposed framework. These include:

- Reviewing the suitability of an explicit 'public interest' objective, given the need to effectively balance public interest needs with commercial viability in a structurally declining market.
- Prioritising the development of crisis resolution and contingency planning arrangements, and clarifying expectations around pricing terms for cash distribution services.
- Ensuring coordination with related policy initiatives, noting that cash distribution, acceptance, and access are all important to supporting the viability and efficiency of cash as a means of payment.
- Continuing to collaborate with the industry on addressing any challenges related to cash distribution and access, including through existing industry coordination mechanisms.

The rest of our submission will provide further detail on these issues and recommendations. Please note that this submission will focus on the overarching policy objectives and the structure of the regulatory framework. We expect that our members and other industry stakeholders involved in the cash distribution cycle will provide more detailed feedback on specific regulatory provisions and operational considerations.

Objectives of the Regulatory Framework

AusPayNet welcomes the establishment of a proportionate, transparent, and flexible regulatory framework that would help support the long-term sustainability of the cash distribution system in Australia. We support the regulatory framework being underpinned by the four proposed policy principles of access, sustainability, resilience, and efficiency. Collectively, these principles recognise both the public importance of cash distribution services, and the need for these services to remain viable over time. As acknowledged in the consultation paper, some trade-offs between these principles may arise over time. Navigating these trade-offs will require careful calibration and ongoing monitoring and flexibility as the framework is implemented.

However, while supporting these principles and the overarching policy objective of ensuring that cash remains a viable and efficient means of payment, we encourage careful consideration of how to achieve public interest objectives while maintaining commercial viability in a structurally declining market. In particular, we have concerns about the proposed overarching objective of the new regulatory framework being 'to ensure that the cash distribution system in Australia operates in the public interest'. Not only is this a broader mandate than would be generally applied to commercial infrastructure providers, but it would also be imposed on entities facing far more challenging commercial circumstances than many other regulated essential services.³

³ For example, when the CFR set regulatory expectations for ASX's monopoly cash equities clearing and settlement services in 2016, it required these facilities to operate in a 'fair and effective way' and meet 'the needs of users', but did not impose an explicit public interest mandate.

The public interest objective would effectively ask commercial entities to: operate as quasi-public utilities while remaining privately owned and funded; accept potentially constrained returns while bearing full commercial risks and continuing to invest in innovation and resilience; maintain universal service obligations, including unprofitable regional routes; and bear potentially significant regulatory compliance costs. This creates an inherent tension that requires careful calibration.

While the consultation paper acknowledges that designated entities must be able to earn a 'reasonable rate of return that enables it to be financially sustainable', there is a critical difference between a return that allows a business to remain technically solvent and one that is commercially attractive to private investors who have alternative investment opportunities. Especially in a declining market, the level of return needed to justify continued private investment is likely to be higher than what might be considered 'reasonable' under a public interest mandate (particularly one that imposes an obligation to support consumer access to cash 'at low or no cost'). We are concerned that without careful consideration of these commercial realities, the proposed regulatory framework could inadvertently accelerate market exit. We therefore suggest reconsidering the overarching objective of the regulatory framework to better balance public and commercial considerations.

Framework Design Considerations

AusPayNet supports the three design principles identified for the regulatory framework: transparency, flexibility and proportionality. These principles will be critical to ensuring that the framework achieves its objectives without imposing an unreasonable burden on regulated entities:

- **Proportionality** will be particularly important, given the commercial challenges facing the cash distribution sector. The proposed two-tier approach that would distinguish between registered and designated entities appears sensible, allowing regulatory obligations to be scaled to the criticality of the service provider. We also welcome the stated intention that any regulatory requirements imposed on designated entities would be carefully calibrated for each service provider, and consider both the role of the entity in the cash distribution system and the impact of the regulatory burden.
- **Flexibility** will also be essential as the cash distribution system – and the broader payments landscape – continue to evolve. The framework should be able to adapt to changing volumes, new technologies, and potential market exits without requiring legislative amendment.
- At the same time, **transparency** and consistency of regulatory intentions and expectations will be crucial to help provide certainty for regulated entities (and broader industry stakeholders) making long-term investment decisions in a challenging market environment.

While our members and other industry stakeholders will be able to provide more detailed feedback on the specific elements of the proposed regulatory framework, we offer two broad observations:

- **Crisis preparedness and contingency planning:** Experience from other parts of the financial services industry shows that developing effective recovery and resolution frameworks can take considerable time and resources. Given the significant challenges currently facing the cash distribution sector, developing a robust crisis resolution framework should therefore be prioritised. This framework should include clear contingency arrangements in the event that commercial provision becomes unviable; this might include consideration of public funding mechanisms, alternative delivery models, or even public provision of services as a last resort.

- **Cross-subsidisation challenges:** We acknowledge that some level of cross-subsidisation from profitable metropolitan routes to lower-revenue regional routes may be necessary and appropriate in the given context. However, there may be practical limits to this approach. In particular, there is an inherent contradiction in the proposed framework, which would require designated entities to offer ‘fair’ pricing to all customers, while simultaneously expecting that metro customers would face higher rates than they would otherwise in order to subsidise regional services. Clear guidance will need to be established on how to balance these competing objectives, recognising that excessive cross-subsidisation could drive customers to challenge the fairness of pricing decisions (and leading to potentially costly and lengthy dispute resolution cases).

Coordination with Related Policies

The effectiveness of the proposed regulatory framework in meeting the Government’s objectives will depend critically on its coordination with other cash-related policies. As noted in our submission to Treasury’s consultation on mandating cash acceptance, ensuring that cash remains a readily available and accepted means of payment will depend on the ongoing viability and efficiency of both cash distribution and cash access arrangements. This is underscored by recent RBA research, which has highlighted that a growing number of communities, particularly in regional and remote areas, are at risk of being left without reasonable access to cash services.

Industry participants are continuing to proactively work on addressing these challenges. Under the recent ACCC-authorized industry collaboration under the Australian Banking Association (ABA), for example, industry participants have been working together on maintaining Armaguard’s continued provision of services while meeting agreed efficiency milestones, and exploring longer term sustainability measures and an independent pricing mechanism.⁴ In terms of access to cash, the major banks recently committed to extending their moratorium on regional bank branch closures until at least mid-2027, and have reached agreement with the Government regarding arrangements with Australia Post that are expected to help improve the sustainability of the Bank@Post service.

However, given the structural challenges facing all cash service providers, we agree with the consultation paper’s acknowledgement that ‘further policy interventions may be warranted to assist with the availability and affordability of cash access to consumers in regional Australia’. More broadly, we encourage the Government to holistically consider the full suite of policies that may be required to achieve its objective of ensuring all Australians who want or need to use cash are able to do so. Ensuring a coherent policy strategy will help avoid gaps that could undermine the effectiveness of any implemented measures.

The Role of Industry Coordination

Through our administration of ACDES, AusPayNet has demonstrated the value of industry coordination and self-regulation in governing certain aspects of the cash system. ACDES sets the rules and standards for wholesale cash movements between financial institutions, including quality standards, settlement arrangements, and operational procedures. The framework ensures efficient inter-bank cash exchange while maintaining flexibility to adapt to changing market conditions.

⁴ ACCC Authorisation number [AA1000674-1](#), granted 25 June 2025

Importantly, ACDES has successfully adapted to declining cash volumes over the past decade, with members working collaboratively to maintain service standards and drive efficiency.

We acknowledge the CFR and ACCC's assessment that self-regulation alone would not be sufficient for cash distribution services, given the market structure and commercial pressures involved. However, our experience shows that industry coordination can play a valuable complementary role to regulation across many areas of payments. AusPayNet therefore stands ready to support the development and implementation of any regulatory framework, where appropriate, through our technical expertise and industry coordination and standard setting capabilities.

AusPayNet looks forward to our continued engagement with the CFR and ACCC as this important work progresses. Please contact [REDACTED] if you have any questions on this submission.

Yours sincerely,

[REDACTED]
Andy White
Chief Executive Officer
Australian Payments Network