

Commonwealth
Bank

Regulating Cash Distribution

Submission to Council of Financial Regulators and ACCC consultation

August 2025

Overview

The Commonwealth Bank of Australia (CBA) welcomes the opportunity to respond to the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission's (ACCC) consultation paper on Regulating Cash Distribution. The consultation paper provides a thorough and thoughtful set of analyses and proposals.

As the consultation paper notes, maintaining access to cash is a key priority.¹ Cash remains important for many Australians, particularly in remote and regional communities. It is also critical for economic inclusion, particularly for older Australians and low-income households, and enhances the resilience of the payments system by acting as a fallback during natural disasters or outages.

The consultation paper notes the various challenges for cash distribution in Australia. The model is under strain as growing fixed costs are spread across a dwindling number of users. Cash usage as a share of customer payments has fallen from 70% in 2007 to 13% in 2022.² In terms of value, cash usage has fallen from 38% in 2007 to 8% in 2022. This decline is expected to accelerate with Accenture and the Australian Banking Association (ABA) projecting that cash usage will comprise only 4% of payments by 2030.³

While this trend is observed in other markets, Australia's vast land mass and relatively small population add some level of complexity to the issue. As the consultation paper also notes, the consolidation of cash-in-transit (CIT) services in Australia has also created a high level of dependency. In other industries and parts of the banking system, critical essential services, particularly those with single points of failure, appropriately attract a high level of oversight.

Given the external context, we observe a greater national focus on both resilience and productivity across all parts of the economy. The focus on resilience is evident through legislation like the *Security of Critical Infrastructure Act 2018 (Cth)* and regulation like *APRA Prudential Standard CPS 230 Operational Risk Management (CPS 230)*, which aim to strengthen resilience of critical infrastructure and critical operations. Reporting obligations, crisis readiness, dispute resolution, oversight powers and taking an end-to-end system view are common features of these sorts of regimes. The consultation paper draws similar parallels.

For these reasons, CBA is supportive of the CFR and ACCC's regulatory framework proposed in the consultation paper, which forms an important component of the Government and regulators' policy response to facilitating sustainability in the CIT sector. We welcome the CFR and ACCC's focus on addressing these issues.

We also recognise that a holistic set of initiatives will be required to improve the sustainability of the CIT sector. Public policy can create strong incentives for all industry participants to drive greater efficiencies across CIT operations, so that businesses throughout Australia can access cash affordably. Attachment A contains some further perspectives on efficiency and incentives.

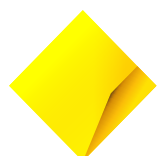
We support the Government's proposal to mandate business cash acceptance, with appropriate exemptions for small businesses.

We understand well the high expectations on CBA and are proud of our role as the Bank for all Australians. We recognise that cash remains critical to the community and our customers and will remain an important part of the economy for the foreseeable future. We continue to invest in cash access across Australia. Attachment B contains a summary of CBA's role in cash distribution.

¹ Department of the Treasury, A Strategic Plan for Australia's Payment System, 2023

² <https://www.rba.gov.au/publications/bulletin/2023/jun/consumer-payment-behaviour-in-australia.html>

³ <https://www.ausbanking.org.au/bank-on-it-customer-trends/>



We will continue to engage constructively with the Government, regulators and industry to explore solutions for the future of the CIT sector. Continued partnership between industry, Government, and the RBA will be required in a timely way given the CIT sector's challenges.

Consultation paper proposals

CBA is supportive of the CFR and ACCC's regulatory framework proposed in the consultation paper as a component of the Government and regulators' policy response to facilitating sustainability.

Our views represented in this submission are in response to the current market structure and regulatory settings and incentives.

We believe the policy principles and regulatory framework design outlined in the consultation paper will be key to driving the right outcomes as the industry continues to adapt to declining cash usage. Customers of CIT providers will likely need to carry the cost of any increase in compliance costs. There is a shared interest in efficiency and harmonisation of rules being well considered, alongside resilience, sustainability and access.

An in-built review mechanism is recommended so that the regulation has sufficient flexibility to accommodate the potential for future industry reform and restructure. Other regulatory settings like the current AML/CTF exemption may also need to be revisited.

We address selected consultation paper questions below, where we have a view. We have not commented on pricing-related questions given current industry negotiations underway on the design of an independent pricing model.

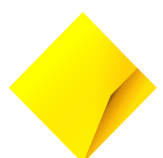
A new regulatory framework for cash distribution

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?

CBA believes that cash remains critical to Australians and the community and will remain an important part of the economy for the foreseeable future. We agree that a cash distribution system should operate in the public interest. The sustainability and resilience of such a system require consideration of economic as well as operational considerations.

We support both the policy principles – access, sustainability, resilience and efficiency – and the regulatory framework design approach – transparent, flexible, proportionate – outlined in the paper.



Visibility of entities, capabilities and challenges

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?

The two-tiered approach is appropriate and allows for a lighter touch for small participants.

We believe the framework will need to distinguish between activities performed by the customers of CIT providers versus CIT providers themselves. We note that the proposed definition of cash distribution services may capture services that are currently being provided by banks, such as the supply of commercial cash and bailment facilities. Given banks already operate under regulatory oversight, including in respect of these services, we caution against applying the framework to activities that are already appropriately regulated. Duplicative or contradictory obligations should be avoided.

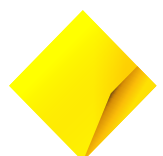
3.2. What baseline obligations should apply to all registered entities to support sector transparency? What additional reporting obligations should designated entities have, particularly in relation to service continuity, crisis preparedness, performance reporting, and/or compliance with industry codes of practice?

CBA supports baseline obligations for all registered entities like the basic reporting articulated on pg 16 of the consultation paper, noting that annual reporting may be sufficient to manage the trade-offs of compliance burden with transparency benefits.

Additional reporting for designated entities should include annual statements on compliance with CPS 230 requirements (to the extent relevant to cash distribution and availability) as well as Service Level Agreement (SLA) reporting.

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?

It is appropriate that designation should be the responsibility of the Minister/regulator, just as the *Payments System (Regulation) Act 1998 (Cth)* and the Scams Prevention Framework provide a role for ministers or regulators to designate appropriate entities. We have no strong view where the designation power sits.



Third-party access regimes

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?

CBA is supportive of measures to encourage competition and innovation in the CIT sector, including to explore third-party access regimes. We note that, given the challenges already faced by the dominant provider, it is important to consider whether the benefits of third-party access will outweigh the likely costs, including the level of compliance burden on access seekers.

Service level standards for regional business customers

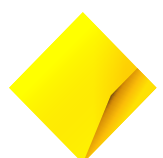
7.1. Do regional business customers require service level standards established through a regulatory framework to ensure they continue to have adequate access to cash on reasonable terms?

There does need to be a reasonable solution that enables continued access to cash for regional business customers at fair terms. We recommended this be linked to the market power of the distribution entity, noting that it should not be so fixed that it drives ongoing inefficiency into the system.

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?

It is important that service levels are responsive to falling demand to support sustainability over time, and do not limit innovation to other methods of ensuring cash supply to remote areas. There should be review points based on customer usage. Criteria could be based on remoteness to Cash Depots balanced against customer demand. Overservicing is as much a risk as underservicing. We believe some incentives may need to change to strike the right balance.



Attachment A: Further opportunities to improve sustainability of the cash ecosystem

Improving incentives for the cash distribution system

It is important that the incentives for cash distribution support the public interest objectives. There exist some incentives today that encourage frequent, small value movement of cash around the country, which run counter to the 'efficiency' and 'sustainability' policy principles, without improving 'access' or 'resilience'.

Some of those incentives relate to updating rules for interest recognition. Prior to the late 1990s, the RBA had cash depots in each capital city from which it issued banknotes directly to commercial banks. In the late 1990s, the RBA established Note and Coin pools which were held at CIT depots, or Authorised Cash Centres, rather than RBA-owned depots.

In 2001, the ownership of these pools was transferred to the four major banks. With the transfer of the note and coin pools to the banks, the RBA began paying interest compensation for verified cash holdings. Under this arrangement the RBA compensates Banknote Distribution Framework (BDF) banks for interest forgone on their holdings of banknote stocks at approved depots⁴. The interest compensation is in line with the interest that would have been earned by commercial banks were they to hold electronic balances at the RBA.

Stronger incentives for the efficient movement of cash could be achieved by updating the RBA's BDF to recognise interest on cash holdings across a range of locations to encourage cash to be geographically disbursed, and therefore closer to customers, and to drive greater efficiency in the logistical costs associated with moving cash. This could incentivise local recycling initiatives and investment in smart safes, which would also recognise the important role retailers play in many communities for cash distribution.

It will also be important that business models that support the provision of cash do not inadvertently incentivise movement of cash, rather than its reliable and efficient distribution.

Coins

Another important issue impacting efficiency and sustainability is coin distribution. This is costly because coins are heavy and hard to transport. This is an issue that is often cited by the CIT industry. It is not unique to Australia: Sweden and New Zealand have redesigned their coins to weigh less.

Despite accounting for an estimated 1-2% of the currency value in circulation, coins likely account for a sizeable portion of cash in transit costs for both providers and customers. These costs relate to transportation, processing by both cash-in-transit providers and customers, and storage.

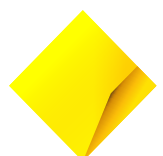
In Australia, we could consider a range of measures to reduce the costs associated with coins. We would encourage Treasury to undertake a review to find the best options to meet the needs of individuals and businesses, while improving the long-term sustainability of CIT services.

One option may be to consider removing 5c and 10c pieces from circulation, just as Australia did with the 1c and 2c pieces in 1992. Then Treasurer Paul Keating noted the decision was based on the loss of real purchasing power through inflation and the cost of minting the coins.

Estimates have 5c pieces representing around 15-20% of coin volume and 10c pieces representing 10-15%. Removing them from circulation would lead to meaningful ongoing savings for businesses, including transportation and processing costs for cash-in-transit providers. It would also bring fiscal benefits, noting that in 2022, the Royal Australian Mint CEO said the cost of minting the 5c piece was 12c.⁵

⁴ Provided the banknotes have been quality sorted and the depots are regularly audited to verify the reported banknote holdings

⁵ Macdonald, Anna (13 September 2022). "Royal Australian Mint to focus on changes to coins for now". The Mandarin



Attachment B: CBA's role in supporting cash distribution

CBA contributes more than any other financial institution to the ongoing supply of cash in Australia via the nation's largest branch and ATM network, including the provision of access via Australia Post and continued support of Linfox Armaguard.

Each year, CBA spends around \$400 million to support cash distribution, with around \$70m directly recovered in fees. Given this, the net commercial cost of providing cash services in Australia is likely to exceed \$1 billion. Each month, the bank distributes around \$4 billion of cash throughout our network across the country via our 650+ branches and 1800+ bank-owned ATMs.

We are focused on cash continuing to be accessible by investing in our cash access infrastructure throughout Australia. We are actively upgrading our branches and ATMs, with \$145m planned to be invested in FY26. Our branch and ATM network is complemented by the arrangement between Australia Post and CBA, which dates back more than a century.

Moreover, CBA continuously innovates to enhance customer experience and accessibility. We have introduced digital solutions to complement our cash access infrastructure, enabling our customers to seamlessly transition between physical and digital banking services. This has involved upgrading our mobile banking app to include features like *QR Cardless* cash deposits and withdrawals, along with real-time ATM locator services.

CBA also recognises the importance of crisis preparedness and resilience in maintaining the integrity of the cash distribution system. We are well prepared to meet the requirements of CPS 230, designed to minimise disruption to our critical operations, including the ability of our customers to make cash withdrawals and deposits.

In addition to our in-house planning and preparedness, we are actively collaborating with industry partners and government agencies to develop robust strategies for holistic crisis management, so that critical cash services can remain largely operational during emergencies. This includes establishing contingency plans, enhancing our cybersecurity measures, and conducting regular stress tests to identify and seek to mitigate potential vulnerabilities.

We continue to work with the industry to support commercial cash arrangements for the ongoing supply of cash to businesses across the country. We are also focused on exploring industry initiatives like cash recycling via ATMs which would bring greater sustainability to cash distribution, particularly in remote areas. We are also participating in a feasibility study on community-based cash recycling via the ABA.

