

15 August 2025

CFR and ACCC Cash Distribution Consultation Submissions
c/o Note Issue Department, Reserve Bank of Australia

Email: CashDistributionRegulationConsultation@cfr.gov.au

Re: COBA Response to CFR / ACCC Consultation on Regulating Cash Distribution

The Customer Owned Banking Association (COBA) welcomes the opportunity to provide feedback to the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC) on the Regulating Cash Distribution Consultation Paper (“the Consultation Paper”), released on 16 July 2025.

COBA is the industry association for Australia’s customer-owned banks (mutual banks and credit unions). Collectively, our sector has over \$185 billion in assets and is the fifth largest holder of household deposits in Australia. Our members range in size from less than \$200 million in assets to around \$25 billion in assets. Customer-owned banks account for around two-thirds of the total number of domestic Authorised Deposit-taking Institutions in Australia and deliver diversity, competition and high levels of customer satisfaction to the Australian retail banking market.

COBA provides these comments in the light of the recently released Review into Small and Medium-sized Banking Final Report, issued by the CFR and ACCC. That report outlines observations and recommendations aimed at reducing the regulatory burden on smaller and medium-sized banks and includes Recommendation 3 that states:

“The Government and regulators should seek to give due consideration to how future policy changes will affect smaller banks relative to their larger peers, including the impacts of different implementation approaches. This should include consideration of different options for staging commencements, having regard to organisational size and capabilities.”

KEY POINTS

COBA agrees that the cash distribution system is critical to Australia’s security, resilience and economic well-being and that providing Ministerial and regulatory powers to intervene in the public interest is warranted.

COBA believes that the future of cash distribution in Australia should neither disadvantage nor impose additional burdens or costs on customer-owned banks that wish to offer cash services to their customers.

COBA Recommendation 1: Consideration be given to splitting urgent / non-urgent matters to ensure urgent matters are resolved by September 2026.

COBA Recommendation 2: Either remove float and cash movement between branches provision as a cash distribution service and / or provide an explicit exemption from registration for banks that are not signatories to the BDF / CSF.

COBA Recommendation 3: That the pricing model for CiT be fairer in respect to geography and size, transparent and certain, and reflective of actual usage.

COBA Recommendation 4: That regional service standards address issues of price, frequency and reliability but also consider promoting efficiency improvements.

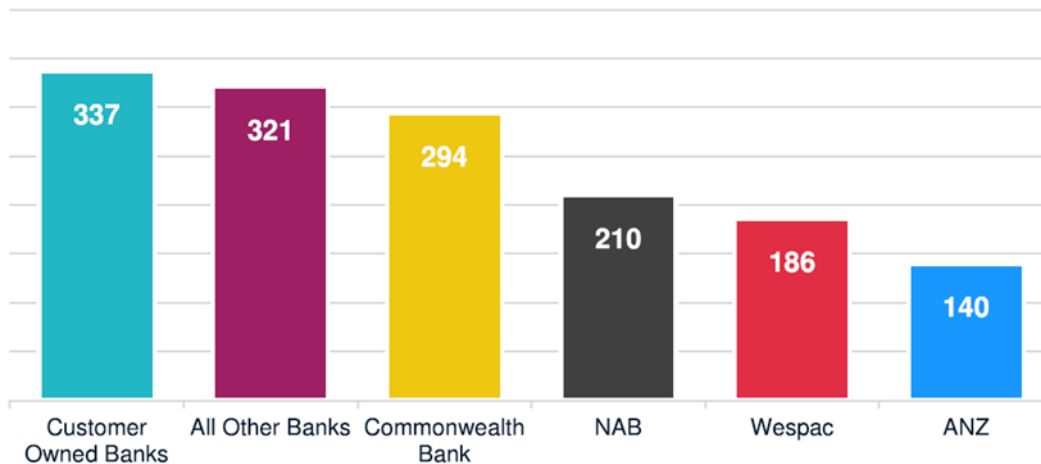
General Views on Cash

Cash remains important for customer-owned banks and the communities they serve. While there is a move towards digital and mobile banking, cash-related services offered through branches and other channels remain important. Customer-owned banks offer a range of cash-related services, such as accepting cash deposits and withdrawals for customers and providing cash floats for businesses, charities and community groups.

According to the APRA Points of Presence as of June 2024, customer-owned banks provide 693 branches nationwide, which is slightly over 20 per cent of the total 3360 bank branches across Australia, despite having less than 5 per cent of the retail lending market. In addition to branches, customer-owned banks offer access to cash via ATMs, cash-out at retail point-of-sale, and through Bank@Post for those customer-owned banks that participate in this initiative.

As illustrated below, many customer-owned bank branches are in regional areas, where they may be the only outlet providing a full range of banking, cash deposit or cash withdrawal services for that local community. These services may include supplying cash services to small businesses, charities, church and community groups and older Australians, customer groups that may not have easy access to viable alternatives.

Graph 1: Significant customer-owned banking regional branch presences



Source: COBA analysis on APRA ADI's points of presence - June 2024

COBA believes that the future of cash distribution in Australia should neither disadvantage nor impose additional burdens or costs on customer-owned banks that wish to offer cash services to their customers. It is on this basis that we provide our comments and recommendations.

COBA has consulted with its members on cash distribution, and they have indicated rising costs in recent years, as well as challenges in terms of frequency and reliability of Cash-in-Transit (CiT) services. Cash-related services at branches also carry security and operational challenges for branch staff. Customer-owned banks can also have reconciliation challenges, where disputes with CiT providers around incorrect credits/debits linked to deliveries and collections, can require time-consuming investigations. These challenges extend beyond banknotes to also include coins.

The existence of a dominant CiT provider in the form of Armaguard means there are limited alternatives for CiT services, providing little scope to seek alternatives or to negotiate better deals. This makes contingency planning difficult for many of our members.

These concerns are particularly prevalent in rural, regional and remote areas where service availability and longer travel distances further exacerbate the challenges of cash supply logistics.

We believe that managing both CiT costs and the regulatory burden for business customers such as customer-owned banks is critical for the long-term health of cash distribution in Australia. Higher costs associated with cash, either because of unfair commercial arrangements or additional regulatory requirements, could lead to unintended consequences, further reducing the ability of customer-owned banks to provide cash services in communities that often rely heavily on these services.

A sustainable, reliable, cost-effective and appropriately regulated CiT sector is therefore critical for maintaining cash access for customers and businesses, which becomes even more important if a cash mandate is introduced. COBA members are dependent on CiT services and must, therefore, have access to CiT services that are sustainable; have fair and transparent pricing; reliable service; and efficient operations.

We thank CFR and ACCC for taking our views into account and would be pleased to discuss further. Our responses to the specific consultation questions are enclosed as an Appendix. We would be open to provide further detail, and we would be interested in exploring further sector engagement opportunities.

Please do not hesitate to contact Dr Brad Pragnell, Head of Strategy ([REDACTED]) or Alex Woloszyn, Policy Manager ([REDACTED]) if you have any questions about our submission.

Yours sincerely,

MICHAEL LAWRENCE

Chief Executive Officer

Appendix - Responses to Consultation Questions

2. 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?

COBA agrees that the cash distribution system is critical to Australia’s security, resilience and economic well-being and that providing Ministerial and regulatory powers to intervene in the public interest is warranted. We believe the public interest includes a competitive banking sector and sustainable cash availability for groups, including regional communities, that rely more heavily on cash.

COBA acknowledges that cash distribution in Australia has historically had a strong private sector presence, though the economics of this have come under pressure because of declining cash use. Our first preference for resolving issues such as this would ordinarily be as an industry or market-led solution.

However, we recognise that the current arrangement, where the major banks and other funding partners continue to provide direct financial support to Armaguard, does not represent a sustainable long-term solution. A regulatory presence can help bring about a sustainable and fair outcome. Further, we recognise that, given the need to ensure the continuation of cash distribution, providing a regulatory basis for crisis resolution and readiness is also needed.

We note that the Consultation Paper addresses a wide range of concerns related to cash distribution in Australia. Some are more immediate issues associated with providing regulatory certainty before expiration in September 2026 of the current conditions associated with the ACCC authorisation of the merger between Linfox Armaguard and Prosegur Australia, which includes price controls and service coverage obligations.

With September 2026 being only 13 months away, we believe there is a case for expediting those matters related to the September 2026 deadline, such as designation, price and non-price terms for business customers and service level standards for regional business customers. Conversely, matters that may be less deadline-driven such as third-party access and crisis readiness and resolution could possibly be split out and dealt with later, particularly if there is no immediate concern over the possibility of Armaguard exiting the CiT business altogether.

We further note that the Consultation Paper does not provide much in the way of guidance as to the likely regulator(s). We believe this is crucial for better understanding how the new regime would be implemented and that the Government should express its view on this matter sooner rather than later.

Recommendation 1: Consideration be given to splitting urgent / non-urgent matters to ensure urgent matters are resolved by September 2026.

2.2. Are the four policy principles (access, sustainability, resilience and efficiency) for the proposed regulatory framework appropriate? If not, why?

COBA is broadly supportive of these four principles. In particular, we support “access” including that “cash distribution services should be made available to business customers (such as retailers and banks) nationwide on fair and transparent terms”.

3. 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 framework outlined in the Consultation Paper seeks to implement proportionality – a risk-based approach to regulation that COBA broadly supports and which has been further endorsed in the Final Report of the CFR Review of Small and Medium-sized Banking.

At a high level, the proposal in the Consultation Paper creates a simple and efficient means for regulators to have the necessary visibility of the wider cash distribution system, while limiting significant regulatory obligations on those entities that are most critical to the overall functioning of the cash distribution system.

We are, however, concerned as to the possible treatment of customer-owned banks within this framework.

We recognise that Armaguard and the smaller CiTs are almost certainly captured as designated and registered entities respectively. However, clarity is needed on the treatment of customer-owned banks within the framework.

We believe that customer-owned banks should be considered business customers / regional business customers within the framework, affording them protections in respect to price / non-price matters within agreements and service level standards.

However, we would be concerned if customer-owned banks were also treated as relevant entities providing cash distribution services, which would require registration under the proposed framework. This concern is based on Table 1 in the Consultation Paper, which has a very broad definition of cash distribution services inclusive of delivering cash floats to businesses and moving cash to a branch as a type of cash access support service.

This inclusion is even more concerning as customer-owned banks would not be covered by the exemption described below, from page 17 of the Consultation Paper:

This definition <of a relevant entity> 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).

Despite this, we do not believe the intent of the framework should be to capture customer-owned banks, merely because of providing floats to local businesses or moving cash between their branches. We would also have concerns if Bank@Post is similarly captured, as many customer-owned banks use this service and additional compliance burdens could increase the price of this service and make it uneconomical for customer-owned banks to participate.

Capturing these activities and, as a result, customer-owned banks that offer this service, has the potential to significantly expand the regulatory framework and, as a result, impose significant compliance costs on customer-owned banks. We would be concerned about the reporting obligations because of being registered entities and the possibility that those obligations could become more onerous in the future. We also note there would be little additional benefit from data gathered from smaller and medium-sized banks, given most of this data would replicate data already gathered from CiT companies and the major banks. We also believe that their status as non-signatories of the Banknote Distribution Framework or the Coin Supply Framework needs to be taken into account when considering how customer-owned banks should be treated within the regime.

Recommendation 2: Either remove float and cash movement between branches provision as a cash distribution service and / or provide an explicit exemption from registration for banks that are not signatories to the BDF / CSF.

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?

As noted above, our threshold concern is whether customer-owned banks that offer particular cash access services would be required to register under the new cash distribution regime. We believe they should not be required for the reasons stated above.

Further, we believe care needs to be taken in the reporting obligations for both registered and designated entities. Reporting obligations are not without cost and the focus should be on what regulators need to do their job. Ideally, reporting obligations should also avoid duplication and overlap with other obligations. As a result, the regulator should consult with regulated and designated entities to better understand what reporting they already undertake and where efficiencies could be found.

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?

We do not have a strong view on the factors that need to be considered to determine whether an entity should be designated, though we would expect Armaguard to be a designated entity given its dominant role within CiT and the cash distribution system. There needs to be clear criteria and a transparent process, so that the potentially designated entity and the rest of the ecosystem have visibility of the decision to designate, including any associated timing.

4. Crisis readiness and resolution

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?

As noted above, Armaguard remains the only viable provider of CiT services for many customer-owned banks. Armaguard's dominance creates a "single point of failure" which makes contingency planning difficult for customer-owned banks that rely on their services.

As a result, we believe there is merit in a crisis resolution power for regulators to ensure the continued operation of critical cash distribution services.

However, as noted earlier in this submission, we would advise policymakers to consider the relevant urgency of issues and remaining open to those issues that are crucial to be ready by September 2026 and those that maybe somewhat less deadline dependent.

This could also provide stakeholders and experts with more time to engage with policymakers and regulators to more carefully consider appropriate indicators and thresholds.

4.2. Are the proposed powers and interventions appropriate for the cash distribution sector?

We support crisis management powers that are built on existing powers held by APRA and the RBA, such as those outlined in the Consultation Paper, as opposed to creating an entirely new regime from the ground up.

5. Regulating price and non-price terms

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?

As Armaguard is the dominant provider in CiT in Australia, customer-owned banks are price takers and have little power to negotiate improved service. As a result, we believe that regulators should have the power to intervene on price and non-price terms between designated entities and business customers, such as customer-owned banks.

This means close monitoring of agreements with business customers as well as on-going engagement with affected parties that have entered into agreements with Armaguard, to ensure that access, sustainability and efficiency are maintained.

5.2. In the instance that a regulator applies a pricing model, what is the most appropriate approach for setting prices?

We believe that the price model for CiT, in respect to both the Independent Pricing Mechanism and any intervention by the regulator under this regime, should follow three principles: i) price fairness, ii) price transparency and certainty, and iii) reflective of actual use, to prevent competitive disadvantage.

Ensuring **price fairness** is critical to maintaining access to cash services across Australia, particularly in regional and remote communities. COBA believes there should be a pricing model that avoids disadvantaging smaller and regionally based customer-owned banks. This may require a degree of price compression between regional and metro areas, reflecting the fact that major banks have closed many regional branches in recent years, leaving smaller banks with far higher proportional representation in terms of branches, and higher operating costs. This reflects a contribution towards banks' social licence to operate and our collective interest in strong and viable regional communities. This could include consideration of a tiered pricing model.

Price fairness is crucial for cash to be available in regional, rural and remote communities that may rely heavily on cash. There is a limited ability to received costs directly from customers. As a result, failure to promote price fairness risks customer-owned banks being forced to close branches given the disproportionate burden.

There is also a need for **price transparency and certainty**. Our members have informed us that current CiT pricing often lacks transparency and certainty, making it difficult for customer-owned banks to plan and manage budgets effectively. Price certainty over a fixed period, ideally aligned with budgeting cycles, would allow for more accurate forecasting and financial stability. Predictable pricing is essential to support long-term planning and service continuity of cash services by customer-owned banks.

Finally, pricing must **better reflect actual usage**, rather than relying on volume assumptions that may be out-of-date. Efficiency and fairness are also undermined by uniform price increases applied without regard to demand shifts or operational realities.

COBA and its members have a keen interest in ensuring fair and transparent pricing that also delivers sustainability and rewards efficiency. In addition to this consultation, COBA is engaging with Deloitte Access Economics, working on behalf of Armaguard and the funding parties, on the development of the Independent Pricing Mechanism for Armaguard.

Recommendation 3: That the pricing model for CiT be fairer in respect to geography and size, transparent and certain, and reflective of actual usage.

5.3. Should dispute resolution processes for designated entities be regulated by a regulator or a third party?

COBA would support the development of a dispute resolution process so that business customers have an efficient and inexpensive means to address disputes with contracted designated entities.

6. Third-party access

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?

While COBA is supportive of greater contestability within the cash distribution system, we remain realistic that it is unlikely for there to be significant new entrants soon, and that new providers will continue to operate within specific market segments.

7. 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?

COBA is supportive of the ability of regulators to set service standards and ensure that agreements with regional business customers, including customer-owned banks, are fair.

As noted above, price is an important consideration and pricing should be fair, transparent, certain and based on actual usage. There should be fairness between metropolitan and regional arrangements.

7.2. What standards are required for cash distribution services, including service frequency? How should this be considered by the Minister?

As noted above, we believe that pricing needs to be carefully considered.

As well, we would support standards around the frequency and reliability of deliveries. Any reduction in delivery frequency or volume would impact the ability of some customer-owned banks to maintain a reliable and consistent customer experience, particularly where cash remains a preferred payment method. Less frequent servicing also erodes efficiency, productivity and service standards. It also requires more cash to be held in branches for longer periods, creating security risks.

Enhanced frequency and reliability of deliveries could be supported through better scheduling (including timed or grouped deliveries), route optimisation, or tiered service models aligned to actual cash demand.

We also believe that standards could support or play a role in driving some of the below improvements:

- Enhanced ability to manage banknote quality, for example not having to return notes to a capital city depot;
- Introduction of smart technology (e.g. cash recyclers and smart safes) and better use of digital technology; and
- Simplified processes to promote fewer manual interventions.

Recommendation 4: That regional service standards address issues of price, frequency and reliability but also consider promoting efficiency improvements.

7.3. What criteria should the Minister use to determine where service level standards should apply?

COBA believes there needs to be focused engagement with a range of stakeholders when developing both the criteria to trigger the application of standards and the actual service standards. Customer-owned banks that operate in regional, rural and remote communities must be actively involved in developing these processes.