



National Australia Bank submission

Regulating Cash Distribution

15 August 2025

Introduction

National Australia Bank (**NAB**) appreciates the opportunity to provide a submission to the Council of Financial Regulators (**CFR**) and the Australian Competition and Consumer Commission (**ACCC**) consultation on regulating cash distribution. NAB supports the close examination of Australia's cash distribution system and proposals to support a more sustainable future state through a robust regulatory framework, ensuring that arrangements are fit for purpose in the evolving landscape of cash usage.

NAB supports the continuing role of cash in the economy, and the Government's overarching policy objective that cash remains a viable means of payment for those who need or want to use it. The Government's intent to mandate cash acceptance further highlights the importance of ensuring the long-term sustainability of the cash distribution system across Australia.

Over the last two decades, there has been a significant and ongoing decline in the use of cash for payments in Australia. The most recently available data shows cash was used in only 13% of payments in 2022, compared with 70% in 2010.¹ This is expected to decline to 4% of payments by 2030.² NAB's experience is that this economy-wide trend is continuing, with cash withdrawals from NAB's ATM network decreasing 40% over the past five years.³

The long-term decline in transactional cash usage continues to increase pressure on the delivery of cash services. This is more pronounced in regional and remote areas, where the high costs - driven primarily by high transport costs - act as a barrier to efficient, sustainable and resilient cash distribution. NAB supports CFR and ACCC consideration of the acute challenges faced by rural and regional Australia in particular.

NAB supports all 11 CFR and ACCC proposals and is appreciative of the constructive regulatory engagement to date.

¹ *Consumer Payments Survey (2022)*, Reserve Bank of Australia.

² *Bank On It: Customer Trends 2024*, Australian Banking Association.

³ As at January 2025.

NAB envisions a hybrid payment landscape where cash and digital payments continue to coexist. NAB is investing in cash and digital payments infrastructure in direct response to the preferences of its customers, and reflective of the policy objectives of government. As Australia's leading business bank and agribusiness bank, NAB has unique insight into the cash access needs of its customers right across the country, including the challenges facing rural and regional areas in particular.

NAB has appreciated the regular engagement from the government and regulators and would welcome continuing dialogue so that industry can continue to adapt to evolving payments trends while ensuring the resilience of the cash distribution network.

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?

NAB supports the need for an overarching public interest objective and the four principles of access, sustainability, resilience and efficiency. The challenges facing Australia's declining cash distribution system are continuing despite an 18-month industry effort to stabilise the CIT industry and ensure the ongoing availability of cash across Australia. This has eroded confidence in the availability of cash in rural and regional Australia (particularly for small businesses) and highlighted the acute risk of a cash distribution system that does not operate in the public interest. Public interest considerations will ensure that the distribution of cash across Australia is sustainable, reliable and underpinned by a transparent pricing regime.

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

NAB supports the four policy principles, however these principles must be weighted such that they strike the right balance between building resilience in the system at the same time as driving efficiencies and encouraging innovation. Building resilience will necessitate additional cost and may impact the economics of providing the service. As customer cash usage continues to decline, coupled with the high fixed costs of CIT services, the cost of cash distribution will continue to increase. The principles underpinning the regulatory framework should enable sufficient flexibility for participants to adapt and respond to changing customer behaviour in the context of declining cash usage which may further challenge the sustainability of cash distribution going forward. Inherent to the principles should be the government's policy objective of maintaining adequate access to cash for as long as Australians want to use it.

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?

NAB supports a two-tiered and proportionate approach that reduces the compliance burden for smaller players while ensuring that designated entities are subject to reporting and other obligations consistent with the criticality of their size and service, as is the case for other operators of critical infrastructure. The sustainability of smaller providers is crucial to ensuring reliability and fair price of service in rural and regional areas, noting the ongoing challenges of cash distribution the further the distance from metropolitan markets and depots.

NAB recommends that the design of tiering consider:

- The size of the entity (including number of staff, vehicles) and the role it plays in the broader cash distribution system.
- The entity's market share at both a national level and/or within a geographic region. i.e. in a regional or remote area the critical supplier may be a small entity that acts as the sole provider for that market.
- The different types of customers that an entity may serve.
- The level of regulatory oversight appropriate for a market. i.e. imposing a high compliance burden on a small sole provider in a remote community may impact the sustainability of that provider, regardless of its criticality to that region.

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?

At a minimum, NAB considers registered entities should be subject to:

- Financial Performance reporting including revenue, costs and asset evaluation.
- Service performance reporting including any missed services and obligations in breach of Service Level Agreements (**SLAs**).
- Transaction reporting including cash processing, volume, value, number of jobs, cost per job, number of services per trip, service level reporting.
- Capital and Operating expenditure reporting.
- Business continuity planning (more relevant to a designated entity with reasonable market share).

To safeguard all parties, NAB supports a defined regulatory framework in which regulators can require operational, financial and performance information to support market sustainability and oversight, while reserving more interventionist measures for when specific conditions are met, including in relation to pricing, the risk of Voluntary Administration or an entity's plans to withdraw services from a specific geographic area. This framework should include how to manage issues with the providers that could threaten the stability or confidence in the financial system.

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?

NAB supports designation decisions being guided by factors such as service criticality, market share and geographic coverage. Designation and determination should be the responsibility of an independent regulator, with Ministerial oversight as required.

NAB acknowledges that designation decisions may need to evolve over time to reflect the changing role some participants may play in the cash industry eco-system. Discretion may be required in instances where they discourage an industry commercial cash solution or bank from participating in different parts of the cash industry value chain (see Figure 1 in the Appendix which details NAB's current role in the cash industry value chain).

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?

NAB considers a relatively high threshold should apply to trigger crisis resolution powers. Key indicators could include:

- Changes to staff numbers.
- Changes to the number of vehicles in operation.
- Processing backlogs.
- Missed obligations under SLAs (which includes third-party reliance).
- Deteriorating financial stability.

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

In accordance with the ACCC authorisation, over the past 18 months the eight funding parties have worked constructively to help support Armaguard to address cash distribution challenges (including via financial support). There remains considerable uncertainty about the long-term sustainability and reliability of wholesale cash distribution in Australia, exacerbated by the lack of independent umpire with powers to provide greater certainty over service. NAB acknowledges that the current industry characteristics have made greater concentration among the CIT sector a rational response, however additional regulation is critical to ensuring the continuity of CIT services.

In doing so, NAB argues that any additional regulation should be careful not to entrench the existing consolidated structure, nor act as a deterrent to new market entrants. NAB suggests that any intervention could be overseen by the ACCC to ensure the regulatory framework facilitates greater competition in the market.

Consideration should be given to:

- A framework that reflects the continuing trend to digital payments in response to customer preference.
- Accessible, efficient dispute resolution processes.
- Giving the regulator appointed to oversee cash distribution a clearly defined role, including clarifying any potential areas of overlap with the RBA.
- Who funds the costs of the interventions and any cost recovery.
- The risk of overly prescriptive regulations which would impose higher compliance costs and potentially discourage investment into cash distribution or deter new market entrants.

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?

NAB supports oversight and decision-making powers being granted to a regulator on price terms in the context of a newly established independent pricing model. Similar models exist in Australia for independent pricing decisions for stated-based essential services and regulated utilities (e.g. the Independent Pricing and Regulatory Tribunal (IPART) in New South Wales and the Essential Services Commission in Victoria) as well as nationally with the Australian energy market (e.g. the Australian Energy Regulator). Under such model, the designated entity would be required to periodically submit a forward-looking proposal for the upcoming regulatory review period and the regulator would approve the methodology for setting maximum prices. An additional threat of direct regulatory intervention should not be required, noting the regulator is the ultimate adjudicator of price for a particular regulatory review period.

NAB supports non-pricing terms falling under the scope of review of the independent regulator, which could be in the context of price setting. For example, a service target performance incentive scheme could be incorporated into an entity's customer contract to maintain and improve service reliability for customers and end users of cash. The designated entity could either be financially rewarded based on the terms of that customer contract or penalised by the independent regulator based on performance outcomes. Other non-pricing terms which may warrant regulatory intervention could include instances where entities are seeking to include anticompetitive terms or behaviours in distribution agreements.

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

In accordance with the ACCC authorisation, the major banks, retailers and Armaguard have engaged Deloitte Access Economics to develop an Independent Pricing Mechanism (IPM) analogous to utility pricing, to apply initially to the cash services agreements of each of the Funding Parties.

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[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

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

Under a regulated price-setting regime, disputes are most likely to arise where the designated entity disagrees with the pricing outcome determined by the regulator. In this instance, an external dispute resolution process with the Administrative Appeals Tribunal or the Australian Competition Tribunal should be incorporated into a comprehensive dispute resolution regime.

There are likely to be instances where a cash distribution customer disputes an outcome or service provided by its cash distribution partner. The regulator should have capability to receive and consider those customer complaints and flagged disputes and incorporate them into their ongoing monitoring of a designated entity as well as price determinations in future regulatory review periods.

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?

NAB supports the concept of third-party access and sees this as an opportunity to create greater competition and drive innovation in the provision of transport and logistics services. This would support the entry of other logistics organisations and smaller niche players into the market without the expense of setting up and managing depots and cash processing centres, and achieving Approved Cash Centre Operator status. In theory this should drive greater competition for cash logistics providers, especially in major cities due to the customer and route density. However, as noted above, consideration should be given to ensuring that profitable metropolitan routes are not overserved, which would place additional pressure on low value regional routes. Additionally, any new regulatory framework should allow a CIT provider adequate flexibility to right-size its portfolio of depots to ensure sufficient utilisation.

6.2 What rules would support a third-party access regime to critical cash services operated by a designated entity?

The process and eligibility criteria would need to be defined as part of an industry standard and/or code of practice, noting associated risk and compliance considerations that an entity would need to be comfortable with prior to allowing third-party access to its infrastructure.

Third-party access would also need to form part of the independent pricing mechanism to ensure that the price is fair and reasonable for the service that is being provided, including capital and risk components.

6.3 How should disputes under such an access regime be settled?

In the event that parties cannot find an outcome to their dispute, the dispute should be determined by the regulator.

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?

NAB supports the policy objective of maintaining adequate access to cash for as long as Australians want to use it. In doing so, we also believe that the true costs of providing the service need to be factored into the price for that service. NAB suggests that the cross-subsidisation of regional services with the equivalent metropolitan services via differentiated regulated pricing may not sufficiently address this issue, as it may obscure the true cost and prevent innovation and/or other productivity measures from addressing the root cause. Targeted and industry-wide initiatives that drive greater sustainability of regional cash access must be pursued.

As Australia's largest agribusiness lender NAB is responsive to the needs of its rural and regional customers. NAB encourages government and regulators to consider a policy response that reflects the unique challenges faced by areas that may be underserved by CIT providers. Industry measures that are being considered to address these challenges (some of which would require government support and/or revised policy settings) include:

- Interest compensation and tax incentives for investment in cash automation.
- The introduction of local cash recycling initiatives to reduce long-haul transportation of cash to metropolitan depots, including smart safes whereby businesses can receive same day value for cash deposited into these devices without needing to be deposited at their bank, thereby reducing the frequency of their cash servicing.
- In-branch cash recycling (see Executive Summary).
- An industry ATM utility model with multi-bank deposit capability facilitating greater access for customers.
- The introduction of a single cash pool model with the RBA.

A cross-subsidisation model may also not be sustainable where a single monopoly provider increases the costs of its higher revenue metropolitan services to subsidise regional markets. This may introduce unintended incentives for other CIT providers to service (or overservice) lucrative metropolitan routes and exacerbate the cost pressures of existing market players. Over time this may further erode the profitability of metropolitan routes, making CIT providers less viable generally and potentially impacting their ability to service regional markets.

As the demand for cash continues to decline and the cost of cash distribution continues to increase, sufficient flexibility must be embedded into a regulatory regime to allow both providers and customers to adapt to changing conditions to ensure the cost of cash remains sustainable. NAB would be concerned should any service level standards embed the current operations of the cash eco-system, which would serve to lock-in inefficiencies. We have seen this play out in other international markets including in the Netherlands, where an oversupply of ATMs has been driven by a regulatory mandate.

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

Given the challenges facing the declining CIT industry and the potential for efficiency gains to be realised via longer-term solutions including local cash recycling initiatives (i.e. Smart ATMs for end-consumers, smart safe technology for retailers) it is difficult to set specific cash distribution standards. For example, frequency of servicing is driven by several factors which aim to ensure cash stocks are aligned to pre-determined “safety stock” levels. More specifically, ATMs can be filled to maximum levels with a CIT provider monitoring levels and performing “just in time” replenishments. In the NAB context, this ensures that any Express Business Deposit (**EBD**) bags are collected within specific windows to enable sufficient time for error identification that may require notifications to AUSTRAC (required within 10 days).

At a minimum, standards that should be considered include base level service standards for cash volumes and service frequency, as well as differentiating service levels by geographic region and customer. Maintaining adequate service levels can be incorporated into an independent pricing model via a Service Target Performance Incentive Scheme (refer to response to question 5.2) to incentivise performance.

Industry participants are best placed to support the sustainability of services standards via innovation and productivity initiatives underpinned by government support as required, particularly in rural and regional communities. Examples of where this is managed effectively include the Government’s *Better Connectivity Plan* for regional telecommunications services or the *Fuel Security Services Payment* to support domestic refiners.

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

Service level standards should apply where a thorough risk assessment identifies the risk of potential hazards or negative outcomes due to inadequate operational performance. Service standards should align with industry expectations and be measurable to ensure clear accountability. The cost of implementing and maintaining service level standards should be balanced against the financial resources available to a provider (refer to response to 3.1).

8.1 What principles should guide the design of penalty and enforcement powers to ensure they are proportionate, transparent and effective in achieving compliance?

Principles should, in the first instance, encourage compliance rather than punishment where requirements are not satisfied. Prior to any financial penalties being imposed, entities should be supported to address and remediate any concerns as a priority. This could involve an entity being required to make necessary improvements to its business over a defined period of time to continue operating. Penalty and enforcement powers must be proportionate to support compliance outcomes. Imposing financially burdensome penalties on entities in a declining market risks them exiting the industry altogether, leaving key parts of the cash eco-system under-serviced or not serviced at all.

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?

Infringement notices should be reserved for service level breaches that are considered relatively minor or do not form a pattern of misconduct. Factors that should be considered include the seriousness of the breach, the potential impact on customers as well as the provider’s compliance history. Court action and severe financial penalties should be reserved for only the most serious breaches.

Appendix

Figure 1. NAB's involvement in the cash industry value chain



Conclusion

NAB appreciates the opportunity to provide feedback as part of this consultation process and is happy to meet to discuss any aspects of its feedback with the CFR and the ACCC.