

**Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC): Submission / Peter Mair / July 2025**

**Regulating Cash Distribution in Australia**

Anecdotal evidence of the cost of cash distribution arrangements in place, suggests a credible estimate of \$1 billion annually – a total cost of some one-percent of the value of notes on issue. The reasonableness of banks carrying most of this cost, and not recovering it, is contentious especially if 'real politics' denies banks the option of routinely charging most customers fees for cash deposits and withdrawals.

Even at a general level there is an issue of 'unreasonable community expectations' to be addressed – the 'politics' of some commonsense about cash use should not be beyond discussion. There is a deeply embedded 'free banking' culture in the community – commonly expressed as 'being charged by a bank for taking out my-money!'. A culture encouraged by a flawed payment system that buries most transaction costs in retail prices.

A likely relevant question, then, concerns the different outcome for necessary distribution costs and services, if the commitment to maintaining adequate access to cash were to exclude the high-denomination banknotes – \$50s and \$100s.

If the \$20 note was highest denomination mandated to be accepted, the costs of distribution and safe storage would likely be substantially less -- especially in rural areas. While cash remains an essential payment option there would be relatively few 'necessary' individual cash transactions in excess of \$500.

Aside from these practical considerations, other issues of substantial moment tend to get buried in the nominal sensitivities around access to cash.

Put frankly, most currency on issue is not cash in circulation in any meaningful sense -- it is hoarded with the intent to evade income tax and, more importantly, to increase age-pension entitlements by not declaring means-tested assets. Put differently to say, as in the media release, that hoarded 'cash is an important store of value' is – while true – not the whole truth. The CFR knows better: a part-pensioner, hoarding \$1,000 in the-bank-under-the-bed adds \$70 p.a. to their pension entitlement. May be old but sure not silly.

It would be perverse to now put in place especially costly distribution arrangements, nationally, for what are in essence some \$tens-of-billions in 'zero-coupon bearer bonds' masquerading as cash.

This is not to decry the need for 'fallback' resilience against natural disasters, system outages or presumably functional 'uncertainty' in a system that underwrites institutional solvency. These risks can be overstated and over compensated. So can be the credibility of cash fallback alternatives in a community no longer carrying cash any consequence and, apart from the rorters, unlikely to be hoarding a stash of cash put aside for systemic emergencies.

Peter Mair 16 July 2025