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RE: Review of Banknote Distribution Arrangements: Issues Paper

The Australian Security Industry Association Limited (ASIAL) welcomes the opportunity to provide comment to the Review of Banknote Distribution Arrangements.

As the peak body for security professionals in Australia, ASIAL represents over 235 members who provide Cash In Transit (CIT) services across Australia, including the major CIT providers.

The role performed by the CIT sector is critical to the operation of Australia's banknote distribution arrangements. Servicing the broad scope and complex needs of business and government has required significant investment by CIT providers through development of sophisticated systems and technologies.

As the payments ecosystem evolves, the use of cash in Australia is changing. Whilst the use of cash as a means of payment for retail transactions has fallen over the past decade (driven in part by the decline in the use of cash during the COVID-19 pandemic), demand for banknotes remains strong. As the recent Payment Systems Review acknowledges, cash remains an important payment mechanism for many members of the community.

Cash will remain an important method of payment well into the future for vulnerable consumers, regional communities and many businesses. Cash also serves as an important back-up form of payment that is not tied to the digital economy should there be cyber-attacks, natural disasters, power or network outages.

Cash users across different demographic groups should have the right to choose their payment method of preference, whether cash, online, mobile or card payments, or any combination of these.

As the payments ecosystem evolves, we cannot leave anyone behind.

The fall in the use of cash has resulted in a significant reduction in the lodgement of cash deposits and ATM withdrawals. Given the high fixed costs involved in operating a cash distribution system, the significant reduction in volumes of cash transactions has impacted operational efficiency and cost-effectiveness. This has acutely impacted the operation and profitability of CIT providers.

As legal tender, cash is a core part of Australia's national infrastructure and not just a commercial issue. Consumers should be entitled to have freedom of choice when it comes to whether or not they use cash, and that none in the community should be left behind or disadvantaged by technological change.

Having this choice is predicated on access to cash, acceptance of cash and a viable cash infrastructure.

- **Need for a holistic approach** - cash distribution is a critical function in the payments ecosystem, and a strategic plan for the payments ecosystem must give consideration to this issue in a holistic manner.

In planning for the evolution of the payments ecosystem, it is vital that there is direct engagement with key stakeholders to ensure the availability of a viable, efficient and sustainable cash distribution infrastructure. Under the current banknote distribution arrangements, CIT providers do not have direct representation. This needs to be addressed.

Additionally, from a strategic environmental sustainability perspective any future banknote distribution arrangement should include consideration of incentives for providers to encourage greater efficiency and more sustainable practices. Unless there is a return on investment to achieve greater sustainability in the banknote distribution supply chain, the investment will not be made.

- **A greater role for government** – ASIAL believes that government needs to play a greater role in the regulation of cash distribution. Integral to any future arrangement for regulating cash distribution is the need for direct representation of the CIT sector.

To illustrate this, there is a clear need for government to act to address unregulated and unlicensed operators offering cash distribution services. The use of couriers to distribute cash is an unresolved issue of concern not only for licensed CIT providers, but also law enforcement agencies and financial institutions.

- **Integrity of cash** – fundamental to any cash distribution arrangement is the integrity of cash. All parties involved in the cash distribution should be required to verify cash in circulation to the same agreed standard. Unless this is done, the spectre of fraudulent notes in circulation will serve to devalue/undervalue the currency).

ASIAL supports a quality driven standards-based approach to managing security risks in the CIT sector. ASIAL's CIT Code of Practice sets out what is expected of ASIAL members providing CIT services. This should be the minimum standard for all CIT operators.

To ensure cash distribution is maintained to a high standard, ASIAL is prepared to explore participating in a CIT certification program. As an example of what this could entail, ASIAL has for the past 30 years operated a highly respected certification program for alarm monitoring centre providers in accordance with Australian Standard AS2201.4 Intruder Alarm Systems – Monitoring Centres.

In closing, cash will continue to be an important method of payment well into the future.

To ensure that no one is left behind, Government will need to step up and work with industry to develop a clear strategy for the evolution of the payments ecosystem. Failure to do so, will have dire ramifications for the Australian economy.

Yours sincerely



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