

**Long Term Solutions Working Group – 5 February 2024****DRAFT MINUTES**

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| Date and Time | Monday, 5 February 2024 11:30am – 12.30 pm | Location | Level 15 Conference Room RBA Head Office 65 Martin Place, Sydney or via zoom |
| Chair | Michelle McPhee, Assistant Governor (Business Services) | | |
| Attendees | <p>Reserve Bank of Australia Michelle McPhee, Assistant Governor (Business Services) Melissa Hope, Head of Note Issue</p> <p>ANZ Michael Wake, General Manager Retail Branch Network (in person)</p> <p>Commonwealth Bank Mark Jones, Executive General Manager Retail (in person) John McClelland, Executive Manager (in person)</p> <p>National Australia Bank Krissie Jones, Executive General Manager Retail (in person) David Banks, Executive Distribution Network (in person) Chris Venus, Executive, Government Affairs & Public Policy (via zoom)</p> <p>Westpac Group Daniel Bergan, Head of Channel Experience (via zoom)</p> <p>Australian Banking Association Anna Bligh, Chief Executive Officer (in person) Chris Taylor, Chief of Policy (in person)</p> <p>Armaguard Mick Cronin, Chief Executive Officer (in person)</p> | | |
| Observers | <p>Reserve Bank of Australia Merylin Coombs – Deputy Head, Note Issue Chay Fisher – Senior Manager, Analysis and Policy, Note Issue</p> <p>The Treasury Nghì Luu – Acting First Assistant Secretary (via zoom) Tim Baird – Assistant Secretary, Payment System and Financial Innovation Branch (in person)</p> <p>Allens Molly Snaith (in person)</p> | | |

Record of Meeting

1. Welcome and introductions

- The Chair noted the purpose of the meeting was to discuss the key objectives and direction of the Long-term Solutions Working Group (LTWG).
- The ABA outlined the competition protocols and scope of the ACCC interim authorisation. Molly Snaith (Competition Lawyer, Allens) was welcomed as an observer, consistent with the requirements of the ACCC interim authorisation.

2. Discussion of objectives of the Working Group, including how to reflect in Terms of Reference

Background paper on utility models:

- The Chair noted that a paper on 'International Utility Models for Cash Distribution' had been distributed as background. This paper highlighted that industry-led solutions had been pursued in a number of other jurisdictions but implementation can be challenging, given the complexity of the issues and need for coordination. It was observed that it is useful to draw on international experience, while also considering the Australian context (e.g. geography).

Principles and objectives of the LTWG:

- Members discussed the principles, objectives, and workplan for the WG, based on the paper that had been circulated by the RBA prior to the meeting.
- Members agreed that the public interest was an important guiding principle for the WG.
- Some industry members noted that commercial viability should be incorporated into the principle of 'sustainability' when considering a new model for cash distribution.
- It was observed that further work would be required to develop meaningful criteria for evaluating any new model, including how to determine what 'reasonable access' to cash is, and what a 'cost effective' distribution model means in practice.
- In terms of scope:
 - It was agreed that the overarching objective of the group would be to develop a business case for potential new models for cash distribution. A utility model could be one option, but other solutions should also be considered (including potential adaptations of existing arrangements).
 - Industry members were of the view that coin should be within scope when considering a potential new model for cash distribution. Coin was a significant issue for the industry and there was potential for cost savings. The Chair noted that the RBA had responsibility for wholesale banknote distribution, and the availability of banknotes was important from a financial stability perspective; the Royal Australian Mint was responsible for coin and the system-wide financial stability perspective was not as apparent for coin. Treasury undertook to raise this issue with the Mint. It was agreed that coin would be included within the initial scope of consideration of a new model for cash distribution.
- The ABA advised that they were in the process of procuring, on behalf of the BDA banks, an independent expert to help with modelling of the cash cycle and development of options for cash distribution. It was anticipated that a report would be available in around 12 weeks. ABA agreed to share the scope of this work with the RBA once the procurement was finalised.

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| | <ul style="list-style-type: none"> The Chair noted that it was possible that other external advice may be required as the work on long-term solution(s) evolves. It was noted that consideration of any new model should include a broader range of stakeholders that are involved in the distribution system, including Australia Post, the major retailers and independent ATM deployers. The Chair noted that the RBA was undertaking bilateral meetings with some of these organisations and anticipated inviting other stakeholders to the next high-level Roundtable. Australia Post could also be invited to participate in the next WG meeting to provide members with an understanding of the current role and capabilities of Australia Post with respect to the cash cycle. Treasury confirmed that it would participate in the WG as a member (rather than observer). The RBA would revise the 'objectives' paper based on feedback at today's meeting and circulate intra-meeting, with a view to incorporating agreed objectives into a Terms of Reference for the WG in due course. It was also noted that the purpose of this work was to determine potential options(s) for cash distribution, and that decision making relating to the long-term solution would itself be dependent on the option(s) selected. It was nevertheless acknowledged that the solution would be industry-led. |
| 3. | <p>Discussion of high-level work plan</p> <ul style="list-style-type: none"> Members were supportive of the high-level work plan outlined in the paper, noting that it would need to be adjusted given that the ABA (in association with the four BDA banks) was in the process of procuring external advice. |
| 4. | <p>Other business</p> <ul style="list-style-type: none"> No other business was raised. |
| 5. | <p>Agree actions and next steps, including meeting frequency and process for minutes</p> <ul style="list-style-type: none"> It was agreed that the next meeting of the Working Group would be held in around 6 weeks, after the next high-level Roundtable (the timing of which was still to be confirmed). Minutes would be circulated by the RBA. Other actions are noted below. |

| | New Action Items | Who | Raised | Due | Status |
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| 1. | Circulate an updated version of the ' <i>Direction, objectives and principles for the long-term cash distribution working group</i> ' paper. | RBA | 5/2/24 | 16/2/24 | In progress |
| 2. | Schedule the LTWG meeting in approx. 6 weeks, following the Roundtable (likely to be mid-March) | RBA | 5/2/24 | TBC | In progress |

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|----|---|------------|---------------|------------|---------------|
| 3. | Invite AusPost to the next LTWG meeting to discuss their role and capabilities in cash distribution | RBA | 5/2/24 | TBC | In progress |
| 4. | Share the scope of works for the consultancy procurement with RBA | ABA | 5/2/24 | TBC | In progress |

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| Minutes Issued | 9 February 2024 |
| Next Meeting | After next Roundtable (TBC) |