

From:
Sent: Friday, 3 May 2024 5:47 PM
To: @TREASURY.GOV.AU> @TREASURY.GOV.AU>
Cc:
Subject: RE: Agenda for Tuesday meeting [SEC=OFFICIAL]
Attachments: Banknote Distribution Framework - 1 May 2024.pptx

Hi

Happy to discuss the topic of integration of CIT providers when we meet Tuesday. As background, the table pasted below (from [RBA Banknotes: Box A: The Evolution of Systems of Cash Distribution](#)) provides a stylised categorisation of the roles played by CIT companies across distribution models.

I have also attached a summary presentation on the BDF’s for Treasury’s background.


Table 1: Stylised Models of the CIT Industry

	Model 1 Traditional CIT model	Model 2 CIT as a handler model	Model 3 CIT as an agent model	Model 4 CIT as an owner model
CITs' cash services	Transportation only	Transportation and processing	Transportation and processing	Transportation and processing
Ownership of cash depots	Owned by commercial banks	Owned by CIT operators	Owned by CIT operators	Owned by CIT operators
Relationship with retailers	Acts as courier only	Acts as courier only	Acts as courier; CITs deposit cash with commercial banks on behalf of retailer	Acts as courier; CITs deposit cash with commercial banks on behalf of retailer
Ownership of cash during handling	Owned by commercial banks	Owned by commercial banks	Owned by commercial banks	Temporarily owned by CITs

Source: Adapted from Scholten (2017)

Have a good weekend,

From: @TREASURY.GOV.AU>
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Subject: RE: Agenda for Tuesday meeting [SEC=OFFICIAL]

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OFFICIAL

Hi

On the BDFs, we'd be interested to know how Australia is different in terms of the more integrated role our CIT providers play relative to other countries (Armaguard has claimed they do more in the Australian system than CITs do elsewhere). I don't want to create more work – so perhaps this can more of a discussion on what you know and have heard so far?

Kind regards

Payments Policy and Strategy
Financial System Division
[@treasury.gov.au](https://www.treasury.gov.au) |

The Treasury acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to elders both past and present.

OFFICIAL

From: [@rba.gov.au](mailto:treasury@rba.gov.au)>
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Subject: Agenda for Tuesday meeting [SEC=OFFICIAL]

Hi

Just checking in on the agenda for next week's TSY/RBA meeting. RBA will present our work on utility models. We are also happy to discuss your request around a summary of the BDF, if you like? Is there anything else you would like to add? Or alternatively, happy for you to circulate an agenda including Treasury's items.

Thanks

Analysis and Policy | Note Issue

RESERVE BANK OF AUSTRALIA
w: www.rba.gov.au

The Reserve Bank of Australia and our First Nations Employee Resource Group acknowledge the unique and special place of Aboriginal and Torres Strait Islander peoples as Australia's first peoples, the Traditional Owners of Country throughout Australia. We pay our respect to them and to their past and present Elders.





RESERVE BANK OF AUSTRALIA

Banknote Distribution Framework (BDF)

Implemented March 2024

About the Banknote Distribution Framework (BDF)

- [Framework](#) governs the **wholesale distribution** of banknotes between the RBA and Participants and the **quality sorting** of banknotes in circulation
- Implemented on 1 March 2024, **replacing the Banknote Distribution Agreement (BDA)**
 - **Standardisation** and **transparency**
 - **Enables changes** that benefit the industry to be implemented more easily

Facilitate a more effective, efficient, sustainable and resilient banknote distribution system

BDF Legal Framework

- **Banknote Distribution Terms and Conditions (BDTCs)**
 - publicly available on RBA website
- **Banknote Distribution Procedures (BD Procedures)**
 - operational information available to BDF Participants and their Approved Cash Centre Operators (ACCOs)
- **BDF Participation Agreement**
 - executed by the RBA and each Participant

Contractual relationship between RBA and each BDF Participant.

Each BDF Participant has a contractual relationship with their ACCOs to meet the requirements of the RBA and the Participant

BDF Scope – Key Objectives

- **Meet banknote demand**
 - **Distribution:** Wholesale banknote purchases (Replenishments) / returns (Clearances) by BDF Participants
 - **Storage:** Incentivises adequate stock holdings at approved depots
- **Maintain banknote quality**
 - **Quality standards** that specify when a banknote is no longer fit for circulation
 - **Financial incentives to sort banknotes** (to RBA's desired quality standards)
 - Note Quality Reward Scheme (NQRS) payments
 - Interest compensation on Verified Cash Holdings (VCH) subject to quality sorting
 - **Financial incentives to return unfit banknotes to the RBA**

BDF Key Performance Indicators

- **Audit:** quarterly report by External Auditors
- **Fitness-sorting** accuracy:
 - NQRS Quality Scores
 - No Fitness-sorting Failures
 - Fit-in-Unfit Error rate within acceptable threshold
- **Count accuracy** – measured by number of discrepancies per carton
- **Series-sorting/Packaging** accuracy
- **VCH available for quality sampling** – no denial of access to VCH
- **VCH and Lodgements Reporting** – accurate reporting, timely notification of incidents to RBA and remedial actions

ACCO/ACC Approval Process

- **Schedule 7: ACCO approval process**
 - BDF Participant to send request to RBA, along with background information on the proposed ACCO to support the request
 - refer ACCO Authorisation Requirements Checklist
- **Schedule 8: ACC approval process**
 - BDF Participant to send request to RBA, along with information required in clause 8.3 of Schedule 8 of the BDTCS
- **WHS:** Certification that ACCOs are compliant with the Work Health and Safety Act 2011 and other applicable laws, standards and policies relating to health and safety

Questions