

Australian Banking Association - Application for Authorisation AA1000674

Submission to ACCC

July 2024

Introduction

The Reserve Bank of Australia (RBA) has prepared this submission to the Australian Competition and Consumer Commission (ACCC) in response to the Australian Banking Association's (ABA) application for authorisation dated 27 June 2024 (AA1000674) to enable discussion, information sharing and implementation of assistance measures for the purpose of supporting wholesale cash viability and cash access for businesses and the public (CIT Sustainability Measures Application).¹ In early July, the ACCC granted interim authorisation (AA1000674) in relation to short-term financial contributions to Armaguard from its major customers (the Funding Parties). The authorisation was granted on the condition that the ABA provides the ACCC with a report within seven days of a financial contribution being made to Armaguard that specifies the amount and date of the contribution(s) made by the Funding Parties.

The RBA is broadly supportive of the measures proposed in the ABA's application, because they are designed to support the viability of wholesale cash distribution and access to cash in the community.

This submission provides the RBA's perspective based on its responsibility as the sole issuer of banknotes in Australia and the high priority that the RBA places on the community continuing to have reasonable access to cash withdrawal and deposit services.

Proposed Authorisation

Any suspension or significant disruption in the supply of CIT services would reduce the availability of cash across the country, particularly in regional and remote areas. Cash remains an important means of payment for some people and is widely held for precautionary and store-of-wealth purposes and as a backup to electronic payment methods.

In late June 2024, the ABA and Armaguard announced that Armaguard and its largest customers had agreed to a \$50 million, 12-month financial support package. The funding is conditional on Armaguard reporting on its progress in meeting the milestones for implementing merger integration efficiencies, complying with arrangements in their cash services agreements with banks and other customers, and providing financial information to an advising accountant if required.

1 Australian Banking Association (2024), 'Application for interim and final authorisation under s88(1) of the *Competition and Consumer Act 2010* (Cth)', 27 June 2024.

The RBA is generally supportive of the proposed conduct outlined in the ABA's CIT Sustainability Measures application:

- (a) The **short-term financial contributions** to Armaguard – on which the ACCC granted interim authorisation on 3 July 2024 (AA1000674) – will reduce the risk of a major disruption to CIT services in the near term. The provision of short-term funding will provide additional time for participants in the cash distribution system to work towards a more sustainable longer-term model for cash distribution. However, there is a need for ongoing business continuity planning work given the concentration in the CIT industry, the absence of regulatory or other guardrails, and the conditional nature of the funding arrangement.
- (b) Industry-led **operational sustainability and efficiency measures** are expected to support the sustainability of Armaguard in the medium term as the industry works towards a longer-term solution for cash distribution. Accordingly, the RBA supports the ABA's application to discuss, agree or implement operational sustainability and efficiency measures across services provided to each of the Funding Parties under their respective service agreements and/or Armaguard's CIT business.
- (c) The RBA supports the ABA's proposal that relevant parties be able to discuss or reach an in-principle agreement on an **Independent Pricing Mechanism**. Developing a pricing mechanism is consistent with the need to make the distribution system more sustainable and resilient over the longer term, to support the availability of cash to businesses and consumers. The RBA notes that the proposed pricing mechanism would apply to (future) cash services provided by Armaguard to each of the Funding Parties. It will be important for any pricing mechanism to be developed with the broader public interest in mind, having regard to the overall cost and availability of cash services in the community, including in regional and remote areas.

Overall, the RBA is supportive of the main elements of the ABA's application, which are aimed at avoiding a disruption to the supply of cash services in the near term and supporting the cash distribution system in the longer term. It will be important that measures in relation to efficiency and the proposed pricing mechanism take account of the broader public interest, and the cost and availability of cash services in the community into the future. The RBA supports consultation with a wider range of participants in the cash distribution system, recognising that there may be a trade-off in terms of proceeding with the proposed conduct in a timely manner and the breadth of any consultation process.

Reserve Bank of Australia
24 July 2024