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ICA contribution to the Reserve Bank of Australia consultation on its Issues Paper: 'Review of Banknote Distribution Arrangements'

Submitted to the Head of Note Issue Department at the Reserve Bank of Australia via e-mail:
cashreview@rba.gov.au

Introduction

The International Currency Association (ICA) is the voice of the currency industry. Our membership covers design, production, manufacturing and distribution of coins and banknotes. We are the first industry body of its kind with a membership made up of businesses that span the sector. Our members are based across the world and are active across the globe. Please consult www.currencyassociation.org for a full list of our members.

The International Currency Association ICA welcomes the opportunity to contribute to the RBA's consultation on Banknote Distribution Arrangements and commends the RBA for taking action on this crucial issue. Cash is an essential factor for **personal freedom and privacy** as well as **social inclusion**, and is the only means of payment that is itself a **public good**.

The ICA takes the occasion of the Reserve Bank of Australia's consultation on its Issues Paper 'Review of Banknote Distribution Arrangements' to contribute its reflections and international examples on the issue in as far as they relate to **Access to Cash, Availability and Acceptance**, addressed in the **Issues Paper's section 4.3 'Responses to changes in the cash environment'**, where you also outline some of the international responses in this field.

We commend the Reserve Bank's initiative to seek further solutions in this area. The RBA consultation comes at a significant and timely moment. In many countries, including Australia, protecting access to cash has become all the more salient in light of the false information that has been circulating regarding cash during the pandemic. Indeed, in the midst of the COVID-19 crisis, many retailers – and some consumers – have fallen victim to disinformation suggesting cash may be a vector of transmission, despite all public health guidance showing that cash holds no greater risk than cashless payments.

The ICA hopes that the answers that the RBA will collect on the important questions asked in this consultation will also be able to serve as guidelines to other countries. The ICA will gladly contribute to sharing best practices identified by the RBA in this consultation process.

The importance of maintaining **24/7 access to cash** and **access-to-cash without having to travel** cannot be underestimated. A number of factors can contribute to achieving this goal:

- An appropriate network of cash withdrawal facilities is key. In the United Kingdom for example, LINK's target to ensure there is a free-to-use facility within a sensible distance from every person is to be commended. In the future, it could be considered to include different denominational mixes to reflect the increased use of banknotes as a storage of wealth mechanisms or for example in student-dominated areas, the need for small denomination banknotes. The importance of local convenience stores in providing free-to-use ATMs also increases in this scenario.

- Commercial banks with their withdrawal possibilities have an important role to play. Cash withdrawal there should be possible also outside of working hours, where necessary by adapting the opening hours of the branch. Providing access to cash should be a required cost of doing business for commercial banks and form a necessary part of their Business Continuity Plan.
- Recycling ATMs which are cash deposit and cash dispensing ATMs - to provide cash into circulation and allow merchants to pay cash back in.

The RBA could look at a number of existing practices or innovations put in place in other countries or regions that have shown to be successful:

- A network of Mobile ATMs for rural locations to provide the access to cash that is not otherwise possible. There are successful examples of these notably in Sri Lanka and in India.
- Direct cash delivery to door as practiced in the Middle East.
- Mobile application indicating nearby withdrawal facilities/car GPS systems indicating nearest cash dispensers as a 'point of interest'.
- The obligation for large credit institutions to provide cash services throughout the country, as is the case in Sweden since 1 January 2021 as a consequence of legislation adopted with the aim of ensuring a minimum level of access to cash services for consumers and companies.

The potential for cashback

The ICA considers that creating further cashback possibilities has great potential of contributing to the goal of full access to cash when it is complementary to cash withdrawal possibilities from bank branches and ATM machines. It comes with the additional benefit of supporting local cash recycling.

We welcome the possibility of cashback without a purchase which is already available in Australia; recently, the ICA has strongly endorsed the change in legislation in the United Kingdom to make cashback without a purchase possible.

Future developments could also allow for online delivery services to provide cashback options, for example as part of an online food shop where consumers could order both products and cash which the shop would then deliver to their home – this type of service could be useful for those physically unable to go to the food shop and indeed, the ATM.

While we consider that cashback has a role to play, we would like to state clearly that this should not be at the expense of ATM machines. The closure of bank branches and ATM machines is a very visible reminder of access to cash being restricted.

Ensuring that there is an appropriate network of cash deposit taking facilities

ATMs can also have a role to play for cash deposits. Recycling ATMs enable deposits, sorting and re-withdrawals. Ultimately, they allow for local recycling of banknotes and so help minimise the financial and environmental cost of maintaining a functional cash cycle, as banknotes do not have to travel back to somewhere more central and then back out again.

By mandating that new ATM machines and replacement ATMs are deposit-taking, a national government can help ensure the territory maintains an appropriate network of cash deposit-taking facilities. A further legislative tool can be the requirement to ensure there is a recycling ATM within a 1 km of any bank branch before it closes.

Furthermore, the discussion around apps linked to access to cash typically focus on the nearest location of the free-ATM. The nearest cash deposit location should also be included.

Mandating cash acceptance

The ICA urges countries to consider mandatory cash acceptance, establishing clarity for consumers and retailers by clearly mandating obligatory acceptance of cash and stating that cash is legal tender. Indeed, we feel that it needs to be clearly mandated that all retailers, merchants, bars, restaurants and markets should be obliged to accept cash payments. The examples of the cities in the United States Philadelphia, San Francisco, New York City as per end of this year 2020 and the State of New Jersey can serve as examples for local legislation. For legislation at the national level, important legislative work is underway in the United States, with the Consumer Choice in Payments Coalition being an active voice and provider of information.

Mandatory cash acceptance could be accompanied by a campaign encouraging (or obliging) retailers to visibly promote that they accept cash, for example through a 'cash accepted' or 'cash is welcome' signs. The campaign could go even further and promote the advantages of using cash in-store.

Such signs at all shops and trading places would help encourage cash payments, which in turn makes it easier for shops and other entities to provide cashback.

Awareness of cash and its status as a public good and education

Finally, access and availability of cash are also dependent on a general awareness of the importance of cash and all its features. We commend initiatives such as the RBA's Museum's which tell the stories of banknotes and provide tailored programmes for tomorrow's users of cash. We believe that even more can be done to educate young people in particular about the manufacturing of cash and would gladly contribute to a sharing of best practices internationally in this field. In the rapidly changing payment environment, we also call on the RBA Central Banks throughout the world to speak up for cash, the only means of payment that is a public good.

January 2022, the International Currency Association