



File Note

Matter name:	Linfox Armaguard Pty Ltd (AG) and Prosegur Australia Holdings Pty Limited (Prosegur) application for merger authorization		
ACCC participants	Mergers, Exemptions and Digital (MEAD) (the ACCC): <ul style="list-style-type: none">- Simon Pomery- Gavin Jones- Hartley Dhyon- Issi Lovric		
Other parties	Reserve Bank of Australia (Reserve Bank): <ul style="list-style-type: none">- Merylin Coombs- Rochelle Guttman- Mark Onikul		
Merger authorisation number	MA1000022		
Date	25 January 2023		
Time	11:30AM AEDT		
Phone to <input type="checkbox"/>	Phone from <input type="checkbox"/>	Meeting <input type="checkbox"/>	Other <input checked="" type="checkbox"/>

The ACCC met with staff from the Reserve Bank to seek clarification on a variety of matters relating to the proposed merger between AG and Prosegur. The following topics were discussed.

Transfer of Approved Cash Centre Operators (ACCO) Approval

The ACCC raised the question that if a cash-in-transit (CIT) provider is wholly acquired by another entity, does the Approved Cash Centre (ACC) status which attaches to the acquired CIT's depots automatically get transferred to the procuring party?

The Reserve Bank advised that the movement of ACC status involves administrative actions by the RBA to align CIT depots with specific financial institutions. To illustrate, the Reserve

Bank used the example of the Prosegur acquisition of Toll in November 2016 to demonstrate how ACC status is withdrawn from one CIT provider and allocated to another:

- The financial institution that used the previous CIT provider (in the example provided, Toll) would write to the Reserve Bank to advise that the ACC for that location has been withdrawn; and
- Simultaneously, the same financial institution would advise that a new CIT provider (in the example, Prosegur) is approved to use the depot as an authorised ACC.

This is done as a formality from a due diligence perspective to ensure that there is transparency as to the movement of ACC status.

The Reserve Bank advised that although the process of internally transferring ACC status is not onerous, the system itself is not designed to facilitate a transfer. The Reserve Bank noted that in the case of Toll/Prosegur, preparations commenced internally at the RBA before the merger proceeded to accommodate the transfer.



The ACCC raised the further question that in the event there is a new entity that acquires ACCO status, does the Reserve Bank commence any internal audits?

The Reserve Bank advised that external audits are undertaken by auditors appointed by financial institutions, within the framework of the Banknote Distribution Agreement (BDA). An external auditor may reprioritise sites in favour of those that had recently been acquired or were subject to a new ACC status.

The ACCC raised the hypothetical that in the event an entity purchases only a portion of an existing CIT provider, does the Reserve Bank's position and role differ to the situation where a CIT provider acquires the entire CIT operation of a competitor?

The Reserve Bank affirmed that in the hypothetical, the approach to a large extent would be identical to the acquisition of an entire CIT operation. To illustrate, the Reserve Bank used the hypothetical example of CIT A and CIT B where:

- If Depot X were to be bought from CIT A by CIT B, CIT A's financial institution/s would advise the Reserve Bank that ACC status has ended for CIT A regarding Depot X. Simultaneously, CIT B's financial institution/s would write to the Reserve Bank requesting that Depot X be authorised as a CIT B ACC.

The ACCC raised the issue that on Page 136, Paragraph 301 in the *Application to the Australian Competition and Consumer Commission for Merger Authorisation* (27 September 2022) the application highlights that in the event of Armaguard exiting, Prosegur or other CIT providers would need to gain ACCO status for the wholesale note pools of the major banks as the acquiring body does not yet have ACCO status with these financial institutions. The ACCC queried how long would this approval process take, and would there be any disruptions to the CIT industry in the event of an acquisition?

The Reserve Bank noted that the approval and transfer of ACCO and related-ACC status, subject to a reasonable timeline, would likely be a seamless transition with no significant disruptions to the broader CIT industry. An additional caveat is the need for Work Health and Safety confirmation processes, which are normally undertaken in the event of a new CIT provider; these are procedural in nature and not regarded as onerous on the new provider.

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With respect to the use of the Reserve Bank's own cash sites, they stated that their two cash distribution sites were in Craigieburn, Victoria and Sydney, New South Wales. Between the two, the Craigieburn site is the primary site for banknote storage, processing, and distribution due to its large storage space and ability to meet cash demand for both normal and elevated levels of business as usual (BAU) need for cash. The Sydney site is a contingency site which also can meet standard and elevated levels of BAU need for cash should the need arise.

The Reserve Bank noted that during the COVID-19 pandemic, the Sydney site was opened to provide cash for transport across NSW, ACT and QLD when the industry was prevented from transporting banknotes from Victoria due to flight disruptions. [REDACTED]

[REDACTED]

The Reserve Bank advised that prior to 2001, the Reserve Bank had sizable coverage in every state and territory, which undertook banknote processing and distribution. The decline in previous coverage with respect to banknote sites and government bank branches was attributed to; the switch from paper to polymer bank notes which increased the fitness of the banknote and requiring lesser movement, thereby extending a note's shelf life; and competitive neutrality requirements that altered the operating environment for the provision

of banking services to state governments.