

# Australian Banking Association – Application for Authorisation AA1000664

Submission to ACCC

July 2024

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## Introduction

The Reserve Bank of Australia (RBA) has prepared this supplementary submission to the Australian Competition and Consumer Commission (ACCC) in response to the Australian Banking Association's (ABA) application for authorisation dated 27 March 2024 (AA1000664) to enable coordinated industry business continuity planning (BCP) in relation to a disruption to the supply of cash (BCP Application). This submission addresses the ongoing need for BCP, and the ABA's proposed amendment to the parties authorised to participate in coordinated BCP initiatives.

The RBA's April 2024 submission supported the ABA's application to discuss and implement (if necessary) BCP measures, given the adverse impact that a significant disruption to cash-in-transit (CIT) services would have on the availability of cash in the economy.<sup>1</sup>

The Interim Authorisation (AA1000664) granted by the ACCC on 28 March 2024 has enabled collaborative work on industry preparedness in the event of a suspension, disruption or exit of CIT services by Linfox Armaguard (Armaguard).<sup>2</sup> The RBA BCP Working Group and industry-led groups have met under the auspices of the Interim Authorisation.

In early July, the ACCC granted interim authorisation (AA1000674) in relation to short-term financial contributions to Armaguard from its major customers.<sup>3</sup> Although the industry funding appears to have eased some of the immediate concerns about a sudden disruption to the supply of CIT services, there is a need for ongoing BCP work given the concentration in the CIT industry and the conditional nature of the funding arrangement. Accordingly, the RBA supports the ABA's application, which would enable BCP to continue in the public interest.

## Proposed Authorisation

The RBA places a high priority on the community continuing to have reasonable access to cash withdrawal and deposit services. Any suspension or disruption in the supply of CIT services could reduce the availability of cash across the country, particularly in regional and remote areas. Cash remains an

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1 Reserve Bank of Australia (2024), 'Submission to ACCC before draft decision on ABA Authorisation AA1000664', 23 April 2024.

2 ACCC (2024), 'Australian Banking Association Ltd Application for authorisation AA1000664 Interim authorisation decision', 28 March 2024.

3 ACCC (2024), 'Australian Banking Association Ltd Application for authorisation AA1000674 Interim authorisation decision', 3 July 2024.

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.

The risk of a major disruption to CIT services in the near term appears to have eased following the announcement in late June 2024 that Armaguard and its largest customers agreed to a \$50 million, 12-month industry support package. In early July, the ACCC granted interim authorisation (AA1000674) for Armaguard to receive funding from its major customers on a monthly basis. 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. The CIT industry remains highly concentrated and, given the absence of regulatory or other guardrails, there remains significant risk to the availability of cash if a disruption in CIT services were to occur. Accordingly, the RBA considers that there is an ongoing need for coordinated BCP to enable authorised participants to work together to discuss and implement (if needed) contingency measures in the event of a disruption to CIT services. Developing and implementing (if required) effective BCP measures will require coordination among relevant parties involved in cash distribution.

The RBA notes the ABA's submission in response to interested party submissions on 17 June 2024, in which the ABA proposed to amend the list of Authorised Parties to include the Customer-owned Banking Association (COBA).<sup>4</sup> The RBA supports the inclusion of COBA as an Authorised Party on the basis that COBA represents mutual banks, credit unions and building societies. These institutions play an important role in providing cash services to their customers, including in regional Australia.<sup>5</sup>

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4 Australian Banking Association (2024), 'Response to interested party submissions', 17 June 2024.

5 Customer Owned Banking Association (2023), 'COBA Submission – Inquiry into Bank closures in regional Australia', May 2023.