

Mandating Cash Acceptance

Submission to Treasury Consultation

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Introduction

While the use of cash for everyday payments has declined in recent decades, maintaining cash as a usable and accessible payment method is in the public interest. A significant number of Australians, including more vulnerable members of society, still primarily rely on cash to participate in the economy. Cash helps promote a more resilient payment system because it can serve as a backup to electronic payment methods in the event of outages. Cash is also an important store of value, particularly in periods of heightened economic and financial uncertainty, and meeting the demand for cash helps to support confidence in the banking system.

The RBA is committed to supporting the Australian Government's policy objective to ensure cash remains a viable means of payment for as long as Australians want or need to use cash (RBA 2024). Acceptance of cash by businesses is an important part of maintaining the usefulness of cash as a payment instrument.

This submission provides the RBA's perspective based on the priority it places on cash remaining a viable means of payment in the community. The RBA has a key role in the wholesale banknote distribution system as the sole issuer of banknotes in Australia. This submission discusses: the cash ecosystem in Australia, highlighting the interdependencies between cash use, acceptance, access, and distribution; an overview of cash acceptance in Australia; and policy and legislative measures considered overseas to support the cash ecosystem.

The cash-use cycle

The 'cash-use cycle' illustrates that there are interdependencies between the different elements that make up the cash ecosystem: consumers' use of cash, access to cash, merchants' acceptance of cash, and cash handling and distribution (Figure 1).¹ It shows that for consumers to successfully use cash for payments, they must first be able to obtain it from a cash access point (cash access) and then have businesses accept it for purchases (cash acceptance). The availability of cash for consumers and businesses is facilitated by the 'cash distribution system': the arrangements for moving banknotes and coins from the wholesaler to the public.² The RBA is the sole issuer (wholesaler) of banknotes and supplies the banking sector with sufficient quantities of banknotes to meet their customers' needs.³

1 For further details on the cash-use cycle in Australia, see Guttman, Livermore and Zhang (2023).

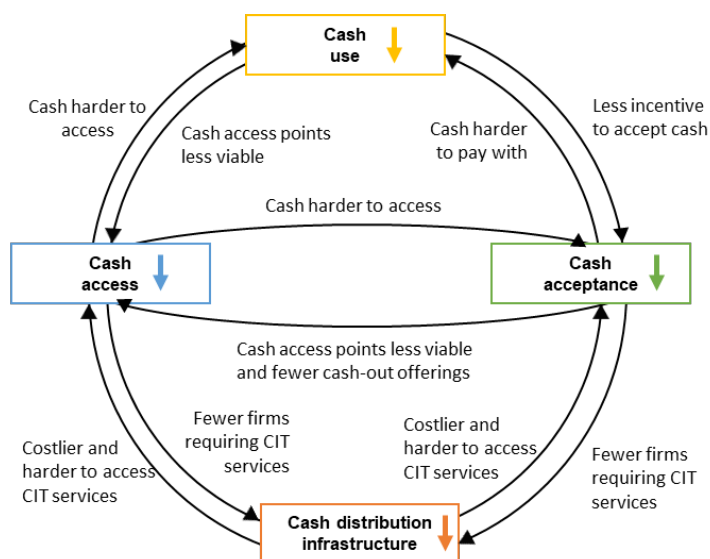
2 The Royal Australian Mint is the sole producer of circulating coins for Australia.

3 The Banknote Distribution Framework (BDF) is a framework created and managed by the RBA which governs the distribution of wholesale banknotes between the RBA and participants to the BDF, and the quality sorting of banknotes in circulation.

Cash-in-transit (CIT) companies carry out most of the logistics of moving cash from their depots to bank branches, ATMs and retailers ('retail cash distribution').

The cash-use cycle also demonstrates how pressures in the cash ecosystem can be self-reinforcing. In Australia, as in many other countries, the decline in the use of cash for everyday payments has put pressure on the infrastructure that underpins cash access and distribution, as well as the willingness of some businesses to accept cash for payments. Government policy measures can be important for supporting positive dynamics in the cash-use cycle, thereby supporting the viability of cash in the community. As a result, there has been a range of policy and legislative responses implemented or contemplated overseas, including measures to maintain cash acceptance and access, and to shore up cash distribution arrangements (see Table 1 below).

Figure 1: The cash-use cycle



Cash acceptance in Australia

Cash acceptance refers to whether a merchant will accept cash as a means of payment in their store (Guttmann, Livermore and Zhang 2023). In Australia, cash is legal tender (cash generally needs to be accepted to settle debts) but there is no legal requirement for merchants to accept cash for retail payments (RBA 2025).

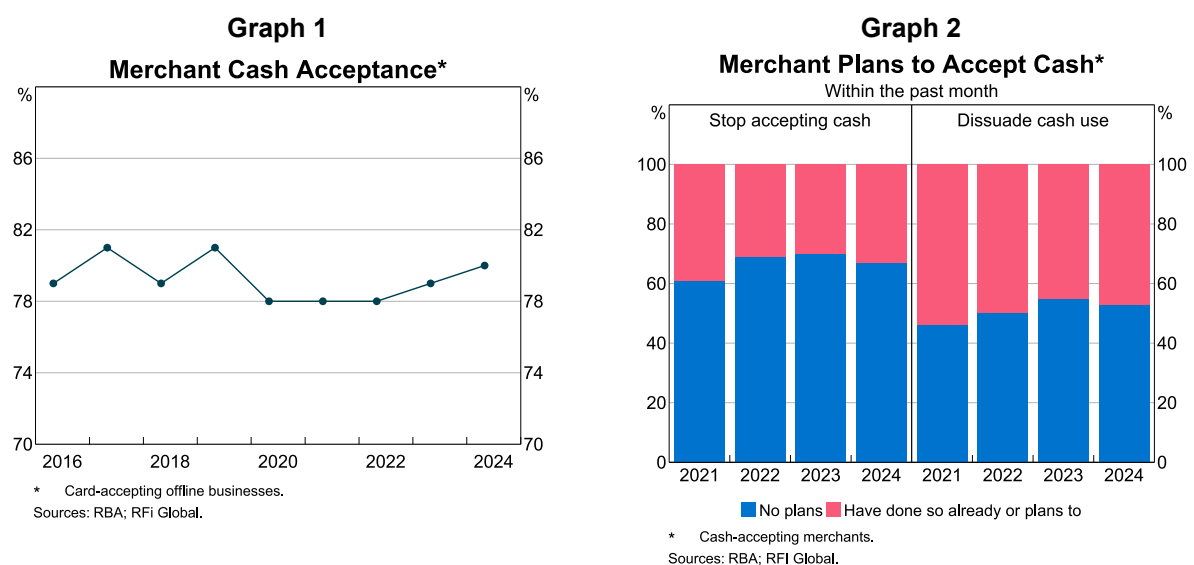
The RBA regularly monitors trends in cash acceptance in Australia, drawing largely on two surveys, one of which provides a business perspective and the other a consumer perspective:⁴

1. A biannual survey of businesses, undertaken by global business intelligence provider, RFI Global (RFI) and including additional questions commissioned by an industry working group run through AusPayNet. Each survey includes at least 1,000 card-accepting merchants; the sub-sample of merchants that have an offline presence (around 800 businesses) is most relevant to assessing merchant cash acceptance.

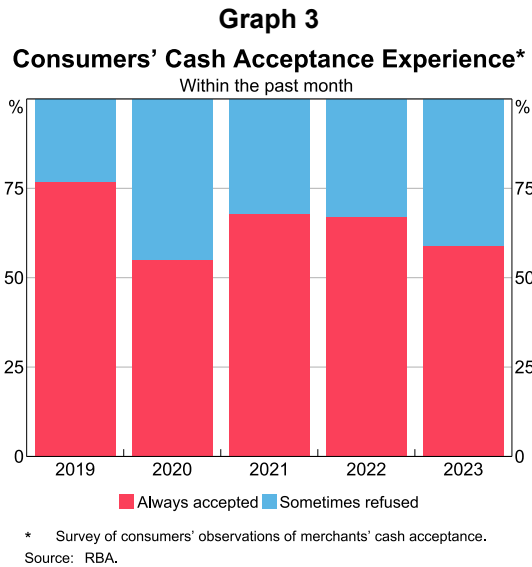
⁴ The RBA also previously conducted a phone survey of around 350 businesses on an ad-hoc basis to assess merchants' acceptance of cash. This survey was discontinued in 2022 due to the limitations and challenges associated with the manual data collection process.

2. An annual survey commissioned by the RBA, the Online Banknotes Survey (OBS). The OBS asks around 1,000 consumers about their cash use behaviour, including their experience with businesses accepting cash.

The RFI data indicate that the share of merchants accepting cash as a payment method in Australia has remained reasonably high in recent years, with 80 per cent of card-accepting merchants with a physical presence accepting cash in 2024 (Graph 1). As this sample does not include cash-only firms, it is likely to underestimate the share of businesses that accept cash. However, one-third of respondents in the 2024 survey have plans to stop accepting cash in the future, and just under half of cash-accepting firms reported that they currently dissuade customers from making cash payments, or eventually plan to do so (Graph 2). That said, despite a significant proportion of merchants continuing to signal plans to cease accepting cash, the share of merchants accepting cash has been stable in the last few years.



In comparison, the RBA's Online Banknotes Survey (OBS) found that there is an increasing share of consumers experiencing a merchant refusing cash as a payment method. In 2023, 40 per cent of OBS respondents experienced at least one merchant refuse cash as a payment method in the past month, compared to 33 per cent in 2022 (Graph 3). The difference between the consumer and business survey estimates could be because more than one consumer may have experienced cash non-acceptance at the same store (or a large company with multiple stores). Overall, the available data suggest that many businesses still accept cash, with the proportion of merchants accepting cash remaining comparable to pre-pandemic levels. However, consumer perceptions of merchant cash acceptance are marginally worse than before the pandemic.



The available data provide a useful indication of the general trends in cash acceptance in Australia. However, as the consultation paper notes, there are likely to be information gaps for the purpose of monitoring the proposed cash acceptance mandate. Any new data or reporting required for monitoring or compliance purposes would need to consider the trade-offs between costs and benefits, including in relation to other policy priorities in the cash ecosystem. In particular, the RBA notes that designing and implementing surveys to collect comprehensive acceptance data would likely be a significant undertaking in relation to cost and time.

Mandating cash acceptance

The RBA is supportive of the Government's overall objective of supporting the cash ecosystem. The cash-use cycle illustrates how a decline in cash acceptance has the potential to contribute to a self-fulfilling decline in cash use and access. For example, if merchants stop accepting cash, it may reinforce a move away from cash to electronic payments. As more consumers stop using cash, the incentive for other businesses not to accept cash increases. This would reduce cash-related business for banks and CIT companies, putting upward pressure on the average cost of cash services. Higher costs for cash access and CIT services may lead more merchants to discourage or stop accepting cash for payments. As noted above, the ability to use cash serves important objectives of the RBA, including those related to financial stability and resilience in the payments system.

Some countries, including Norway and Denmark, have introduced cash acceptance mandates to help ensure cash remains a viable means of payment, including during crises. Several other advanced economies, including the United States, Sweden and the United Kingdom, are considering similar mandates. The acceptance mandates that have been implemented overseas generally apply to all businesses that accept in-person payments of any kind. However, the Danish Government is considering changing its mandate to only cover stores selling essential goods (Danmarks Nationalbank 2023); and Sweden's proposed mandate focuses on food and pharmacy retailers (Riksbank 2025). Whereas the overseas examples of cash acceptance mandates that we are aware of apply to businesses of all sizes, the proposed Australian mandate would exempt smaller businesses. This would mean that the majority of businesses (by number) are unlikely to be covered by the mandate. While many businesses continue to accept cash (as noted above), the cash landscape is evolving rapidly and so flexibility to adjust the

scope of the mandate in response to changes in the environment (e.g. acceptance rates) is likely to be desirable.

In terms of transaction limits, most overseas mandates specify an upper limit, often to comply with anti-money laundering rules. For example, in Norway, merchants with physical premises must accept cash payments up to approximately \$2,800 for goods and services (Norges Bank 2024). In other countries, such as Denmark and Sweden, established or proposed cash acceptance mandates require businesses to accept cash up to a certain dollar limit per transaction and specify certain hours of the day during which cash must be accepted.

Table 1: Cash Policies in Select Advanced Economies

	Acceptance mandate	Access mandate	Cash distribution
Australia	~	✗	✗
Canada	✗	✗	✗
Denmark	✓	✗	✗
Euro Area	~	~	✗
Ireland	~	~ ^(a)	~ ^(a)
Netherlands	~	✓ ^(b)	✓ ^(b)
New Zealand	✗	✗	✗
Norway	✓	✓	✗
Sweden	~	✓	✗
United Kingdom	~	✓	✓
United States	✓ ^(c)	✗	✗

Legend: ✓ = implemented; ~ proposed; ✗ = no policy

(a) Access mandate and distribution policy proposed in the Finance (Provision of Access to Cash Infrastructure) Bill 2024.

(b) Access and distribution policy are part of the Cash Covenant, a voluntary agreement between industry, government and the central bank. Further legislation has been proposed to formalise the voluntary agreement.

(c) Cash acceptance is mandated in some states; the Payment Choice Act of 2023 Bill proposes a national mandate.

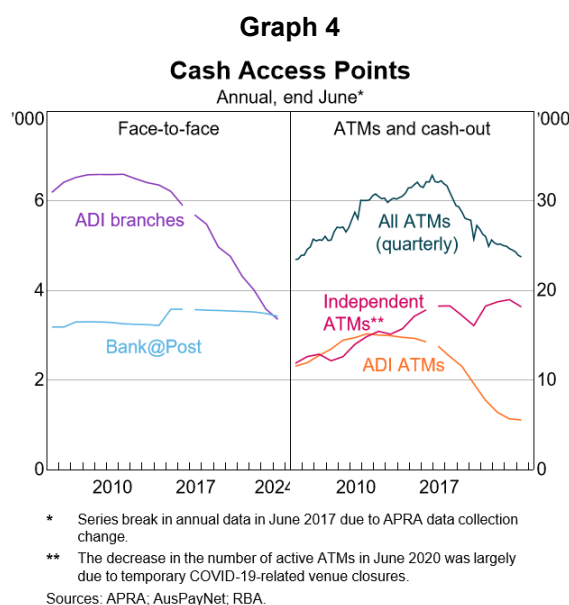
Sources: Australian Treasury; Central Banks; RBA

Maintaining cash access and distribution

As discussed above, the use of cash for day-to-day transactions has declined in Australia and this has been associated with a reduction in cash access points. A reduction in the volume of banknotes being used by the community and transported and processed in the cash distribution system has also put financial pressure on private CIT companies. The cash-use cycle illustrates how these dynamics – which have been evident in a number of other countries – could affect the ability and/or willingness of Australian businesses to accept cash for payments. This suggests that a range of policies, in addition to

supporting cash acceptance, may be required to support the overall cash ecosystem. In particular, cash access mandates have been implemented in some other countries (see below), and could help provide incentives for participants in the Australian cash system to maintain and invest in infrastructure to support the public's ability to withdraw and deposit cash.

In terms of cash access, the number of bank branches and bank-owned ATMs has been decreasing in Australia for some time (Graph 4). These closures have led to increased distances that people need to travel to access cash services provided by banks, particularly in regional and remote areas (Faferko, Rylah and Wang 2025). However, the distance that most Australians must travel to reach the nearest cash access point has not changed markedly in recent years due to the ongoing geographic coverage of Bank@Post and independently owned ATMs. While bank-owned ATMs are usually free for users, independent ATMs sometimes charge fees for withdrawals. As independent ATMs have grown in market share, the cost of withdrawing cash has likely been rising. The state of cash access is also vulnerable to the further removal of cash access points in communities with few nearby alternatives. These vulnerabilities are particularly relevant for face-to-face cash access points (bank branches and Bank@Post) and for those living in regional and remote communities. Around one-quarter of respondents in the RBA's 2022 Consumer Payments Survey reported that they would experience genuine hardship or major inconvenience if cash were hard to access or use, regardless of how frequently they typically use cash for transactions.



Several advanced economies have implemented, or are pursuing, cash access mandates that involve placing obligations on banks to provide an adequate level of cash services (Table 1). These policies often specify a maximum distance the population must travel to access cash services, or a minimum number of access points. Some countries, such as the Netherlands and Norway, have implemented or are considering mandates for both cash access and acceptance. In Sweden, the central bank has advocated for stronger rules for banks to provide access to cash deposit services, particularly if merchants will be required to accept cash under new legislation (Riksbank 2024).

Falling cash use in recent decades has also led to excess capacity within cash distribution networks, resulting in a general trend towards consolidation in CIT industries internationally. In June 2023, the Australian Competition and Consumer Commission (ACCC) approved a merger between the two largest CIT companies in Australia – Linfox Armaguard (Armaguard) and Prosegur Australia. The merger was expected to deliver efficiencies through reduced duplication of key infrastructure. The merger was

subject to a three-year undertaking regarding pricing and service levels, and both firms agreed to continue supplying CIT services to existing customers until September 2026. However, despite the merger having proceeded as intended, Armaguard indicated in late 2023 that its CIT business continued to be unsustainable.

In response to challenges in the CIT industry, the RBA convened a number of Wholesale Banknote Distribution Roundtables – involving key participants in the wholesale banknote distribution system – in late 2023 and early 2024 to support cash distribution in the immediate future and make it more sustainable over the longer term. In June 2024, Armaguard’s major banking and retail customers agreed to provide approximately \$50 million of additional funding support in 2024/25, allowing more time for Armaguard to embed efficiency gains and improve its financial sustainability. Nonetheless, there is still considerable work to be done to develop a sustainable long-term model for cash distribution. In particular, it is important to ensure that cash distribution remains available on reasonable terms, which would support merchants in the context of a cash acceptance mandate.

Conclusion

The RBA is committed to supporting the Australian Government’s objective to ensure cash remains a viable means of payment for those who need or want to use it. Maintaining cash acceptance is part of a broader suite of policies and initiatives that is likely to be required to support the ongoing availability of cash in the community in the public interest. Many other economies are facing similar challenges and have implemented or are exploring various policy and legislative responses to support the cash ecosystem.

Reserve Bank of Australia

19 February 2025

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