



RESERVE BANK OF AUSTRALIA

## **Banknote Distribution Terms and Conditions**



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## 1. DEFINITIONS AND INTERPRETATION

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### Definitions

1.1 The following definitions apply unless the context requires otherwise.

**ACC** and **Approved Cash Centre** means a site operated by an ACCO, which has been approved by the Reserve Bank in accordance with clause 8.4 of Schedule 8, the status of which has not been revoked by the Participant pursuant to clause 8.6 of Schedule 8.

**ACC Business Day** means a day that is not a Saturday, Sunday, national or state public holiday in the state in which the relevant ACC is located.

**ACCO** and **Approved Cash Centre Operator** means an organisation approved by the Reserve Bank in accordance with clause 7.2 of Schedule 7, the status of which has not been revoked by the Participant pursuant to clause 7.3 of Schedule 7.

**ACCO Signatory** means an employee or contractor of an ACCO who is authorised under a current ACCO Signatories List provided to the Reserve Bank in accordance with clause 17 but who is not also authorised under a current Participant Signatories Notice in accordance with clause 17.

**ACCO Signatories List** means a document in the form of Annexure C of the BD Procedures, or in such other form as the Reserve Bank (Contact Level A) may notify in writing to the Participant from time to time, to be provided to the Reserve Bank in accordance with clause 17.

**ADI** or **Authorised Deposit-taking Institution** means a financial institution licensed by the Australian Prudential Regulation Authority to carry on banking business, including accepting deposits from the public.

**Alternative Site** means a distribution site as more specifically defined in the BD Procedures.

**Approved Payment** means:

- (a) a direct transfer through the Society for Worldwide Interbank Financial Telecommunication (SWIFT);
- (b) an 'NPP Payment' as defined in the Regulations for New Payments Platform issued by NPP Australia Limited; and
- (c) any other payment type or mechanism that the parties agree is an Approved Payment type or mechanism.

**Authorised ACCO Vehicle Personnel** means, in relation to a specific Replenishment or Clearance, an ACCO Signatory specified in a Vehicle Report.

**Authorised Agent** means an agent appointed by the Participant to act on its behalf in accordance with clause 3.5.

**Authorised Agent Signatory** means, in relation to any Authorised Agent appointed in accordance with clause 3.5, an employee or contractor of that Authorised Agent authorised by the Participant in a current Participant Signatories Notice but who is not also an ACCO Signatory.

**Authorised Signatory** means in relation to the Reserve Bank, a Reserve Bank Officer authorised in a current Reserve Bank Signatories Notice, and in relation to the Participant, a Participant



Officer or an Authorised Agent Signatory authorised in a current Participant Signatories Notice, for the purpose of signing Notices in accordance with clause 17.

**Authorised Signatories Notice** means a Participant Signatories Notice or a Reserve Bank Signatories Notice as appropriate.

**Badly Damaged/Contaminated Banknote** means a Banknote that must be classified as badly damaged/contaminated in accordance with the Damaged Banknotes Policy.

**Banknote** means an Australian Banknote issued by the Reserve Bank.

**Banknote Exchange Program** means a program undertaken by the Reserve Bank in accordance with Schedule 4.

**Banknote Lodgement Report** means a report with that name in the form prescribed by the Reserve Bank (Contact Level C) from time to time and provided, or to be provided, to the Reserve Bank by the Participant in accordance with Schedule 14.

**Banknote Lodgement Reporting Error** has the meaning given in clause 11.10 of Schedule 11.

**Banknote Quality Matrix** means the matrix used to measure the quality of Banknotes, set out in clause 10.4 of Schedule 10 as amended from time to time in accordance with Schedule 10.

**Banknote Sampling** means the Sampling, in accordance with clause 4, of Fit Banknotes from the Participant's VCH, from which a Quality Score is determined.

**Banknote Sampling Quality Report** means a report with that name provided, or to be provided, by the Reserve Bank (Contact Level C) to the Participant in accordance with Schedule 14.

**Banknote Sorting Guide** means at any time the document published (including on the Reserve Bank Website) by the Reserve Bank at that time that sets out criteria applicable at that time for classification of Unfit Banknotes.

**Banknote Transport** and **Transport** have the meaning given in clause 19.1 of Schedule 19.

**Banknote Transport Invoice** is the tax invoice supplied by the Participant to the Reserve Bank in accordance with clause 19.6 of Schedule 19.

**Banknote Transport Rate** means at any time the rate payable by the Reserve Bank to the Participant for a Banknote Transport at that time, being the rate specified in clause 19.3 of Schedule 19 as adjusted in accordance with Schedule 19.

**BD Procedures** or **Banknote Distribution Procedures** means the document titled 'Banknote Distribution Procedures', to be made available by the Reserve Bank to a Participant in connection with the BDF, as amended, supplemented or replaced (in whole or part) by the Reserve Bank from time to time.

**BDF** or **Banknote Distribution Framework** means the framework created and managed by the Reserve Bank for the distribution of wholesale Banknotes and for the quality sorting of Banknotes in circulation. In respect of a Participant, the BDF is given effect to by the BDF Documents.

**BDF Document** or **Banknote Distribution Framework Document** means each of the following documents:

- (a) any Participation Agreement;
- (b) any supplemental participation agreement as described in clause 2.5;
- (c) these BDTCs;



- (d) the BD Procedures;
- (e) any Authorised Signatories Notice or ACCO Signatories List;
- (f) any document that amends any of the documents in (a) – (e) above or (g) below; and
- (g) any other agreement, document or notice expressed to be entered into or given by the Participant or the Reserve Bank under or in connection with any of the documents in (a) – (f) above.

**BDTCs** or **Banknote Distribution Terms and Conditions** means these terms and conditions, as amended from time to time, governing banknote distribution and quality sorting.

**Business Day** means a day that is not a Saturday, Sunday, national or New South Wales public holiday.

**Calendar Day** means a period commencing at midnight and ending at the following 11:59 pm.

**Calendar Month** means a period commencing at the beginning of a day of one of the 12 months of the year and ending immediately before the beginning of the corresponding day of the next month or, if there is no such day, ending at the expiration of the next month.

**Calendar Year** means a period commencing at the beginning of a day of one year and ending immediately before the beginning of the corresponding day of the next year.

**Carton** means a cardboard container used by the Reserve Bank and the ACCOs to hold and transport 2,000 Banknotes.

**Cash Rate Target** means at any time the official Cash Rate Target as published on the Reserve Bank Website at that time.

**Category Score** means, in relation to an individual Banknote, the numerical category in the Banknote Quality Matrix which that Banknote is assigned in accordance with Schedule 10 based on an overall assessment of the Defect Categories of the Banknote.

**Channel** means a group of Banknotes, that is or has been held in an ACC, and that has been Fitness Sorted by the same entity (e.g. a specific Distribution Participant or an ACCO) and identified accordingly.

**Circulation** means Banknotes that have been issued by the Reserve Bank and have not been Cleared to a Reserve Bank Distribution Site.

**Clearance** and **Clear** mean the delivery of Banknotes to which the Participant has title to a Reserve Bank Distribution Site by an ACCO on behalf of the Participant, and the sale of those Banknotes to the Reserve Bank in accordance with the BDF Documents.

**Clearance Receipt** means, in relation to a Clearance, a report in such form as the Reserve Bank may notify to the Participant from time to time.

**Confidential Information** means, in relation to a party (**Disclosing Party**), all information, data and materials of any kind and in any form relating in any way to the Disclosing Party's affairs or business that may be disclosed by the Disclosing Party to the other party (**Receiving Party**), or otherwise become known to the Receiving Party, under or for the purpose of, or in connection with the BDF. Confidential Information includes any BDF Document (except for these BDTCs) but does not include the identity of the Participant.

**Consultation Period** has the meaning given in clause 2.10.

**Contact Level** means the level (being one of levels A, B or C) assigned to particular Participant Officers, Authorised Agent Signatories or Reserve Bank Officers from time to time for the



purposes of indicating the manner in which certain Notices under the BDF Documents are required or permitted to be given by, or served on, each party and specified in an Authorised Signatories Notice provided in accordance with clause 17.

**Contingency** means any occasion on which the Reserve Bank determines in its discretion that a Reserve Bank System is unable to be used by the Participant, its ACCOs or the Reserve Bank for the purposes of one or more of:

- (a) the conduct of activities relating to Clearances or Replenishments at a Reserve Bank Distribution Site; and
- (b) any other activity contemplated by the BDTCs and the BD Procedures.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Costs** means costs, charges and expenses and, where used in clause 21.9 of Schedule 21 only, includes those incurred in connection with advisers.

**Cycle** means the number of Calendar Days between a Replenishment of Banknotes under a Banknote Exchange Program and the Calendar Day before the Clearance of the same number of Banknotes under the same Banknote Exchange Program (both inclusive).

**Daily VCH Report** means a report with that name in the form prescribed by the Reserve Bank from time to time.

**Damaged** in relation to a Reserve Bank Container, Lid or Pallet means the Reserve Bank Container, Lid or Pallet is deemed to be damaged under clause 6.10 of Schedule 6.

**Damaged Banknotes Policy** means the Reserve Bank's policy with respect to processing and assessing Incomplete and Badly Damaged/Contaminated Banknote claims, as published on the Reserve Bank Website from time to time.

**Default Rate** means at any time the aggregate of the Cash Rate Target at that time and 4 per cent per annum.

**Defect Category** means the numerical category which aligns with the severity of an individual type of Defect on a Banknote as measured in accordance with Banknote Quality Matrix and Schedule 10.

**Defects** means the range of imperfections in a Banknote, as outlined in Schedule 10, used as a determinant in the measurement of Banknote quality.

**Depositor Identifier Card** means a card with that name in the form prescribed by the Reserve Bank from time to time (Contact Level C).

**Discrepancy** means, in relation to Banknotes in a Reserve Bank Container, a Carton or a Tamper Evident Package, the difference between the said-to-contain amount of Banknotes in that Reserve Bank Container, Carton or Tamper Evident Package and the actual amount of Banknotes in that Reserve Bank Container, Carton or Tamper Evident Package and without limiting the above, there will be a 'Discrepancy' if any 'Discrepancy Error' (as defined in the table in clause 15.1 in Schedule 15) exists.

**Discrepancy Report** means a report provided, or to be provided, to the Participant by the Reserve Bank (Contact Level C), in accordance with Schedule 14.

**Distribution Officer** means an individual engaged at a Reserve Bank Distribution Site who is responsible for supervising Clearances and Replenishments and other duties related to the management of that Reserve Bank Distribution Site in accordance with these BDTCs and the BD Procedures.



**Distribution Participant** means, at any given time, an entity, including the Participant, with which the Reserve Bank has a Participation Agreement at that time and which is thereby bound by these BDTCs and the BD Procedures.

**Effective Date** in respect of a Participant, has the meaning given in the Participation Agreement for that Participant.

**ESA** means an exchange settlement account held at the Reserve Bank by providers of payments services to settle financial obligations arising from the clearing of payments.

**ESA Rate** means at any time the interest rate paid by the Reserve Bank on overnight balances in ESAs, as published on the Reserve Bank Website at that time.

**External Auditor** means any firm appointed as an auditor by the Participant, and approved by the Reserve Bank, in accordance with clause 8.

**Fees and Charges** means amounts payable by the Participant to the Reserve Bank, set out in, or otherwise notified to the Participant in accordance with Schedule 15, Schedule 16, Schedule 17 or Schedule 18.

**Financial Year** means a period commencing 1 July and finishing the following 30 June (both inclusive).

**Fit Banknotes** means Banknotes that:

- (a) are not Incomplete Banknotes, Badly Damaged/Contaminated Banknotes or Superseded Banknotes; and
- (b) have been classified by the Participant as fit in accordance with the Banknote Sorting Guide.

**Fit-in-Unfit** means the quantity of Category 1 Banknotes in an Unfit Banknote Clearance as determined in accordance with the Banknote Quality Matrix.

**Fitness Sorting** means the classification of Banknotes into Fit Banknotes, Unfit Banknotes, Incomplete Banknotes and Badly Damaged/Contaminated Banknotes.

**Fitness Sorting Failure** has the meaning given in clause 11.29 of Schedule 11.

**Force Majeure Event** means any cause outside the reasonable control of an affected party which could not have been prevented or avoided by that party taking all reasonable steps. This includes, but is not limited to:

- (a) act of God, earthquake, cyclone, fire, explosion, flood, landslide, lightning, storm, tempest, drought or meteor;
- (b) war (declared or undeclared), invasion, act of a foreign enemy, hostilities between nations, civil insurrection or militarily usurped power;
- (c) act of public enemy, sabotage, malicious damage, terrorism or civil unrest;
- (d) ionising radiation or contamination by radioactivity from any nuclear waste or from combustion of nuclear fuel;
- (e) confiscation, nationalisation, requisition, expropriation, prohibition, embargo, restraint or damage to property by or under the order of any government or government authority; or
- (f) strikes, blockades, lock outs or other industrial disputes.

**Implementation Date** means 1 March 2024.





**Incident Report** means a written report to be provided by the Participant (Contact Level A) to the Reserve Bank in the event of a VCH Reporting Error, in accordance with Schedule 12 or a Banknote Lodgement Reporting Error, in accordance with Schedule 11.

**Incomplete/Badly Damaged/Contaminated Banknote Claim Form** means at any time the form with that (or a similar) name published on the Reserve Bank Website at that time.

**Incomplete Banknote** means a Banknote that must be classified as incomplete in accordance with the Damaged Banknotes Policy.

**Insolvency Event** means in relation to the Participant any one or more of the following events or circumstances:

- (a) the appointment of a controller (as defined in the Corporations Act) or similar officer to any property or assets of the Participant;
- (b) the appointment of or the passing of a resolution to appoint an administrator, provisional liquidator or liquidator to the Participant, or the taking of any steps to appoint (or to pass a resolution to appoint) an administrator, provisional liquidator or liquidator to the Participant;
- (c) the entering into or passing of a resolution to enter into any agreement, arrangement, composition or compromise with or, assignment for the benefit of, the Participant's creditors or any class of them, or process is filed in a court seeking approval of any such agreement, arrangement, composition, compromise or assignment;
- (d) the making of a winding up order by a court in relation to the Participant;
- (e) process is filed in a court seeking an order that the Participant be wound up or that a controller (as defined in the Corporations Act) be appointed to the Participant or any of its assets, unless the application is withdrawn, struck out or dismissed within five Business Days of it being filed;
- (f) a reorganisation, moratorium, deed of company arrangement or other administration involving one or more of the Participant's creditors is proposed or effected, or by reason of financial difficulties it begins negotiations with one or more of its creditors with a view to readjustment or rescheduling of any of its financial indebtedness;
- (g) the Participant being taken, under clause 459F of the Corporations Act, to have failed to comply with a creditor's statutory demand;
- (h) a court being required by clause 459C of the Corporations Act to presume that the Participant is insolvent;
- (i) any action is taken by the Australian Securities and Investments Commission with a view to the Participant's deregistration or dissolution, or an application is made to the Australian Securities and Investments Commission that any such action be taken in relation to the Participant;
- (j) the Participant is insolvent within the meaning of clause 95A of the Corporations Act, the Participant states that it is unable to pay its debts as and when they fall due or the Participant is presumed to be insolvent under any applicable law;
- (k) the Participant stops or suspends or threatens to stop or suspend the payment of all or a class of its debts or the conduct of all or a substantial part of its business;
- (l) the passing of a resolution for winding up of the Participant under Part 5.5 of the Corporations Act; or



(m) the occurrence of any event that has a substantially similar effect to any of the above events under the law of any applicable jurisdiction.

**Internal Auditor** means the person or persons directed by the Participant to undertake an internal audit function for the Participant.

**Lid** means the detachable top of a Reserve Bank Container.

**Lodgements** means Banknotes that meet all the requirements in clauses 11.7 or 11.8 of Schedule 11.

**Modifications** means modifications to Proposed Amendments, where such modifications have been proposed by the Reserve Bank, the Participant or a Distribution Participant during the relevant Negotiation Period and/or Consultation Period and which, in the reasonable opinion of the Reserve Bank, render those Proposed Amendments acceptable (or more acceptable) to a greater number of Distribution Participants than if the Proposed Amendments were to take effect without such modifications.

**National Banknote Site** or **NBS** means the Reserve Bank's Banknote processing and distribution facility as more specifically defined in the BD Procedures.

**Negotiation Period** has the meaning given in clause 2.11.

**New Banknotes** means Banknotes which have been sourced from a Reserve Bank Distribution Site and have not previously been in Circulation.

**NGB** means the second Series of polymer Banknotes issued by the Reserve Bank.

**NNS** means the first Series of polymer Banknotes issued by the Reserve Bank from 1992.

**Nominated ACC** means an ACC agreed by the Participant (Contact Level A) and the Reserve Bank to be a Nominated ACC.

**Nominated Account** means, in relation to a party, the bank account nominated in writing (Contact Level A) by that party to the other party from time to time for the purposes of the BDF Documents.

**Nominated Address** means, in respect of the Participant or the Reserve Bank, the address specified in the Participation Agreement between the Participant and the Reserve Bank or such other address as the Participant (Contact Level A) or the Reserve Bank (Contact Level A) may notify the Reserve Bank or the Participant, respectively, from time to time.

**Note Quality Reward Scheme** means the performance credits and performance debits scheme, established under clause 4.3 and Schedule 11 of these BDTCs.

**Notice** means any notice, report, approval, waiver, consent or other written communication that is required to be given, or may be given by a party under or in connection with a BDF Document.

**Officer** means a Participant Officer, an Authorised Agent Signatory or a Reserve Bank Officer.

**Pallet** means the specialised base used for transporting a Reserve Bank Container.

**Participant** means, the Participant, as defined in the relevant Participation Agreement.

**Participant Officer** means any person (who is not an ACCO Signatory) engaged by the Participant and authorised to act on its behalf.

**Participant Sampling Report** means a report with that name provided, or to be provided, to the Participant by the Reserve Bank (Contact Level C), in accordance with Schedule 14.



**Participant Signatories Notice** means a notice in the form of Annexure A of the BD Procedures, or in such other form as the Reserve Bank (Contact Level A) may notify in writing to the Participant from time to time, to be given by the Participant to the Reserve Bank in accordance with clause 17.

**Participation Agreement** means an agreement between the Reserve Bank and another entity substantially in the form set out in Schedule 22 or any other form acceptable to the Reserve Bank. It includes any supplemental participation agreement as described in clause 2.5.

**party** means a party to a Participation Agreement, being the Reserve Bank or the relevant Participant, and **parties** means both of them.

**Personal Information** has the meaning given in the *Privacy Act 1988* (Cth).

**Privacy Collection Notice** means a notice in the form specified in Annexure D of the BD Procedures or such other form of notice as the Reserve Bank (Contact Level C) may provide from time to time to the Participant, which sets out information required under the *Privacy Act 1988* (Cth) to be provided in connection with the Reserve Bank's collection of Personal Information of Authorised Signatories and ACCO Signatories for the purposes of the BDF.

**Processed Banknotes** means Banknotes processed by the Reserve Bank.

**Proposed Amendment** has the meaning given in clause 2.7.

**Quality Score** means the score determined by the Sampling calculation process in Schedule 11.

**Replenishment** and **Replenish** mean the collection of Banknotes by an ACCO on behalf of the Participant from a Reserve Bank Distribution Site and the purchase of those Banknotes by the Participant.

**Replenishment Receipt** means, in relation to a Replenishment, a report in such form as the Reserve Bank may notify to the Participant from time to time.

**Reserve Bank Container** means a container provided by the Reserve Bank to an ACCO which is used in conjunction with a Lid and Pallet for the transportation of Banknotes.

**Reserve Bank Distribution Site** means at any time such of the National Banknote Site and any Alternative Site specified by the Reserve Bank in a notice issued under clause 5.3 of Schedule 5 as may be available at that time under clauses 5.2 to 5.3 of Schedule 5 for Replenishments and/or the relevant type of Clearances.

**Reserve Bank Officer** means any person engaged by the Reserve Bank and authorised to act on its behalf.

**Reserve Bank Signatories Notice** means a notice to be given by the Reserve Bank to the Participant in accordance with clause 17.

**Reserve Bank System** means:

- (a) any system designated in the BD Procedures as a Reserve Bank System; or
- (b) any other electronic or technology-based system used at, or in the operations of, a Reserve Bank Distribution Site at any time.

**Reserve Bank Website** means [www.rba.gov.au](http://www.rba.gov.au) or any other website notified to the Participant in writing by the Reserve Bank from time to time.

**Review Meeting** means a meeting convened or held under clause 11.



**Sampling** means selecting Banknotes for measurement against the Banknote Quality Matrix, in accordance with clause 4, Schedule 9 and the BD Procedures (Chapter 7); and **Sampled Banknotes** are Banknotes which have been so selected.

**Scheduled Replenishment Time** means the time for collection by an ACCO of Banknotes authorised by the Participant from a Reserve Bank Distribution Site determined in accordance with the BD Procedures (Chapter 5).

**Senior Representative** means, with respect to the Reserve Bank or the Participant, a representative, as specified in the relevant Authorised Signatories Notice or as otherwise notified by the Reserve Bank (Contact Level A) or the Participant (Contact Level A) from time to time, who has the authority to represent the relevant organisation in the discussions described in clause 2.11.

**Series** means a series of Banknotes issued into Circulation during a particular time. Each of NNS and NGB is a Series.

**Settle** and **Settlement** means payment for Banknotes in a manner and at a time which complies with the applicable provisions of the BDF Documents.

**Soiled** in relation to a Reserve Bank Container, Lid or Pallet means the Reserve Bank Container, Lid or Pallet is or is deemed to be soiled under clause 6.14 of Schedule 6.

**Strap** means an implement that may be used to secure a section of 100 Banknotes.

**Superseded Banknotes** means:

- (a) the Banknotes set out in the table in clause 6.7(b) of Chapter 6 of the BD Procedures; or
- (b) Banknotes that the Reserve Bank has notified the Participant are to become Superseded Banknotes in accordance with clause 2.8 of Schedule 2.

**Tamper Evident Packaging or Tamper Evident Package or TEP** means a vessel used for transporting Banknotes that will reveal evidence of obvious tampering.

**Target Time** means, in relation to a Banknote Exchange Program, the number of Business Days that the Participant will have under that Banknote Exchange Program to Clear the Target Volume of Banknotes.

**Target Volume** means, in relation to a Banknote Exchange Program, the number of Banknotes that the Participant is required to Clear under that Banknote Exchange Program as notified to the Participant in accordance with clause 4.2(b) of Schedule 4.

**Taxes** means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses.

**Termination Event** means an event referred to in clause 9.2.

**Unfit Banknotes** means Banknotes that are not Incomplete Banknotes or Badly Damaged/Contaminated Banknotes as determined in accordance with the Damaged Banknotes Policy and which:

- (a) are Federation \$5 Banknotes;
- (b) are Commemorative \$10 Banknotes;
- (c) have been classified by the Participant as unfit in accordance with the Banknote Sorting Guide; or
- (d) have been classified or treated by the Participant as unfit in accordance with clause 4.9.



**Unfit Packaging Error** means an Unfit Banknote that is processed by the Reserve Bank and that does not meet all of the packaging requirements established in Schedule 6 and the BD Procedures (Chapter 6) in relation to the packaging of Unfit Banknotes, excluding any requirements with respect to the quantity of Unfit Banknotes to be contained in a Reserve Bank Container.

**Unfit Packaging Error Fee** has the meaning given in Schedule 18.

**VCH Interest Payment** means an amount payable to the Participant by the Reserve Bank in accordance with the terms of Schedule 13.

**VCH Reporting Day** means each calendar day.

**VCH Reporting Error** has the meaning given in clause 12.8 of Schedule 12.

**Vehicle Report** means a report with that name in the form prescribed by the Reserve Bank (Contact Level C) from time to time.

**Verified Cash Holdings** and **VCH** means Banknotes that meet all the requirements in clause 12.1 of Schedule 12.

## Interpretation

1.2 In the BDF Documents, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) a reference to any gender includes all genders;
- (c) headings are for convenience only and do not affect interpretation;
- (d) references to any document, agreement, terms and conditions (including these BDTCs), notice or Schedule include references to the document, agreement, terms and conditions, notice or Schedule as amended, novated, supplemented, varied or replaced from time to time except to the extent prohibited by any BDF Document;
- (e) references to clauses, Annexures and Schedules are references to clauses, Annexures and Schedules in and forming part of these BDTCs, and references to clauses made in a Schedule of the BDTCs or to paragraphs made in a Chapter of the BD Procedures refer to clauses in that Schedule or to paragraphs in that Chapter, respectively;
- (f) references to any legislation or to any provision of any legislation include any amendment, modification or re-enactment of the legislation or provision or any legislation or provision substituted therefore, and also include all regulations and statutory rules or instruments issued under the legislation or provision;
- (g) a reference to time is Australian Eastern Standard time or Australian Eastern Daylight (Savings) Time, except for the purpose of any provision of a BDF Document relating to a Daily VCH Report, in which case it is a reference to local time at the Approved Cash Centre where the relevant Banknotes are physically stored;
- (h) a reference to a group of persons is a reference to any two or more of them jointly and to each of them individually;
- (i) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (j) an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;



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- (k) a reference to anything (including an amount) is a reference to the whole and each part of it;
  - (l) the word law includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
  - (m) a reference to Australian dollars, dollars, \$ or A\$ is a reference to the lawful currency of Australia;
  - (n) the word 'person' includes an individual, company, other body corporate, unincorporated association, partnership, firm, joint venture, trust or government agency;
  - (o) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
  - (p) the words 'including', 'for example', 'such as' or similar expressions do not limit what else is included;
  - (q) references to the terms 'written' or 'in writing' include a facsimile transmission, and, unless a BDF Document specifies otherwise, any electronic communication such as email;
  - (r) a reference to 'this Agreement' is a reference to the BDF Documents, taken together; and
  - (s) a reference to the 'date of the BDF', the 'date of the BDF Documents', or the 'date of this Agreement' is a reference to the date of the Participation Agreement between the Reserve Bank and the Participant.

### Business Days

- 1.3 Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

### Payments

- 1.4 Except as specified in a BDF Document, all payments required to be made under the BDF Documents to a party must be made on or before the due date for the payment by Approved Payment to the Nominated Account of that party. Any amount paid via SWIFT that is settled after 5:00 pm on a day will be deemed to have been paid the following Business Day.

### Participants and ACCOs

- 1.5 For the purposes of the BDF Documents, the same legal entity (the **Entity**) may be both a Participant and an ACCO. In such cases:
- (a) references in the BDF Documents to a 'Participant' or an 'ACCO' will be taken to be references to the team, division, or group of officers, employees, contractors or other individuals within the Entity that perform(s) the functions and obligations of a Participant or ACCO (as applicable) under the BDF Documents; and
  - (b) references to the Participant being required to ensure that the ACCO does or does not do something will be taken to be references to the Entity being required to do or not do that thing.



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## 2. EFFECT OF BDTCs, BD PROCEDURES AND PARTICIPATION AGREEMENTS

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### General

- 2.1 From time to time, the Reserve Bank may enter into a Participation Agreement with a Participant. A person only becomes a Participant on the Effective Date.
- 2.2 A Participation Agreement is a bilateral contract between the relevant Participant and the Reserve Bank. Unless the context requires otherwise, any reference to the 'parties' in a BDF Document will be a reference to the Reserve Bank and the relevant Participant, but not to the other Distribution Participants.
- 2.3 These BDTCs and the BD Procedures form part of each Participation Agreement by incorporation.
- 2.4 Each Participant is bound by, and has rights under, these BDTCs and the BD Procedures as a Participant.

### Additional Terms of Participation

- 2.5 Each Participation Agreement and other BDF Documents may include additional terms binding on the Participant and the Reserve Bank, in addition to these BDTCs and the BD Procedures. The additional terms may be contracted in the Participation Agreement or in a supplemental participation agreement. To the extent of any inconsistency between:
- (a) the Participation Agreement or any supplemental participation agreement on the one hand, and these BDTCs or the BD Procedures on the other, the Participation Agreement and the supplemental participation agreement prevail; and
  - (b) these BDTCs and the BD Procedures, the BD Procedures prevail.

### Amendments – BDTCs

- 2.6 Except as otherwise expressly provided in a BDF Document:
- (a) any amendments to:
    - (i) clause 7 (Confidentiality), clause 15 (Public Announcements), clause 5.6 (Indemnities) of Schedule 5, or Schedule 20 (Costs) (together, the **Key Provisions**); or
    - (ii) these BDTCs which directly affect the liability of a party to reimburse another party for any damages or losses suffered by that other party (for the purposes of this clause 2.6 only, a **Liability**) by:
      - (A) limiting or otherwise decreasing a Liability of the Reserve Bank; or
      - (B) removing limits or otherwise increasing a Liability of the Participant,shall only be effected by written agreement of the Reserve Bank, the Participant and each other Distribution Participant, and any such agreement will take effect from the date specified in that agreement;
  - (b) any other amendment to these BDTCs shall take effect in accordance with clauses 2.7 to 2.14 below.

For the avoidance of doubt, nothing in clause 2.6(a) shall prevent amendments to clauses or Schedules that are referred to in the Key Provisions from being made in accordance with clauses 2.7 to 2.14 below (unless otherwise expressly provided in a BDF Document or unless those clauses or Schedules are themselves Key Provisions).



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- 2.7 If the Reserve Bank determines, in its sole discretion, that amendments to the BDTCs are desirable or required for the effectiveness, efficiency, sustainability or resilience of banknote distribution and quality sorting arrangements, the Reserve Bank (Contact Level A) shall provide written Notice (an **Amendment Notice**) in accordance with clause 17 to the Participant (Contact Level A) and each other Distribution Participant, describing the amendments to the BDTCs that the Reserve Bank proposes to make (the **Proposed Amendments**) and the date (which shall be a date no earlier than 45 Business Days after the date of the Amendment Notice (or any other date agreed by the Reserve Bank and the Distribution Participants)) that the Proposed Amendments are to take effect (the **Amendment Effective Date**).
- 2.8 By the date that is 30 Business Days (or any other period determined by the Reserve Bank and the Distribution Participants) from the date of the Amendment Notice (the **Response Date**), the Participant (Contact Level A) and each other Distribution Participant shall provide a written Notice in accordance with clause 17 to the Reserve Bank (Contact Level A) (an **Amendment Response**):
- (a) confirming that it accepts the Proposed Amendments set out in the Amendment Notice;
  - (b) confirming that it accepts the Proposed Amendments set out in the Amendment Notice, subject to certain restrictions, conditions, or variations and setting out the details of those proposed restrictions, conditions, or variations; or
  - (c) stating that it objects to the Proposed Amendments set out in the Amendment Notice and providing reasons for its objection.
- 2.9 If the Participant and each other Distribution Participant provide an Amendment Response as described in clause 2.8(a), the Reserve Bank (Contact Level A) shall notify the Participant and each other Distribution Participant of this fact and the Proposed Amendments set out in the Amendment Notice shall take effect on the Amendment Effective Date (or any other date agreed between the Reserve Bank and the Distribution Participants).
- 2.10 If the Participant or any other Distribution Participant provides an Amendment Response as described in clause 2.8(b) or clause 2.8(c), the Proposed Amendments set out in the Amendment Notice shall not take effect on the Amendment Effective Date and the Reserve Bank, the Participant and each other Distribution Participant shall consult in good faith for a period of up to 30 Business Days (or any longer period determined by the Reserve Bank) from the Response Date (the **Consultation Period**) to agree the amendments (if any) to be made to the BDTCs and the effective date of those amendments.
- 2.11 If, after the Consultation Period, the Reserve Bank, the Participant and the other Distribution Participants have not reached agreement with respect to the amendments to be made to the BDTCs and the effective date of those amendments, the matter shall be referred to the Senior Representative of each of the Reserve Bank, the Participant and each other Distribution Participant who shall attempt in good faith, for a period of up to 30 Business Days (or any longer period determined by the Reserve Bank) following the end of the Consultation Period (the **Negotiation Period**) to agree the amendments to be made to the BDTCs and the effective date of those amendments.
- 2.12 If, after the Negotiation Period, the Senior Representatives have not reached agreement with respect to the amendments to be made to the BDTCs and the effective date of those amendments, the Reserve Bank (Contact Level A) may, by way of written notice to the Participant and each other Distribution Participant, provide that the Proposed Amendments along with any Modifications shall take effect on the date specified in that notice (which shall be a date no earlier than 15 Business Days from the date of that notice) and the Proposed Amendments and Modifications (if any) shall take effect on that date. The Reserve Bank may





send such written notice no earlier than the first Business Day after the end of the Negotiation Period.

- 2.13 If, by the end of the Consultation Period or the Negotiation Period (as applicable) the Reserve Bank, the Participant and each other Distribution Participant have agreed the amendments to be made to the BDTCs and the effective date of those amendments, the Reserve Bank (Contact Level A) shall, within 10 Business Days (or any other period agreed between the Reserve Bank and the Distribution Participants) of the date on which such agreement was reached, provide written notice to the Participant and each other Distribution Participant of the agreed amendments to the BDTCs and the effective date of those amendments. However, failure to do so shall not render the amendments ineffective or invalid.
- 2.14 Notwithstanding any other provision in a BDF Document, the Reserve Bank (Contact Level A) may, by written Notice to the Participant (Contact Level A) and each other Distribution Participant in accordance with clause 17, unilaterally amend any provision of the BDTCs with effect from the date specified in the Notice:
- (a) to correct typographical, formatting, or any other blatant errors; or
  - (b) if there is a change in, or in the interpretation of, any law relevant to the BDF, but then only to the extent reasonably necessary to comply with the change,
- and for this purpose, 'amend' includes the addition of a new provision.

The Reserve Bank will endeavour, where possible, to give the Participant (Contact Level A) 20 Business Days' written Notice of such an amendment.

#### **Amendments – BD Procedures**

- 2.15 Subject to clause 2.17 and except as otherwise expressly provided in a BDF Document, the Reserve Bank (Contact Level B) may amend the BD Procedures at any time by written Notice to the Participant (Contact Level B) and each other Distribution Participant in accordance with clause 17.
- 2.16 Any Notice given by the Reserve Bank under clause 2.15 will specify the date from which the relevant amendments to the BD Procedures are to apply, which will, except in the event of an emergency or serious security or safety concern (each as determined by the Reserve Bank) be not less than 20 Business Days (or any other period agreed between the Reserve Bank and the Distribution Participants) after the Notice is given.
- 2.17 The following provisions of the BD Procedures may only be amended by written agreement of the Participant and each other Distribution Participant, and any agreement will take effect from the date specified in such agreement:
- (a) Chapter 2, paragraphs 2.1-2.9 (inclusive), paragraphs 2.11-2.15 (inclusive) and paragraph 2.30;
  - (b) Chapter 3, paragraphs 3.1-3.11 (inclusive), paragraph 3.14 and paragraph 3.25; and
  - (c) Chapter 4, paragraph 4.7; and
  - (d) Chapter 6, except for paragraph 6.8.

#### **Periodic Review of BDTCs and BD Procedures**

- 2.18 In addition to amendments to the BDTCs or BD Procedures under clauses 2.6 – 2.17 (inclusive) above, at least once every three Calendar Years from the Implementation Date, the Reserve Bank will coordinate an end-to-end review of the BDTCs and BD Procedures which includes the



opportunity (but not the obligation) for the Participant and other Distribution Participants to provide submissions in respect of:

- (a) issues experienced by the Participant or Distribution Participants under the then-current BDF; and
- (b) suggested changes to the BDF, including changes to the BDTCs or BD Procedures.

2.19 After conducting the review under clause 2.18, the Reserve Bank will reasonably consider all submissions received and, where it reasonably considers that the changes set out in clause 2.18(b) are desirable or required for the effectiveness, efficiency, sustainability or resilience of banknote distribution and quality sorting arrangements, will seek to update these BDTCs (following the process set out in clauses 2.6 – 2.14 above) or the BD Procedures (following the process set out in clause 2.15 – 2.17 above).

#### **Amendments – Participation Agreement**

2.20 Subject to clause 2.21, the Participation Agreement may be amended only by written agreement, signed by each party.

2.21 To the extent that one party has notified the other party of the details of its Nominated Account in the Participation Agreement, changes to the first party's Nominated Account may be notified to the other party in writing (Contact Level A) and will not require the written agreement or signature of the other party.

#### **Entire Agreement**

2.22 The BDF Documents contain the entire agreement of the Reserve Bank and the Participant in connection with its subject matter and supersedes all prior understandings, representations and agreements between the Reserve Bank and the Participant in connection with their subject matter. No representation, term, condition or obligation other than as contained in, or varied in accordance with, the BDF Documents is valid or binding.

### **3. BANKNOTE DISTRIBUTION**

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#### **Replenishments**

3.1 The Reserve Bank and the Participant must comply with the requirements for Replenishments, and other requirements, in Schedule 1 and the BD Procedures.

#### **Clearances**

3.2 The Reserve Bank and the Participant must comply with the requirements for Clearances, and other requirements, in Schedule 2 to Schedule 4 inclusive and the BD Procedures.

#### **ACCs and ACCOs**

3.3 The Reserve Bank and the Participant will comply with Schedule 7 and Schedule 8.

3.4 The Participant is responsible for the acts and omissions of its ACCOs as they relate to the BDF Documents or the obligations of the Participant under the BDF Documents. Approval of an ACCO does not relieve the Participant of any of its obligations under the BDF Documents.



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**Authorised Agents**

- 3.5 The Participant may appoint an Authorised Agent to act on its behalf to perform its duties and obligations under the BDF Documents, with the exception of those under Schedule 11 and Schedule 12.
- 3.6 Any appointment of an Authorised Agent must be notified to the Reserve Bank (Contact Level A) in writing, signed by a Participant Officer.
- 3.7 The Participant remains responsible for the performance of all of its obligations under the BDF Documents notwithstanding the appointment of an Authorised Agent to act on its behalf for certain purposes of the BDF Documents.
- 3.8 The Participant (Contact Level A) may revoke the appointment of an Authorised Agent by notifying the Reserve Bank in writing, signed by a Participant Officer. The authority of the Authorised Agent will cease five Business Days after the Reserve Bank has received written notification, or on the date indicated in the notification from the Participant, whichever is the later.
- 3.9 The Participant may appoint only one Authorised Agent (or such other number as may be mutually agreed) to act on its behalf at any given time under clause 3.5.

**4. BANKNOTE QUALITY**

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**Fitness Sorting**

- 4.1 Subject to clause 4.2, the Participant is to Fitness Sort Banknotes.
- 4.2 The Participant will use its best endeavours to Fitness Sort Banknotes within its branch network and by any ACC in accordance with the Banknote Sorting Guide and the Damaged Banknotes Policy. The Reserve Bank (Contact Level A) will:
- (a) provide written notice to a Participant Officer (Contact Level A) of any proposed change to the Banknote Sorting Guide at least three Calendar Months prior to the date upon which any document containing that change is published by the Reserve Bank; and
  - (b) where the Reserve Bank determines (in its discretion) that it is practicable to do so, provide written notice to a Participant Officer (Contact Level A) of any proposed change to the Damaged Banknotes Policy prior to the date upon which any document containing that change is published by the Reserve Bank.
- 4.3 The accuracy with which the Participant Fitness Sorts Banknotes will be tested by the Reserve Bank by Banknote Sampling and measuring the quality of Sampled Banknotes and will be rewarded (or otherwise) in accordance with Schedule 11. The Reserve Bank and the Participant agree to comply with their respective obligations in Schedule 11. The Participant gives the acknowledgements in Schedule 11.

**Banknote Sampling**

- 4.4 The Reserve Bank will undertake Sampling by selecting Banknotes from the Participant's Verified Cash Holdings, in accordance with Schedule 9 and the BD Procedures (Chapter 7).
- 4.5 Banknotes Sampled under clause 4.4 will form part of the Note Quality Reward Scheme.
- 4.6 The Participant and the Reserve Bank will comply with their respective obligations in Schedule 9 and the BD Procedures (Chapter 7).



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**Other Sampling**

- 4.7 The Reserve Bank will perform further Sampling for the Reserve Bank's internal research purposes. This Sampling will not affect the Note Quality Reward Scheme. The Reserve Bank has no obligation to provide the Participant with information on the outcome of this additional Sampling.

**Fit-in-Unfit Processing**

- 4.8 The Reserve Bank will charge a processing fee to the Participant in relation to Fit-in-Unfit Banknotes calculated in accordance with Schedule 16.

**Unfit NNS Banknotes**

- 4.9 With effect on and from the Effective Date any NNS Banknotes of a denomination that is in Circulation as at that date may, subject to clause 4.10, be classified by the Participant and returned to the Reserve Bank as Unfit Banknotes.
- 4.10 Notwithstanding clause 4.9, the Reserve Bank may, by giving not less than 30 Business Days' written notice to a Participant Officer (Contact Level A), determine that NNS Banknotes of a denomination or denominations specified in that notice, may no longer be classified by the Participant and returned to the Reserve Bank as Unfit Banknotes pursuant to clause 4.9. The Reserve Bank must specify in the written notice the date from which such change will be effective.
- 4.11 Any determination to issue a notice under clause 4.10 may be made by the Reserve Bank in its absolute discretion.

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**5. COSTS**

- 5.1 The Reserve Bank will meet the costs in clause 20.1 of Schedule 20.
- 5.2 The Participant will meet the costs in clause 20.2 of Schedule 20. The Participant will also pay Fees and Charges.
- 5.3 Each of the Reserve Bank and the Participant must pay:
- (a) their own costs incurred in the preparation, negotiation and execution of the BDF Documents; and
  - (b) the amounts payable by them under clauses 20.4 and 20.5 of Schedule 20.

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**6. VERIFIED CASH HOLDINGS AND VCH INTEREST PAYMENT**

- 6.1 The Participant gives the acknowledgements in, and agrees to comply with its obligations in, Schedule 12 and Schedule 13.
- 6.2 The Reserve Bank will pay the Participant the VCH Interest Payment in accordance with Schedule 13, and will otherwise comply with its obligations in Schedule 12 and Schedule 13.

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**7. CONFIDENTIALITY**

- 7.1 Each party shall:
- (a) subject to the BDF Documents, take all proper and effective precautions to preserve the confidentiality of the Confidential Information of the other party and, in particular, to prevent unauthorised persons from obtaining access to that Confidential Information by any direct or indirect means;



- (b) not disclose the Confidential Information of the other party other than in accordance with clause 7.2; and
- (c) not use the Confidential Information of the other party other than for the purposes of the BDF Documents, or as otherwise authorised in writing by the other party (Contact Level A).

7.2 A Receiving Party may disclose Confidential Information:

- (a) if the Receiving Party is the Participant:
  - (i) to an ACCO as reasonably necessary for the purposes of the BDF Documents, provided that the Participant has:
    - (A) ensured that the ACCO is aware of, and has undertaken to the Participant to observe, the terms of this clause 7 for as long as the Confidential Information remains confidential and irrespective of termination of the BDF Documents or termination of arrangements between the Participant and the ACCO; and
    - (B) confirmed in writing, signed by a Participant Officer (Contact Level A) to the Reserve Bank that it holds such an undertaking;
  - (ii) to an Authorised Agent as reasonably necessary for the purposes of the BDF Documents, provided that the Participant has:
    - (A) ensured that the Authorised Agent is aware of, and has undertaken to the Participant to observe, the terms of this clause 7 for as long as the Confidential Information remains confidential and irrespective of termination of the BDF Documents or termination of arrangements between the Participant and the Authorised Agent; and
    - (B) confirmed in writing, signed by a Participant Officer (Contact Level A) to the Reserve Bank that it holds such an undertaking;
  - (iii) to the External Auditor for the purposes of, or purposes related to, the BDF Documents;
  - (iv) to those of its officers, employees, contractors and professional advisers who need to know or have access to the Confidential Information for the purposes of, or for the purpose of giving advice in connection with, the BDF;
  - (v) as required, and only to the extent required, by law, or the rules of a recognised stock exchange, provided that the Receiving Party has, if and to the extent permitted by applicable law, first provided the Disclosing Party with prompt written notice and reasonable assistance to enable that party to seek a protective order or other appropriate remedy prior to such disclosure;
  - (vi) to any person for a relevant purpose provided the Disclosing Party has given its prior written consent to disclosure by the Participant to that person for that purpose; and
  - (vii) as permitted by clause 7.6;
- and
- (b) if the Receiving Party is the Reserve Bank:
  - (i) to any Minister of the Australian Government as required by law, or to respond to any request for information from a Minister of the Australian Government;



- (ii) in order to respond to a request or a direction of a House, or a request by a Committee, of the Parliament of the Commonwealth of Australia, for information;
- (iii) to any regulatory body or agency as required by law or to comply with the requirements of, or respond to any request for information from, that regulatory body or agency;
- (iv) to those of its officers, employees, contractors and professional advisers who need to know or have access to the Confidential Information for the purposes of, or for the purpose of giving advice in connection with, the BDF;
- (v) without limiting any of sub-paragraphs (i), (ii) and (iii), as required, and only to the extent required, by law, provided that the Receiving Party has, if and to the extent permitted by applicable law, first provided the Disclosing Party with prompt written notice and reasonable assistance to enable that party to seek a protective order or other appropriate remedy prior to such disclosure; or
- (vi) to any person for a relevant purpose provided the Disclosing Party has given its prior written consent to disclosure by the Reserve Bank to that person for that purpose.

7.3 If a Receiving Party becomes aware of any actual or potential breach of confidentiality or unauthorised use of Confidential Information disclosed to it, the Receiving Party must:

- (a) notify the Disclosing Party (Contact Level A) promptly of this circumstance;
- (b) do everything the Disclosing Party reasonably requests to investigate and restrict further dissemination of the Confidential Information, including seeking injunctive or other relief; and
- (c) use reasonable efforts to assist the Disclosing Party to enforce its rights.

7.4 The obligations of confidentiality under this clause 7 do not extend to information that, whether before or after the date of the Participation Agreement:

- (a) was rightfully known to, or in the possession or control of, the Receiving Party prior to its receipt from the Disclosing Party and which is not subject to an obligation of confidentiality on the Receiving Party;
- (b) is public knowledge, otherwise than as a result of a breach of confidentiality by the Receiving Party;
- (c) is obtained by the Receiving Party from a third party, without an obligation to keep such information confidential;
- (d) is independently developed by the Receiving Party, as proven by appropriate evidence, without use of the Disclosing Party's Confidential Information; or
- (e) is de-identified or aggregated in such a way that the identity of the Disclosing Party cannot be ascertained from it.

7.5 The Participant agrees that the Reserve Bank may disclose Confidential Information that is de-identified or aggregated in such a way that the identity of the Participant cannot be ascertained from it:

- (a) to any entity that has been approved by the Reserve Bank as an external auditor of another Distribution Participant in accordance with clause 8 of these BDTCs; and
- (b) solely for the purpose of conducting audits in accordance with clause 8.

7.6 The Participant may discuss:



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- (a) information discussed during a Review Meeting between all Distribution Participants held by the Reserve Bank under clause 11; and
- (b) the BD Procedures,
- with other Distribution Participants.
- 7.7 The Reserve Bank may disclose to other central banks, any prospective Participants and any prospective or existing ACCOs (each on a confidential basis) any information relating to the terms of the BDF Documents that govern the operational arrangements for Banknote quality and distribution, including (but not limited to) the following:
- (a) the BD Procedures; and
- (b) the nature and method of calculation of Fees and Charges, to the extent not set out in the BDTCs.
- 7.8 For the avoidance of doubt:
- (a) nothing in clause 7.7 permits the Reserve Bank to disclose amounts paid to or by the Participant under the BDF Documents, the contents of the Participation Agreement between the Reserve Bank and the Participant (but not the pro-forma Participation Agreement set out in Schedule 22) or other Confidential Information of the Participant; and
- (b) information disclosed by the Reserve Bank under clause 7.7 will, where applicable, be de-identified or aggregated in such a way that the identity of the Participant cannot be ascertained from it.
- 7.9 Without limiting any other provision of a BDF Document, where the Reserve Bank or the Participant uses or handles any Personal Information under or in connection with the BDF, it must:
- (a) comply with the Privacy Act 1988;
- (b) only use the Personal Information for the purposes of the BDF; and
- (c) promptly notify the other party if it becomes aware of a breach of this clause 7.9.

## **8. AUDIT REQUIREMENTS**

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### **Appointment and Term of External Auditor**

- 8.1 Subject to clause 8.19, the Participant will engage a firm of accountants with audit expertise to conduct audits at the Participant's ACCOs and the ACCs of its ACCOs in accordance with the BDF Documents. For a firm to be granted External Auditor status the parties will observe the following process:
- (a) The Participant must submit an application in writing to the Reserve Bank for the firm's approval as the External Auditor, signed by a Participant Officer (Contact Level A), providing detailed information to support the Participant's application, including:
- (i) the depth of the firm's audit experience;
- (ii) the firm's capacity to perform the audit function;
- (iii) references supplied by the firm from previous audits;
- (iv) the firm's proposed approach to conducting the required audits; and



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- (v) the firm's approach to audit rotation, as established in the *Australian Securities and Investments Commission's Regulatory Guide 187*.
- (b) The Reserve Bank will consider the Participant's application, and if the requirements specified in clause 8.1(a) are adequately addressed in the application, the Reserve Bank will not unreasonably withhold its approval of the firm as the External Auditor. The Reserve Bank (Contact Level A) will advise the Participant in writing within 20 Business Days of the date of receipt of the application referred to in clause 8.1(a) of its decision.
- 8.2 The Reserve Bank's approval of a firm as an External Auditor will be subject to clause 8.19.
- 8.3 The Participant (Contact Level A) may submit an application in writing to the Reserve Bank to replace the External Auditor. The Participant must follow the process specified in clauses 8.1(a) and 8.5 if it chooses to replace the External Auditor.
- 8.4 If the Reserve Bank approves any firm as an External Auditor, it does so for itself, and it accepts no responsibility if that firm is not suitable for, or does not perform, any tasks the Participant needs it to perform for its own purposes.
- 8.5 The Participant must ensure that its application is made to the Reserve Bank for approval of a firm as External Auditor in accordance with clause 8.1 in sufficient time for that application to be considered, and the appointment of an approved firm to occur, simultaneously with the termination of appointment of any auditor being replaced under clauses 8.3 or 8.19 (as applicable).
- 8.6 If the Participant or the Reserve Bank has material concerns over the performance of the External Auditor, the Participant will, within five Business Days of either Notice from the Reserve Bank (Contact Level A) to that effect, or concern arising at the Participant, convene a meeting between the Reserve Bank, the Participant and unless otherwise mutually agreed, the External Auditor, to discuss the concerns and institute mutually agreed remedial measures (which may include termination of the External Auditor's appointment).

#### Audit Instructions

- 8.7 The Reserve Bank (Contact Level A) will, as often as it deems necessary, provide to the Participant a copy of the Reserve Bank's audit instructions in relation to matters referred to in, or which occur or are required to occur, under the BDF Documents (including the reason for any change to such audit instructions) (**Reserve Bank Audit Instructions**). The Participant will ensure that:
- (a) the Reserve Bank Audit Instructions are provided without modification to the External Auditor within five Business Days of receipt by the Participant;
  - (b) the External Auditor provides written confirmation directly to the Reserve Bank (Contact Level A) that it has received the Reserve Bank Audit Instructions within five Business Days of such receipt; and
  - (c) the External Auditor acts on those instructions as if they came directly from the Participant.
- 8.8 The Participant acknowledges that the Reserve Bank Audit Instructions may materially differ from the audit instructions that the Participant gives, or would have given, but for the terms of the BDF Documents (**Participant Instructions**).
- 8.9 The Participant will instruct the External Auditor to report to the Participant and the Reserve Bank (Contact Level A) within five Business Days of the External Auditor receiving the Reserve Bank Audit Instructions any conflict between the Reserve Bank Audit Instructions and the





Participant Instructions (**Instructions Conflict**). The Participant and the Reserve Bank will use reasonable endeavours to reconcile the Instructions Conflict. If the Instructions Conflict cannot be resolved within 20 Business Days of the report from the External Auditor, the Reserve Bank Audit Instructions will prevail to the extent they are inconsistent with the Participant Instructions.

- 8.10 The Participant will provide the Reserve Bank (Contact Level A) with a copy (for information purposes only) of the current Participant Instructions:
- (a) within three Calendar Months of the Effective Date; and
  - (b) if any modification is made to the Participant Instructions, within 10 Business Days of providing such modified Participant Instructions to the External Auditor.

#### **External Auditor's Activities**

- 8.11 The Participant will ensure that the External Auditor reports to the Participant at least four times each Calendar Year, with a copy to the Reserve Bank (Contact Level B) (on which the Reserve Bank may rely) on the Participant's ACCOs and the ACCs of its ACCOs, on matters including:
- (a) internal administrative controls, procedures, policies and record keeping systems in areas related to the BDF; and
  - (b) whether or not physical holdings of the Participant's VCH match records at each ACC and the Participant.
- 8.12 The Participant must fully cooperate with, and facilitate, all audit activities provided for in the BDF Documents including by providing, and procuring that its ACCOs provide, information, copies of documents and access to any premises owned or occupied by any ACCO as well as all relevant books and records, whether in hard copy, electronic, or any other form, and any other information as may be reasonably requested by an External Auditor.
- 8.13 The Reserve Bank Audit Instructions will require the External Auditor, if it detects any:
- (a) error;
  - (b) omission; or
  - (c) failure to have, or failure to adhere to, procedures, policies and controls that will ensure compliance with the BDF Documents,
- during an audit of the Participant's ACCOs and the ACCO's ACCs, to notify the error, omission or failure to the Reserve Bank (Contact Level A) and the Participant within five Business Days of detection. The Participant must provide to the Reserve Bank the correct data and other information required by clause 11.11 of Schedule 11 or clause 12.5 of Schedule 12, if the error or omission impacts on the Daily VCH Report and/or the Banknote Lodgement Report.
- 8.14 The Participant will ensure that no more than 90 minutes' notice of an audit at an ACC or the ACCO will be provided to the Participant's ACCO by the External Auditor when the External Auditor is following the Reserve Bank Audit Instructions.
- 8.15 If requested by the Reserve Bank (Contact Level A) to provide a response to any or all of the issues raised in any notice referred to in clause 8.13, the Participant will have 20 Business Days after receipt of the Reserve Bank's request to provide a written response, addressing the issues raised in the audit.



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**Internal Auditor**

- 8.16 The Participant will ensure its Internal Auditors monitor the Participant's compliance with all matters related to the BDF Documents including, but not limited to:
- (a) internal administrative controls, procedures, policies and record keeping systems at the Participant in areas related to the BDF;
  - (b) the performance and independence of the External Auditor and whether the Participant Instructions for the External Auditor (or, if the Reserve Bank Audit Instructions are under clause 8.9 to prevail over the Participant Instructions, the Reserve Bank Audit Instructions) are being implemented;
  - (c) verification of data provided by the Participant to the Reserve Bank in accordance with Schedule 14, with a focus on the Daily VCH Report and the Banknote Lodgement Report;
  - (d) verification of the Participant's charging and invoicing for Banknote Transport Rates; and
  - (e) verification of correct error reporting procedures, in accordance with Schedule 11, Schedule 12 and Schedule 13.
- 8.17 By 30 September each year, the Participant will supply the Reserve Bank (Contact Level A) with a certification, signed by a member of the Participant's Audit Committee, or an appropriate Participant Officer that has a comparable level of independence, that the Participant has during that Financial Year complied with all of its obligations under the BDF Documents, including those referred to in clause 8.16 (but not to limit any further information the Participant wishes to provide) or, if it has not, setting out details of any respect in which the Participant has not complied with its obligations under the BDF Documents.

**Reserve Bank Confirmation**

- 8.18 By 30 September each year, the Reserve Bank will provide to the Participant (Contact Level A), written confirmation with respect to the immediately preceding Financial Year and prepared by the Reserve Bank's Audit Department that:
- (a) the Reserve Bank's internal processes are being correctly followed in relation to the processing of Sampling Banknotes;
  - (b) the calculation of performance credits and performance debits under the Note Quality Reward Scheme has been performed in accordance with the BDF Documents;
  - (c) the calculation of the Fees and Charges has been performed in accordance with the BDF Documents;
  - (d) changes to fees and charges contemplated in clause 15.2 of Schedule 15 have been calculated in accordance with the applicable terms of the BDF Documents; and
  - (e) VCH Interest Payments to the Participant have been calculated in accordance with the BDF Documents.

**Audit Tender Process**

- 8.19 At least once every 10 Calendar Years starting from the Effective Date, the Participant must undertake a competitive audit tender process to replace with a new audit firm (the **Replacement Firm**), the firm that was last appointed as auditor by the Participant, and approved by the Reserve Bank, in accordance with clause 8.1 (the **Previous Firm**). The Participant must submit an application to the Reserve Bank in accordance with clause 8.1 seeking its approval of the Replacement Firm that is to replace the Previous Firm.



- 8.20 Nothing in clause 8.19 precludes the Participant from submitting an application for the approval of the Reserve Bank to the re-appointment of the Previous Firm under clause 8.1(a) provided that:
- (a) the Previous Firm participated in the competitive audit tender process conducted by the Participant under clause 8.19; and
  - (b) the Reserve Bank is satisfied that the requirements specified in clause 8.1(a) are adequately addressed in the application submitted by the Participant.
- 8.21 The Participant will ensure that if at any time after the 30 June immediately preceding the Effective Date (the **Reference Date**) a person has played a significant role in relation to the audits at its ACCOs and the ACCs of its ACCOs for seven or more consecutive Financial Years, including Financial Years that fell in whole or in part during a period of time preceding the Effective Date, that person will not, from the Reference Date, play a significant role in relation to the audits at its ACCOs and the ACCs of its ACCOs for at least two successive Financial Years.
- For the purposes of this clause 8.21:
- (a) 'person' means a person who is a partner of, or an employee or other member of the staff of, an External Auditor; and
  - (b) 'play a significant role' in relation to audits at ACCOs of the Participant and the ACCs of those ACCOs means perform the role of lead auditor or a role as review auditor; and
  - (c) 'External Auditor' includes any firm at any time appointed as an auditor by the Participant, and approved by the Reserve Bank, in accordance with:
    - (i) clause 8 of the BDTCs;
    - (ii) clause 8 of the Banknote Distribution Agreement entered into by the Reserve Bank and the Participant on or around August 2021 (if any); or
    - (iii) clause 8 of the Banknote Distribution Agreement entered into by the Reserve Bank and the Participant on or around 1 September 2016 (if any).

## 9. TERMINATION

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### Termination for Convenience

- 9.1 Either party may terminate the Participation Agreement (and thereby the BDF Documents) between the parties by giving to the other party six Calendar Months' notice (or such shorter or longer notice as is mutually agreed by the parties) in writing (Contact Level A) delivered or sent by mail with a copy sent by email (Contact Level B).

### Termination Events

- 9.2 Each of the following is a Termination Event (whether or not it is within the control of the Participant or the Reserve Bank, as applicable), exercisable by the party specified:
- (a) **(Failure to pay)** The Participant or the Reserve Bank fails to pay any amount due and payable by it under any BDF Document within 20 Business Days of the due date for payment and that failure is not remedied within 10 Business Days after written notice (Contact Level A) from the Participant or the Reserve Bank (as the case may be) requiring the failure to be remedied – Termination Event exercisable by the party who has not been paid;



- (b) **(Unauthorised disclosure)** There is a breach by the Participant or the Reserve Bank of clause 7 of these BDTCs – Termination Event exercisable by the non-breaching party;
- (c) **(Breach of audit obligation)** The Participant fails to perform or observe any obligation in clause 8.5, 8.7(a), 8.7(b), 8.11, 8.12, 8.17 or 8.19 and that failure is not remedied within 20 Business Days after written notice (or such longer period as may be specified in the notice) from the Reserve Bank (Contact Level A) requiring the failure to be remedied – Termination Event exercisable by the Reserve Bank;
- (d) **(Insolvency)** An Insolvency Event occurs in relation to the Participant – Termination Event exercisable by the Reserve Bank;
- (e) **(Vitiation of the BDF Documents)** All or any part of a BDF Document is or becomes void, illegal, invalid, unenforceable or of limited force and effect or the Participant alleges or asserts that is the case – Termination Event exercisable by either party; and
- (f) **(Non-agreed amendments to the BDTCs)** A change is made to these BDTCs for which the Participant has not provided its acceptance under clause 2.8, or agreement under clauses 2.10 – 2.13 (inclusive) – Termination Event exercisable by the Participant.

### Rights on a Termination Event

- 9.3 At any time after a Termination Event exercisable by a party occurs and while it subsists, that party may terminate the Participation Agreement (and thereby the BDF Documents) between the parties by written notice (Contact Level A) delivered or sent by mail to the other party with a copy sent by email (Contact Level B), such termination to take effect immediately or on the date specified by the terminating party in the notice of termination.
- 9.4 Payment obligations in respect of amounts accrued or due prior to the termination will survive termination and payments will be made in accordance with the BDF Documents without acceleration until all amounts accrued or due have been paid.

### Notification of Termination Events

- 9.5 Each party must promptly notify the other party by written notice if it becomes aware of the occurrence of a Termination Event including full details (to the extent it is aware of them). Any such advice must be delivered or sent by mail (Contact Level A) with a copy sent by email (Contact Level B).

### Transition Out

- 9.6 On request by the Reserve Bank made at any time after giving or receiving notice of termination, the Participant will provide the Reserve Bank or its nominee with cooperation and assistance reasonably requested by the Reserve Bank to facilitate the effective continued operation of banknote distribution and quality sorting.

## 10. RECORDS AND REPORTING

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### Records

- 10.1 Without limiting Schedule 14:
  - (a) the parties must create, maintain and protect (or have created, maintained and protected) – in a secure manner – complete, reliable, accurate and current records concerning the performance of their respective obligations under the BDF Documents; and



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- (b) the parties must:
- (i) ensure that those records conform to any requirements as to form or content specified in, or in accordance with, the BDF Documents; and
  - (ii) preserve and keep available all such records for a period of not less than seven years from the date of their creation.

### **Availability of Records**

10.2 Within 15 Business Days of receiving a written request from the Reserve Bank (Contact Level A), the Participant must make available for inspection by the Reserve Bank, or provide to the Reserve Bank or a nominated representative of the Reserve Bank, any records referred to in clause 10.1 (or any part of them as so requested).

### **Reporting**

10.3 Without limiting clauses 10.1 and 10.2, the Participant and the Reserve Bank will provide the reports and data specified in Schedule 11 and Schedule 14 in accordance with those Schedules.

### **Annual Reporting to Executive General Manager or Participant Officer (Contact Level A)**

10.4 Each Calendar Year, the Reserve Bank (Contact Level A) will provide a written report to an Executive General Manager or Participant Officer (Contact Level A) concerning the performance of the Participant's obligations under the BDF Documents, which may include the following:

- (a) VCH Interest Payments, and performance credits and performance debits under the Note Quality Reward Scheme paid to the Participant by the Reserve Bank;
- (b) total Fees and Charges paid by the Participant;
- (c) the number of VCH Reporting Errors, Banknote Lodgement Reporting Errors and Banknote Transport Invoice errors, and the fees paid by the Participant for these errors;
- (d) the number of instances the reports or data detailed in clause 14.1 of Schedule 14 have not been provided by the Participant to the Reserve Bank within the time specified in the BDF Documents;
- (e) the number of instances where Settlement for a Replenishment is not completed before the Scheduled Replenishment Time;
- (f) any failure by the Participant to provide the Reserve Bank with a Fitness Sorting Failure action plan or to resolve any Fitness Sorting Failures in accordance with clause 11.30(b) of Schedule 11; and
- (g) any other events and issues that the Reserve Bank considers appropriate.

## **11. REVIEW MEETINGS**

11.1 The Reserve Bank or the Participant may, by providing not less than one Calendar Month's written notice (Contact Level A) to the other of them, request a meeting between the Reserve Bank and the Participant. The parties agree that they will meet at the time specified in the request, or if that time is not suitable for the recipient of the request, another mutually convenient time within one week of the specified time.

11.2 The Reserve Bank will, from time to time, arrange for a meeting of all Distribution Participants to discuss issues that affect all Distribution Participants, and will provide not less than one



Calendar Month's notice of the meeting. These meetings will be in addition to the meetings held under clause 11.1, and will have a formal agenda set by the Reserve Bank. The Reserve Bank will provide an opportunity for Distribution Participants to propose items for inclusion in the agenda.

- 11.3 If the Reserve Bank undertakes a Banknote Exchange Program in accordance with Schedule 4, the Reserve Bank will arrange and attend a meeting with all Distribution Participants under clause 11.2.
- 11.4 The Review Meetings will be minuted by the Reserve Bank and minutes will be circulated for comment:
- (a) in relation to meetings held under clause 11.1, to the Participant; and
  - (b) in relation to meetings held under clause 11.2 or 11.3, to all Distribution Participants, after which the minutes will be finalised and distributed by the Reserve Bank to the Participant or to all Distribution Participants (as applicable).
- 11.5 The Reserve Bank will maintain a register of action items. Action items identified and agreed at a Review Meeting, and recorded in the register following that Review Meeting, must be reported on and discussed at the next Review Meeting.

## 12. INTEREST ON OVERDUE AMOUNTS

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- 12.1 If a party does not pay any amount payable by it under a BDF Document on the due date for payment, that party will pay interest on that amount at the Default Rate. The interest accrues daily from (and including) the due date to (but excluding) the date of actual payment and is calculated on actual days elapsed and a year of 365 Calendar Days.
- 12.2 Each party with a liability to pay interest under clause 12.1 will pay it on demand from the other party.
- 12.3 Interest payable under clause 12.1, which is not paid when due for payment, may be added to the overdue amount by the party to which it is due at intervals which that party determines from time to time or, if no determination is made, every 30 Calendar Days. Interest is payable on the increased overdue amount at the Default Rate in the manner set out in clause 12.1.
- 12.4 If a liability becomes merged in a judgment, the party liable will pay interest on the amount of that liability as an independent obligation. This interest:
- (a) accrues daily from (and including) the date the liability becomes due for payment both before and after the judgment up to (but excluding) the date the liability is paid; and
  - (b) is calculated at the judgment rate or the Default Rate (whichever is higher).
- 12.5 Each party with a liability to pay interest under clause 12.4 will pay it on demand from the other party.

## 13. GST

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### Recovery of GST

- 13.1 If GST is payable, or notionally payable, on a supply made under or in connection with a BDF Document, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable, or notionally payable, on that supply (the **GST Amount**). Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time that the other consideration for the supply is provided. If a tax invoice



is not received prior to the provision of that other consideration, the GST Amount is payable within 10 Business Days of the receipt of a tax invoice. This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive or the supply is subject to reverse charge.

#### **Liability Net of GST**

- 13.2 Where any indemnity, reimbursement or similar payment under a BDF Document is based on any cost, expense or other liability, it shall be reduced by any input tax credit entitlement, or notional input tax credit entitlement, in relation to the relevant cost, expense or other liability.

#### **Adjustment Events**

- 13.3 If an adjustment event occurs in relation to a supply made under or in connection with a BDF Document, the GST Amount will be recalculated to reflect that adjustment and an appropriate payment will be made between the parties.

#### **Survival**

- 13.4 This clause will not merge upon completion and will continue to apply after expiration or termination of the Participation Agreement (and thereby the BDF Documents) between the parties.

#### **Definitions**

- 13.5 Unless the context requires otherwise, words and phrases used in this clause that have a specific meaning in the GST law (as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)) shall have the same meaning in this clause.

### **14. DISPUTE RESOLUTION**

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- 14.1 Disputes between the Participant and the Reserve Bank relating to any BDF Document must be dealt with according to the process detailed in Schedule 21.

### **15. PUBLIC ANNOUNCEMENTS**

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#### **Making Announcements**

- 15.1 A party must not make, or authorise or cause to be made, any public announcement relating to the negotiations between the parties, or relating to the subject matter of, the BDF Documents unless:
- (a) it has the prior written consent of the other party (Contact Level A); or
  - (b) it is required to do so by law or by the rules of any financial market (as defined in the Corporations Act) to which a party, or a related body corporate (as defined in the Corporations Act) of a party, is subject; or
  - (c) the party is the Reserve Bank, which may discuss in publications and at conferences the general subject matter of, and in general terms the operational aspects of, its agreements with Distribution Participants relating to Banknote distribution and Banknote quality provided that it does not disclose the specific terms of the BDF Documents (excluding these BDTCs).



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**Requirements**

- 15.2 If a party is required to make a public announcement under clause 15.1(b) it must, before doing so, to the extent practicable and as soon as reasonably possible:
- (a) notify the other party (Contact Level A) of the proposed announcement;
  - (b) consult with the other party as to its content; and
  - (c) use reasonable endeavours to comply with any reasonable request by the other party concerning the proposed announcement.

**16. SETOFF**

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- 16.1 The Reserve Bank may set off any amount owing by the Reserve Bank to the Participant (whether or not due for payment) against any amount due for payment by the Participant to the Reserve Bank under any BDF Document if the Participant does not pay on time any amount payable by it under any BDF Document in the manner required under it.
- 16.2 The Participant may set off any amount owing by the Participant to the Reserve Bank (whether or not due for payment) against any amount due for payment by the Reserve Bank to the Participant under any BDF Document if the Reserve Bank does not pay on time any amount payable by it under any BDF Document in the manner required under it.
- 16.3 Clauses 16.1 and 16.2 apply despite any other agreement between the Participant and the Reserve Bank.

**17. NOTICES AND ADDRESSES**

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- 17.1 Any Notice given under a BDF Document must be in writing and signed (either by wet-ink signing, electronic signing through DocuSign or other electronic signing method acceptable to the parties) by an Authorised Signatory at the Contact Level specified in the BDF Document in connection with that type of Notice.
- 17.2 Unless otherwise specifically stated in a BDF Document:
- (a) a Notice given by a person at a particular Contact Level must be given to a person at the same Contact Level; and
  - (b) a Notice given to a person at a particular Contact Level must be given by a person at the same Contact Level.
- 17.3 If a BDF Document provides (including by way of clause 17.2(b)) that a Notice may be given by an Officer at:
- (a) Contact Level B, that Notice may be given by an Officer at either Contact Level A or Contact Level B;
  - (b) Contact Level C, that Notice may be given by an Officer at Contact Level A, B or C; and
  - (c) Contact Level A, that Notice must be signed by an Officer at Contact Level A in accordance with clauses 17.1 and 17.15, but may be sent from the email address of, or personally delivered, faxed or posted by, an Officer at Contact Level B or C.
- 17.4 If no Contact Level is specified in a BDF Document in connection with a Notice, the Notice must be signed by, and sent to, a person at Contact Level B.
- 17.5 The Participant must provide the Reserve Bank with a Participant Signatories Notice signed by an attorney of the Participant specifying at each Contact Level, Participant Officers and any Authorised Agent Signatories authorised to give Notices and, where applicable, any restrictions





on the type of Notice that may be given at that Contact Level. Without limitation, the Participant Signatories Notice must also specify Participant Officers and any Authorised Agent Signatories authorised to access and use the Reserve Bank System. The parties agree that the Participant Officers and Authorised Agent Signatories nominated in a Participant Signatories Notice may not also be ACCO Signatories.

17.6 The Reserve Bank must provide the Participant with a Reserve Bank Signatories Notice in the form set out in Annexure B of the BD Procedures, or in such other form as the Reserve Bank may determine from time to time, specifying at each Contact Level, the Reserve Bank Officers authorised to give Notices and where applicable, any restrictions on the type of Notice that may be given by Reserve Bank Officers at that Contact Level. The Reserve Bank (Contact Level A) will provide the Participant with:

- (a) written notice of any change to the Reserve Bank Officers on a current Reserve Bank Signatories Notice, such notice to be executed under power of attorney and to:
  - (i) if any person is to cease to be an Authorised Signatory, include the name of that Reserve Bank Officer and a statement that the person is deleted from the then current Reserve Bank Signatories Notice; and
  - (ii) be in the form of a Reserve Bank Signatories Notice specifying at the relevant Contact Level any Reserve Bank Officer appointed as a new Authorised Signatory (for the avoidance of doubt, any such Reserve Bank Signatories Notice need not repeat information and specimen signatures for continuing Authorised Signatories); and
- (b) within 30 Business Days of each anniversary of the Implementation Date either:
  - (i) a written notice (Contact Level A) confirming that all relevant details for, including specimen signatures of, all Authorised Signatories specified in the then current, correct, and complete Reserve Bank Signatories Notice are current, correct, and complete as at the date of the notice issued under this clause 17.6(b)(i); or
  - (ii) a replacement Reserve Bank Signatories Notice executed under power of attorney specifying all relevant details for, including specimen signatures of, all Authorised Signatories as at the date of the notice issued under this clause 17.6(b)(ii).

17.7 The Participant agrees that it will provide the Reserve Bank (Contact Level A) with the following:

- (a) written notice of any change to the Authorised Signatories listed on a current Participant Signatories Notice, such notice to be executed under power of attorney and to:
  - (i) if any person is to cease to be an Authorised Signatory, include the name of that Participant Officer or Authorised Agent Signatory and a statement that the person is deleted from the then current Participant Signatories Notice; and
  - (ii) be in the form of a Participant Signatories Notice specifying at the relevant Contact Level any Participant Officer and/or Authorised Agent Signatory appointed as a new Authorised Signatory (for the avoidance of doubt, any such Participant Signatories Notice need not, unless it is given under paragraph (b), repeat information and specimen signatures for continuing Authorised Signatories),

and for the purposes of the BDF Documents any reference to a 'current Participant Signatories Notice' at any time means any Participant Signatories Notice as amended or supplemented in accordance with this paragraph (a) as at that time; and

- (b) within 30 Business Days of each anniversary of the Implementation Date either:



- (i) a written notice (Contact Level A), confirming that all relevant details for, including specimen signatures of, all Authorised Signatories specified in the then current, correct and complete Participant Signatories Notice are current, correct, and complete as at the date of the notice issued under this clause 17.7(b)(i); or
  - (ii) a replacement Participant Signatories Notice executed under power of attorney specifying all relevant details for, including specimen signatures of, all Authorised Signatories as at the date of the notice issued under this clause 17.7(b)(ii).
- 17.8 Any Authorised Signatories Notice, including any notice given under clause 17.6(a) or clause 17.7(a) and any replacement Authorised Signatories Notice given under clause 17.6(b) or clause 17.7(b), must be emailed to a Contact Level A Officer, copying in a Contact Level B Officer, of the party and will take effect when the document emailed in accordance with this clause 17.8 is received or is deemed to be received under clause 17.17.
- 17.9 The Participant will ensure that each ACCO provides the Reserve Bank (Contact Level A) with an ACCO Signatories List executed under common seal or power of attorney specifying the ACCO Signatories authorised to act on behalf of the ACCO for the purposes of the BDF Documents and where applicable, any restrictions on the authority of the specified ACCO Signatories. The parties agree that an ACCO Signatory may not also be a Participant Officer or an Authorised Agent Signatory.
- 17.10 The Participant must ensure that the ACCO Signatories List is kept current and correct in relation to each Reserve Bank Distribution Site by providing the Reserve Bank (Contact Level A) with the following:
  - (a) written notice of any change to the ACCO Signatories listed on a current ACCO Signatories List, such notice to be executed by the ACCO under common seal or power of attorney and to:
    - (i) if any person is to cease to be an ACCO Signatory, include the name of that ACCO Signatory and a statement that the person is deleted from the then current ACCO Signatories List; and
    - (ii) be in the form of an ACCO Signatories List in relation to any person appointed as a new ACCO Signatory (for the avoidance of doubt, any such ACCO Signatories List need not, unless it is given under paragraph (b), repeat information and specimen signatures for continuing ACCO Signatories),and for the purposes of the BDF Documents any reference to a 'current ACCO Signatories List' at any time means any ACCO Signatories List as amended or supplemented in accordance with this paragraph (a) as at that time; and
  - (b) within 30 Business Days of each anniversary of the Implementation Date either:
    - (i) a written notice executed by the ACCO under common seal or power of attorney, confirming that all relevant details for, including specimen signatures of, all ACCO Signatories specified in the then current, correct, and complete ACCO Signatories List are current, correct, and complete as at the date of the notice issued under this clause 17.10(b)(i); or
    - (ii) a replacement ACCO Signatories List executed in accordance with clause 17.9 specifying all relevant details for, including specimen signatures of, all ACCO Signatories as at the date of the notice issued under this clause 17.10(b)(ii).
- 17.11 Any ACCO Signatories List, including any notice given under clause 17.10(a) and any replacement ACCO Signatories List given under clause 17.10(b) must be emailed to a Reserve



Bank Officer of Contact Level A, copying in a Reserve Bank Officer of Contact Level B, and will take effect when the document emailed in accordance with this clause 17.11 is received or is deemed to be received under clause 17.17.

- 17.12 The Participant must ensure that each Participant Officer and each Authorised Agent Signatory specified in a Participant Signatories Notice and each ACCO Signatory (including Authorised ACCO Vehicle Personnel) specified in an ACCO Signatories List provided to the Reserve Bank under this clause, is provided with a copy of the applicable Privacy Collection Notice before or at the time that the Participant Signatories Notice or the ACCO Signatories List (as appropriate) is provided to the Reserve Bank.
- 17.13 If a BDF Document requires a Notice to be given by personal delivery or mail to an Officer of a party of Contact Level A, then it must be given to that Contact Level A Officer at the Nominated Address for that party.
- 17.14 Where a BDF Document requires a Notice to be provided to an Officer of a particular Contact Level, the sender must, unless the BDF Document specifies otherwise, send the Notice to an Officer of that Contact Level by email to the email address for the relevant Officer of that Contact Level specified in the Authorised Signatories Notice.
- 17.15 For the avoidance of doubt, any requirement for a Notice to be 'signed' will, in relation to a Notice sent by email, be taken to be met if the Notice contains an attachment comprising a .pdf file format copy of a document containing the signature (either by wet-ink signing or electronic signing through DocuSign or other electronic signing method acceptable to the parties) of an Authorised Signatory at the required Contact Level. If the BDF Document so requires, the original signed Notice must also be posted or personally delivered to the recipient.
- 17.16 Notwithstanding clauses 17.1 and 17.15, where a BDF Document requires or permits a Notice to be given by an Officer at Contact Level B or Contact Level C, the Notice will be taken to have been duly 'signed' if it is sent by email from the email address of the relevant Officer at Contact Level B or Contact Level C (as appropriate) specified in the Authorised Signatories Notice.
- 17.17 Any Notice required or permitted to be given, delivered or served in a particular way will be deemed to have been received if it is given, delivered or served by a required or permitted method and where that method is:
- (a) personal delivery, it is delivered personally by an officer of the sending party or by an independent courier, at the time of such delivery;
  - (b) registered post, it is sent by registered post, on the date that the acknowledgement of delivery is completed by the recipient;
  - (c) mail or post, it is sent by pre-paid ordinary post, on the date which is six Business Days after posting;
  - (d) email, it is sent by email, the earlier of:
    - (i) when the sender receives an automated message confirming delivery; or
    - (ii) four hours after the time sent (as recorded on the device from which the sender sent the email), unless the sender receives notification of invalid email delivery address or other transmission error, in which case the sender must re-send the notice by one of the other means specified in this clause 17; and
  - (e) facsimile, it is sent by facsimile, at the time shown in the transmission report as the time that the whole facsimile was sent,



except that, if delivery or receipt is after 5:00 pm in the place of receipt or on a day which is not a Business Day, the Notice is taken to be received at 9:00 am on the next Business Day and take effect from that time unless a later time is specified.

- 17.18 Unless otherwise specifically stated in a BDF Document, a copy of any Notice that is required to be given to:
- (a) a Participant Officer at Contact Level A must also be emailed to a Participant Officer at Contact Level B and to the group email address set out in the relevant Participant Signatories Notice (if any); and
  - (b) a Reserve Bank Officer at Contact Level A must also be emailed to a Reserve Bank Officer at Contact Level B and to the group email address set out in the Reserve Bank Signatories Notice (if any).

## **18. FORCE MAJEURE**

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### **Effects of Force Majeure Event**

- 18.1 Despite any other provision of a BDF Document, if a party is unable to perform an obligation under that BDF Document by reason of a Force Majeure Event and notice has been given in accordance with clause 18.2:
- (a) that obligation is suspended but only so far and for so long as it is affected by the Force Majeure Event; and
  - (b) the affected party will not be responsible for any loss or expense suffered or incurred by the other party as a result of, and to the extent that, the affected party is unable to perform its obligations because of the Force Majeure Event.

### **Notice of Force Majeure Event**

- 18.2 A party affected by a Force Majeure Event must give the other party (Contact Level A) written notice that:
- (a) sets out details of the Force Majeure Event;
  - (b) identifies the nature and extent of the obligations affected by the Force Majeure Event;
  - (c) advises the period of time during which the affected party estimates that it will not be able to perform its obligations; and
  - (d) provides details of the action that it has taken or proposes to take to remedy the situation.

### **Obligations of Affected Party**

- 18.3 A party affected by a Force Majeure Event must:
- (a) take all reasonable steps to avoid, remove or limit the effects of the Force Majeure Event on its performance of the suspended obligations as quickly as possible; and
  - (b) promptly re-commence performing the suspended obligations as soon as reasonably possible.

### **Meeting**

- 18.4 On request by either party, the parties must meet within 10 Business Days of service of a notice under clause 18.2 to determine the estimated length of time for which the Force Majeure Event will continue and how to proceed during that time.



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**Alternative Arrangements**

- 18.5 During the period for which an obligation of the affected party is suspended pursuant to clause 18.1 the other party to whom the obligation is owed may (at that party's cost) make alternative arrangements for the performance of the suspended obligation (whether by another person or otherwise), without any liability to the affected party.
- 18.6 The Reserve Bank and the Participant will not have a right to terminate the BDF Documents under clause 9 if a Termination Event occurs solely due to the occurrence of a Force Majeure Event.

**19. GENERAL**

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**Waiver and Variation**

- 19.1 Except as otherwise expressly provided, a provision of, or a right created under, a BDF Document:
- (a) may not be waived, except in writing signed by the party (Contact Level A) granting the waiver; and
  - (b) may be varied as provided in the BDF Document.

**No Assignment**

- 19.2 Each party will not assign or transfer its rights, duties or obligations under a BDF Document without the prior written consent (Contact Level A) of the other.

**Severability**

- 19.3 Each clause of a BDF Document is severable from each other and if for any reason any clause is invalid or unenforceable, the invalidity or unenforceability does not prejudice any other clause.

**Inconsistent Law**

- 19.4 To the extent permitted by law:
- (a) the BDF Documents prevail to the extent they are inconsistent with any law; and
  - (b) rights given to a party under the BDF Documents and the liabilities of a party under them are not affected by anything which might otherwise affect them at law.

**Prompt Performance**

- 19.5 Without limiting clause 19.12:
- (a) if a BDF Document specifies when a party agrees to perform an obligation, that party agrees to perform it by the time specified; and
  - (b) the parties will perform all other obligations promptly.

**Discretion in Exercising Rights**

- 19.6 A party may exercise a right or remedy or give or refuse its consent under a BDF Document in any way it considers appropriate (including by imposing conditions).
- 19.7 Each party will comply with all conditions in any consent that the other party gives in connection with a BDF Document.



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**Partial Exercising of Rights**

19.8 If a party does not exercise a right or remedy under a BDF Document fully or at a given time, that party may still exercise it later.

**No Liability for Loss**

19.9 A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy of that party under a BDF Document.

**Remedies Cumulative**

19.10 The rights and remedies of the parties under the BDF Documents are in addition to other rights and remedies given by law independently of the BDF Documents.

**Supervening Legislation**

19.11 Any present or future legislation which operates to vary the obligations of a party in connection with a BDF Document with the result that the other party's rights, powers or remedies are adversely affected (including by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

**Time of the Essence**

19.12 Time is of the essence in any BDF Document in respect of an obligation of a party to pay money other than money that is in dispute.

**Serving Documents**

19.13 Without preventing any other method of service, any document in a court action may be served on a party by being delivered to or left at that party's Nominated Address.

**Governing Law**

19.14 The BDF Documents are governed and construed in accordance with the laws of the State of New South Wales and each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction there.

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**20. BANKNOTE DISTRIBUTION PROCEDURES**

20.1 The Participant must comply, and ensure that its ACCOs and any Authorised Agent comply, with the BD Procedures.

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**21. SCHEDULES 10, 10A AND 10B – FIRST AND SECOND OPERATIVE DATES AND CONSEQUENTIAL AMENDMENTS****First Operative Date and Second Operative Date**

21.1 The parties acknowledge and agree that with effect on and from the date nominated by the Reserve Bank under clause 21.3 (**First Operative Date**):

- (a) the provisions of Schedule 10 – Banknote Quality Categories and Schedule 11 – Note Quality Reward Scheme will be of no force or effect;
- (b) the provisions of Schedule 10A – Banknote Quality Categories and Schedule 11A – Note Quality Reward Scheme will be operative;



- (c) any reference in the BDF Documents to Schedule 10, Schedule 11, or to a clause in either of those schedules is a reference to Schedule 10A or Schedule 11A (as appropriate); and
- (d) the consequential amendments to the BDF Documents set out in clause 21.6 will be operative.

21.2 The parties acknowledge and agree that with effect on and from the date nominated by the Reserve Bank under clause 21.4 (**Second Operative Date**):

- (a) the provisions of Schedule 10A – Banknote Quality Categories will be of no force or effect;
- (b) the provisions of Schedule 10B – Banknote Quality Categories will be operative; and
- (c) any reference in the BDF Documents to Schedule 10A, or to a clause in Schedule 10A, is a reference to Schedule 10B.

### Reserve Bank Notice

21.3 The Reserve Bank (Contact Level A) may, following consultation with the Participant and by giving not less than three Calendar Months' written notice to the Participant (Contact Level A) at any time on or after the Implementation Date, nominate the First Operative Date, which shall be a date no earlier than 1 October 2024, for the purpose of clause 21.1.

21.4 The Reserve Bank (Contact Level A) may, following consultation with the Participant and by giving not less than three Calendar Months' written notice to the Participant (Contact Level A) at any time on or after the First Operative Date, nominate the Second Operative Date, which shall be a date no earlier than 1 July 2025, for the purpose of clause 21.2.

### Banknote Sampling

21.5 For the avoidance of doubt, any Banknote Sampled by the Reserve Bank:

- (a) prior to the First Operative Date, will be measured against the Banknote Quality Matrix set out in clause 10.4 of Schedule 10 as amended from time to time;
- (b) on and from the First Operative Date but prior to the Second Operative Date, will be measured against the Banknote Quality Matrix set out in clause 10.3 of Schedule 10A as amended from time to time; and
- (c) on and from the Second Operative Date, will be measured against the Banknote Quality Matrix set out in clause 10.3 of Schedule 10B, as amended from time to time.

### Consequential Amendments

21.6 The parties agree that with effect on and from the First Operative Date these BDTCs are varied as follows:

- (a) by replacing the words: '*performance credits and performance debits*' with the words: '*performance payments*' in the following clauses:
  - (i) clause 1.1, definition of '**Note Quality Reward Scheme**';
  - (ii) clause 8.18(b);
  - (iii) clause 10.4(a);
  - (iv) Schedule 2, clause 2.7; and
  - (v) Schedule 4, clause 4.10;
- (b) in clause 1.1, definition of '**Banknote Quality Matrix**', by replacing the words: '*clause 10.4*' with the words '*clause 10.3*';



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- (c) in clause 1.1, definition of '**Banknote Lodgement Reporting Error**', by replacing the words: '*clause 11.10*' with the words: '*clause 11.9*';
  - (d) in clause 1.1, definition of '**Fitness Sorting Failure**', by replacing the words: '*clause 11.29*' with the words: '*clause 11.27*';
  - (e) in clause 1.1, definition of '**Lodgements**', by replacing the words: '*clauses 11.7 or 11.8*' with the words: '*clauses 11.6 or 11.7*';
  - (f) in clause 10.4(f), by replacing the words: '*clause 11.30(b)*' with the words: '*clause 11.28*';
  - (g) in clause 8.13, by replacing the words '*clause 11.11*' with the words '*clause 11.10*';
  - (h) in Schedule 15, clause 15.1, by amending the table as follows:
    - (i) in the column titled '**Reference**' next to the item '**VCH Resampling Fee**', by replacing the words '*Clause 11.26*' with the words: '*Clause 11.24*';
    - (ii) in the columns titled '**Reference**' and '**Amount**' next to the item '**Banknote Lodgement Reporting Error Base Fee**', by replacing the words '*Clause 11.16*' with the words: '*Clause 11.15*'; and
  - (i) in Schedule 20, clause 20.1(b), by replacing the words '*clause 11.26*' with the words: '*clause 11.24*'.





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**SCHEDULE 1 - REPLENISHMENTS**

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**Replenishment Requests**

- 1.1 Subject to clause 1.4 of this Schedule 1, the Participant will ensure that any request for:
- (a) a Banknote Replenishment; or
  - (b) a Banknote Replenishment as part of a Banknote Exchange Program,
- is made in accordance with the BD Procedures (Chapter 2).

**Delivery of Banknotes**

- 1.2 If the Reserve Bank accepts a Replenishment request, the relevant Banknotes will be:
- (a) provided in Reserve Bank Containers that have been packed in accordance with the BD Procedures (Chapter 6); and
  - (b) available for collection by the Participant's ACCO from a Reserve Bank Distribution Site in accordance with Schedule 5 and the BD Procedures (Chapter 5).

**Transfer of Liability, Risk and Title**

- 1.3 Liability for, risk in and title to Banknotes being Replenished will pass to the Participant when a Replenishment Receipt in relation to those Banknotes is accepted by the Authorised ACCO Vehicle Personnel taking possession of those Banknotes on behalf of the Participant in accordance with the BD Procedures (Chapter 2).

**Contingencies**

- 1.4 In the event of:
- (a) a Contingency; or
  - (b) an emergency or other serious security or safety concern affecting the conduct of activities at a Reserve Bank Distribution Site (each as determined by the Reserve Bank),
- the Reserve Bank (Contact Level C) may notify the Participant (Contact Level C) that one or more of the provisions of the BD Procedures (Chapter 2: Replenishments: Contingency Arrangements) will, until further written notice, apply to any Reserve Bank Distribution Site specified in the notice, and where such notice is given, the Participant will ensure that its ACCOs comply with the requirements of any provisions of the BD Procedures specified in the notice given by the Reserve Bank in accordance with this clause 1.4.

**Settlement**

- 1.5 Settlement amounts are to be calculated on the face value of Banknotes Replenished.
- 1.6 Settlement for Replenishment Banknotes must be effected by the Participant by Approved Payment before liability for, risk in and title to those Banknotes passes to the Participant in accordance with clause 1.3 above.
- 1.7 If Settlement for the Replenishment is not completed before the Scheduled Replenishment Time, the Replenishment will not proceed.

**Discrepancies**

- 1.8 Where a Reserve Bank Container of Banknotes packed and sealed by the Reserve Bank is Replenished, the Participant has 30 Calendar Days from the date of the Replenishment to



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notify the Reserve Bank (Contact Level C) of a Discrepancy and provide evidence supporting the Discrepancy. The Reserve Bank will acknowledge the notice of Discrepancy within five Business Days of its receipt and respond to the notice of Discrepancy within 15 Business Days of delivery of the acknowledgment after reviewing any evidence provided by the Participant and making other enquiries as deemed appropriate to validate the matter.

- 1.9 A Discrepancy detected by the Participant and/or notified by the Participant after 30 Calendar Days from the date of the Replenishment is solely the responsibility of the Participant.
- 1.10 Payment in respect of a Discrepancy detected by the Participant and reported to the Reserve Bank in respect of Replenishment Banknotes packed and sealed by the Reserve Bank, will only be made by the Reserve Bank if that Discrepancy has been notified to the Reserve Bank in accordance with clause 1.8 of this Schedule 1, and if the Reserve Bank verifies the Discrepancy in accordance with the provisions of that clause, in which case there will be a valid Discrepancy.
- 1.11 The Reserve Bank shall have no responsibility for any Discrepancy detected in a Reserve Bank Container holding Fit Banknotes sealed by an ACCO on behalf of the Participant which has been used for Replenishment Banknotes.



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**SCHEDULE 2 - CLEARANCES**

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**Clearance Requests**

- 2.1 Subject to clauses 2.2, 2.3 and 2.11 of this Schedule 2, any request by the Participant for a Clearance in relation to:
- (a) Fit Banknotes;
  - (b) Unfit Banknotes;
  - (c) Sampled Banknotes;
  - (d) Superseded Banknotes; or
  - (e) Banknotes as part of a Banknote Exchange Program under Schedule 4,
- is to be made in accordance with the BD Procedures (Chapter 3).

The Participant agrees that for the purpose of this Schedule 2, Fit Banknotes do not include a denomination of NNS Banknotes, irrespective of whether the relevant denomination of NNS Banknotes is Superseded Banknotes or Banknotes that are part of a Banknote Exchange Program.

- 2.2 Fit Banknotes may only be Cleared to a Reserve Bank Distribution Site from 1 December to 30 Business Days after Easter Monday, both days inclusive.
- 2.3 Unfit Banknotes, Sampled Banknotes, Superseded Banknotes or Banknotes as part of a Banknote Exchange Program can be Cleared to a Reserve Bank Distribution Site on any Scheduled Access Day.

**Delivery of Banknotes**

- 2.4 If the Reserve Bank accepts a Clearance request, the Participant will ensure that its ACCO:
- (a) packages the Banknotes in accordance with Schedule 6 and the BD Procedures (Chapter 6); and
  - (b) Clears the Banknotes to a Reserve Bank Distribution Site in accordance with this Schedule and the BD Procedures (Chapter 3).
- 2.5 Upon delivery, the Banknotes will be verified by the Reserve Bank in accordance with the BD Procedures (Chapter 3).

**Clearance of Sampled Banknotes**

- 2.6 The Participant will ensure that Sampled Banknotes, amalgamated in accordance with the BD Procedures (Chapter 7) are Cleared to a Reserve Bank Distribution Site in one movement by the 10th Business Day of the month following the Sampled Banknotes selection in accordance with the BD Procedures (Chapter 3). The Reserve Bank (Contact Level C) will notify the Participant within one Business Day if the Sampled Banknotes have not been Cleared in accordance with this clause.

**Delays in Clearance of Sampled Banknotes**

- 2.7 Sampled Banknotes not Cleared to a Reserve Bank Distribution Site by the 10th Business Day of the month following the Sampled Banknotes selection will result in a delay in the payment of the performance credits and performance debits contemplated in Schedule 11.



### Superseded Banknotes

- 2.8 The Reserve Bank (Contact Level A) will provide not less than 12 Calendar Months' notice in writing to the Participant if a denomination of Banknotes in a Series is to become Superseded. The Reserve Bank will not issue any Superseded Banknotes.
- 2.9 The Participant must accept Superseded Banknotes at its branches and must Clear Superseded Banknotes to the Reserve Bank. The Participant must ensure that its ACCO accepts Superseded Banknotes and Clears Superseded Banknotes to the Reserve Bank with a Clearance of Unfit Banknotes under this Schedule 2 and in accordance with the BD Procedures (Chapter 3).

### Transfer of Liability, Risk and Title to Clearance Banknotes

- 2.10 Liability for, risk in and title to Banknotes being Cleared will pass to the Reserve Bank when a Clearance Receipt in relation to those Banknotes is accepted by the Authorised ACCO Vehicle Personnel delivering those Banknotes on behalf of the Participant in accordance with the BD Procedures (Chapter 3).

### Contingencies

- 2.11 In the event of:
- (a) a Contingency; or
  - (b) an emergency or other serious security or safety concern affecting the conduct of activities at a Reserve Bank Distribution Site (each as determined by the Reserve Bank),
- the Reserve Bank (Contact Level C) may notify the Participant (Contact Level C) that one or more of the provisions of the BD Procedures (Chapter 3: Clearances: Contingency Arrangements) will, until further written notice, apply to any Reserve Bank Distribution Site specified in the notice, and where such notice is given, the Participant will ensure that its ACCOs comply with the requirements of any provisions of the BD Procedures specified in a notice given by the Reserve Bank in accordance with this clause 2.11.

### Settlement

- 2.12 Settlement amounts are to be calculated on the face value of Banknotes title to which passes under clause 2.10 of this Schedule 2. In relation to denominations of Superseded Banknotes set out in the table in clause 6.7(b) of Chapter 6 of the BD Procedures only, the face value will be the value set out in that table opposite the relevant denomination in the column titled 'Equivalent A\$ Value' or, if a different face value is set out in the *Reserve Bank Act 1959*, that value.
- 2.13 Settlement for Cleared Banknotes must be effected promptly after title to those Banknotes passes to the Reserve Bank in accordance with clause 2.10, and no later than before the end of the same Business Day by the Reserve Bank by Approved Payment. If title does not pass under clause 2.10 of this Schedule 2, the Reserve Bank has no obligation to Settle.

### Discrepancies

- 2.14 For the purposes of clauses 2.15 to 2.18 (inclusive):
- (a) a reference to 'Banknotes' means the specific category of Banknotes referred to in clause 2.1(a), (b), (c), (d) or (e) of this Schedule 2 that is the subject of a Clearance request and in relation to which a Discrepancy is detected by the Reserve Bank; and



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- (b) a reference to Unfit Banknotes for the purpose of clauses 2.16 and 2.17 includes Superseded Banknotes and Banknotes that are part of a Banknote Exchange Program under Schedule 4.
- 2.15 Where Banknotes are Cleared to the Reserve Bank and are processed by the Reserve Bank, and a Discrepancy is detected by the Reserve Bank, the Reserve Bank (Contact Level C) will:
- (a) immediately advise the ACCO that delivered the Banknotes and/or the Participant of any Discrepancies exceeding \$500 in value;
  - (b) calculate the aggregate value of Discrepancies detected in Banknote Clearances to the Reserve Bank by all Distribution Participants for each ACCO in a Calendar Month, and:
    - (i) if the value calculated in accordance with this clause 2.15(b) is negative for an ACCO due to the said-to-contain value of Cleared Banknotes processed by the Reserve Bank in the Calendar Month exceeding the relevant actual amount of Banknotes Cleared by that ACCO and processed by the Reserve Bank over the same Calendar Month, this will be a **Shortage**; or
    - (ii) if the value calculated in accordance with this clause 2.15(b) is positive for an ACCO due to the said-to-contain value of Cleared Banknotes processed by the Reserve Bank in the Calendar Month being less than the relevant actual amount of Banknotes Cleared by that ACCO and processed by the Reserve Bank over the same Calendar Month, this will be a **Surplus**;
  - (c) if available, provide the Participant's ACCOs with the relevant Straps, Tamper Evident Packaging and/or a copy of the Depositor Identifier Cards; and
  - (d) provide the Participant with a Discrepancy Report in accordance with clause 14.6 of Schedule 14.
- 2.16 Subject to clause 2.18 of this Schedule 2, if there is a Shortage for an ACCO for a Calendar Month:
- (a) the Participant will have an unconditional obligation to pay the Reserve Bank the Participant's proportion of the total Shortage, that proportion being the same as the Participant's proportion of the total quantity of Banknotes Cleared to the Reserve Bank by all Distribution Participants from that ACCO in the same Calendar Month;
  - (b) payment of the Participant's proportion of a Shortage must be effected promptly by the Participant by Approved Payment, and no later than five Business Days after receiving notification from the Reserve Bank of the Shortage; and
  - (c) a Discrepancy Fee will apply to the Participant, in accordance with Schedule 17.
- 2.17 Subject to clause 2.18 of this Schedule 2, if there is a Surplus for an ACCO for a Calendar Month:
- (a) the Reserve Bank will have an unconditional obligation to pay the Participant the Participant's proportion of the total Surplus, that proportion being the same as the Participant's proportion of the total quantity of Banknotes Cleared to the Reserve Bank by all Distribution Participants from that ACCO in the same Calendar Month;
  - (b) payment of the Participant's proportion of the Surplus must be effected promptly by the Reserve Bank by Approved Payment, and no later than five Business Days after the Reserve Bank provides notification to the Participant of the Surplus by providing a Discrepancy Report in accordance with clause 2.15(d) of this Schedule 2; and
  - (c) a Discrepancy Fee will apply to the Participant, in accordance with Schedule 17.



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- 2.18 If the Reserve Bank calculates that any single Reserve Bank Container of Banknotes has an aggregate Discrepancy of \$50,000 or more, then:
- (a) the Reserve Bank will as soon as practicable, inform the Distribution Participants who had title to Banknotes in the Reserve Bank Container of the Discrepancy;
  - (b) payment in respect of the Discrepancy in that Reserve Bank Container must be effected under this clause 2.18 instead of under clause 2.16 or clause 2.17 of this Schedule 2, and the Discrepancy will be excluded from the calculation under clause 2.15(b) of this Schedule 2. Payment in respect of the Discrepancy must be effected promptly by Approved Payment, and no later than one Business Day after the notification in clause 2.18(a) (unless otherwise mutually agreed) by:
    - (i) the Participant, if the Discrepancy is a Shortage, based on the Participant's proportion of the total quantity of Banknotes in the same Reserve Bank Container; or
    - (ii) the Reserve Bank, if the Discrepancy is a Surplus, based on the Participant's proportion of the total quantity of Banknotes in the same Reserve Bank Container,where Shortage and Surplus have the meaning given in clause 2.15(b) of this Schedule 2, but using the value calculated in accordance with this clause 2.18 instead of the value calculated under clause 2.15(b) of this Schedule 2, and the Banknotes in the Reserve Bank Container instead of the Cleared Banknotes processed over a Calendar Month; and
  - (c) a Discrepancy Fee will apply to the Participant, in accordance with Schedule 17.

**Unfit Packaging Error Fee**

- 2.19 For Unfit Banknotes Cleared to the Reserve Bank after the Effective Date, an Unfit Packaging Error Fee will be payable by the Participant in accordance with Schedule 18.



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**SCHEDULE 3 - INCOMPLETE AND BADLY DAMAGED/CONTAMINATED BANKNOTES**

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**Participant Acceptance**

- 3.1 The Participant will ensure that it, and its ACCOs, use the Banknote Sorting Guide and the Damaged Banknotes Policy to sort and process Unfit Banknotes, Incomplete Banknotes and Badly Damaged/Contaminated Banknotes. The Participant must not Clear Unfit Banknotes as Incomplete Banknotes or Badly Damaged/Contaminated Banknotes. Unfit Banknotes must only be Cleared in accordance with Schedule 2 and the BD Procedures (Chapter 3).
- 3.2 The Participant must accept Incomplete Banknotes and Badly Damaged/Contaminated Banknotes received from customers and (where the Participant is an ADI) members of the public (**Claimants**). The Participant will arrange for all Claimants to complete an Incomplete/Badly Damaged/Contaminated Banknote Claim Form. Where applicable, the Participant will ensure that it properly completes the section of that form titled 'Section A – Bank/ Financial Institution' and any other relevant sections of the Incomplete/Badly Damaged/Contaminated Banknote Claim Form.
- 3.3 The Participant must, and must ensure that its ACCOs, Clear Incomplete Banknotes and Badly Damaged/Contaminated Banknotes to the Reserve Bank in accordance with this Schedule 3 and the BD Procedures (Chapter 4).

**Processing**

- 3.4 The Participant must ensure that Incomplete Banknotes and Badly Damaged/Contaminated Banknotes are Cleared, packaged and delivered to a Reserve Bank Distribution Site in accordance with the BDF Documents, including the BD Procedures (Chapter 4).
- 3.5 The Participant must not send to the Reserve Bank (by post or by any other means not contemplated by the BDF Documents):
- (a) Incomplete Banknotes or Badly Damaged/Contaminated Banknotes;
  - (b) any coin made and issued under the *Currency Act 1965* (Cth);
  - (c) any coin that was a current coin in Australia at any time before 14 February 1966; or
  - (d) any coin or banknote that is or has been issued by a country other than Australia (whether or not that country is still in existence).
- 3.6 The Participant agrees that:
- (a) the Reserve Bank may refuse to accept for processing:
    - (i) any claims in respect of which Banknotes referred to in clause 3.5(a) of this Schedule 3 have been posted to the Reserve Bank or delivered to the Reserve Bank by or on behalf of the Participant by a means other than one permitted by the BDF Documents;
    - (ii) any claims in respect of which coins or banknotes referred to in clauses 3.5(b), 3.5(c) or 3.5(d) of this Schedule 3, have been posted or otherwise delivered to the Reserve Bank by any means by or on behalf of the Participant (including in or as part of a Clearance);
    - (iii) any claim relating to Incomplete Banknotes or Badly Damaged/Contaminated Banknotes that the Reserve Bank determines (in its absolute discretion) does not provide adequate information concerning how damage to or contamination of the relevant Banknotes occurred; and



- (iv) any claim relating to Incomplete Banknotes or Badly Damaged/Contaminated Banknotes that is not submitted in accordance with the requirements of the BD Procedures (Chapter 4)

and may return to the Participant, via an ACCO nominated by the Participant, the coins or banknotes relating to the claims referred to in clauses 3.6(a)(i) – 3.6(a)(iv) of this Schedule 3;

- (b) notwithstanding clause 3.7 of this Schedule 3 and clause 2.10 of Schedule 2, liability for, risk in and title to any coins or banknotes referred to in clause 3.5(a) of this Schedule 3 will not pass to the Reserve Bank under the BDF Documents; and
- (c) the Participant will bear all costs involved in the return of claims, banknotes and coins referred to in clauses 3.5 and 3.6 of this Schedule 3.

### **Transfer of Liability, Risk and Title**

- 3.7 Liability for, risk in and, where the owner of the relevant Banknotes is the Participant or an ACCO, title to Incomplete Banknotes or Badly Damaged/Contaminated Banknotes being Cleared will pass to the Reserve Bank when, and only when, Banknotes are delivered to a Reserve Bank Distribution Site in accordance with this Schedule 3, Schedule 5 and the BD Procedures (Chapter 4), and accepted by the Reserve Bank in accordance with this Schedule 3, Schedule 5 and the BD Procedures (Chapter 4).

### **Payment**

- 3.8 Where the Participant is an ADI, payment in respect of Incomplete Banknote or Badly Damaged/Contaminated Banknote claims made by the Participant, or by a Claimant through the Participant, relating to Banknotes to which risk has passed to the Reserve Bank under clause 3.7 of this Schedule 3 will be made by the Reserve Bank via direct credit to the Participant. This will be the case even if, notwithstanding clause 3.2 of this Schedule 3, the 'Section D – Payment Instructions' section of the relevant Incomplete/Badly Damaged/Contaminated Banknote Claim Form has been completed with the Claimant's account details.
- 3.9 Payment in respect of an Incomplete Banknote or Badly Damaged/Contaminated Banknote claim by an ACCO relating to Banknotes to which risk has passed to the Reserve Bank under clause 3.7 of this Schedule 3 will be arranged by the Reserve Bank via direct credit to the ACCO.
- 3.10 If risk and title does not pass under clause 3.7 of this Schedule 3, the Reserve Bank has no obligation to make any payment in respect of an Incomplete Banknote or Badly Damaged/Contaminated Banknote claim.
- 3.11 The amount payable by the Reserve Bank in respect of any Incomplete Banknote or Badly Damaged/Contaminated Banknote claim will be determined in accordance with the Damaged Banknotes Policy.
- 3.12 The Participant acknowledges that if it chooses to pay a Claimant any amount in respect of an Incomplete Banknote or Badly Damaged/Contaminated Banknote claim in advance of payment by the Reserve Bank under clause 3.8 of this Schedule 3 in respect of that claim, the Participant does so at its own risk.
- 3.13 Any amount received by the Participant under clause 3.8 of this Schedule 3 in respect of a claim by a Claimant must be paid to that Claimant (less, if the Participant has chosen to pay a Claimant any amount in respect of an Incomplete Banknote or Badly Damaged/Contaminated





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Banknote claim in advance of payment by the Reserve Bank, the amount the Participant has so paid).



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**SCHEDULE 4 - BANKNOTE EXCHANGE PROGRAM**

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- 4.1 The Reserve Bank may undertake Banknote Exchange Programs at its discretion.
- 4.2 The Reserve Bank (Contact Level A) will provide the Participant (Contact Level A) with prior written notice in accordance with clause 4.3 before a Banknote Exchange Program commences. The written notice will include:
- (a) the scope, Target Time and nature of the Banknote Exchange Program;
  - (b) Banknote denominations and Target Volumes involved, including whether more than 20 per cent of the denomination in Circulation is subject to the Banknote Exchange Program;
  - (c) the duration of each Cycle of Fit Replenishments and Clearances of Banknotes subject to the Banknote Exchange Program; and
  - (d) any other operational matters.
- 4.3 If:
- (a) at any time the Reserve Bank determines that:
    - (i) the saturation of NGB Banknotes of that denomination in Circulation is not sufficient; and
    - (ii) a Banknote Exchange Program is to be undertaken with respect to that NGB denomination,the notice given under clause 4.2 of this Schedule 4 must be given at least six Calendar Months before the date on which the Banknote Exchange Program is to commence; and
  - (b) at any time, the Reserve Bank determines that a Banknote Exchange Program is to be undertaken for a reason other than the reason referred to in sub-paragraph (a)(i) of this clause 4.3, the notice given under clause 4.2 of this Schedule 4 must be given at least 30 Business Days before the date on which the Banknote Exchange Program is to commence.
- 4.4 The Reserve Bank will convene a meeting with all Distribution Participants, as contemplated in clause 11.2 of these BDTCs to discuss the Banknote Exchange Program notified under clause 4.2 in this Schedule 4. Following the meeting, the Reserve Bank may make modifications to the requirements in any notice given under clause 4.2 in this Schedule 4, and if the requirements change, it will provide the Participant (Contact Level A) with not less than 10 Business Days' notice of the change.
- 4.5 The Participant will ensure that it, and its ACCOs, make the necessary arrangements to undertake a Banknote Exchange Program, including ensuring that the Target Volume is met within the Target Time.
- 4.6 Replenishments for Fit Banknotes as part of a Banknote Exchange Program will follow the requirements in Schedule 1 and the BD Procedures (Chapter 2), unless otherwise mutually agreed. Clearances for Banknotes as part of a Banknote Exchange Program will follow the requirements in Schedule 2 and the BD Procedures (Chapter 3), unless otherwise mutually agreed.
- 4.7 The Participant will ensure that the volume of Banknotes Cleared as part of a Banknote Exchange Program is greater than or equal to the volume of Banknotes Replenished as part of the same Banknote Exchange Program, unless otherwise mutually agreed. If Replenishments exceed Clearances without the approval of the Reserve Bank, the Replenishments will be



treated as a Replenishment under Schedule 1, and transport costs will not be paid by the Reserve Bank as contemplated in clause 4.8 of this Schedule 4.

- 4.8 For Replenishments and Clearances as part of a Banknote Exchange Program, the Reserve Bank will pay Banknote Transport Rates listed in Schedule 19 until the Target Volume is reached, or the Target Time has elapsed, whichever occurs first. The Reserve Bank (Contact Level C) will provide fortnightly feedback to the Participant on the status of the Banknote Exchange Program to aid the Participant in meeting the Target Volume in the Target Time.
- 4.9 If at the end of the Target Time, the Target Volume has not been reached, the Reserve Bank will cease paying Banknote Transport Rates listed in Schedule 19 for Banknotes Replenished as part of the Banknote Exchange Program, unless otherwise mutually agreed. The Reserve Bank will continue to pay Banknote Transport Rates listed in Schedule 19 for Banknotes Cleared as part of the Banknote Exchange Program.
- 4.10 If 20 per cent or more of the volume of a denomination in Circulation is subject to a Banknote Exchange Program, then during the Banknote Exchange Program, and for two Calendar Years after the completion of the Banknote Exchange Program, the performance credits and performance debits under the Note Quality Reward Scheme in Schedule 11 in respect of that denomination will be equal to the last payment before the start of the Banknote Exchange Program for that denomination. If less than 20 per cent of the volume of a denomination in Circulation is subject to a Banknote Exchange Program, all the provisions of Schedule 11 will apply.
- 4.11 Payment of the Fit-in-Unfit fee specified in Schedule 16 for Unfit Banknote Clearances of the denomination involved in Banknote Exchange Program may be suspended by the Reserve Bank for part, or all, of the Banknote Exchange Program. If payment of the Fit-in-Unfit fee is to be suspended, the timing and duration of the suspension will be notified to the Participant (Contact Level A) in writing before the Banknote Exchange Program commences.



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**SCHEDULE 5 - ACCESS TO RESERVE BANK DISTRIBUTION SITES AND RESERVE BANK SYSTEMS**

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**Definitions**

- 5.1 For the purpose of this Schedule 5 and the BD Procedures, '**Activity**' means any Replenishment or Clearance type listed in the table in clause 5.2 of this Schedule 5.

**Access to the National Banknote Site**

- 5.2 Subject to clause 5.3 of this Schedule 5, the Participant's ACCOs will have access to the National Banknote Site for the purpose of the Activities listed in the table below:

<b>Activity</b>
Replenishments
Clearance of Fit Banknotes
Clearance of Unfit Banknotes
Clearance of Sampled Banknotes
Clearance of Superseded Banknotes
Clearance of Banknotes as part of a Banknote Exchange Program under Schedule 4
Clearance of Damaged Banknotes Claims

**Access to Reserve Bank Distribution Sites**

- 5.3 The Participant acknowledges and agrees that the Reserve Bank may, at any time in its absolute discretion:
- (a) by written notice to the Participant (Contact Level A) (**Suspended NBS Access Notice**), determine that:
    - (i) access to the National Banknote Site by one or more ACCOs for the purpose of conducting any or all Activities (**Nominated Activities**) will be suspended due to a Contingency or for any other operational reason from a specified date (**Suspension Date**) until the date specified in the Suspended NBS Access Notice (or such other date as the Reserve Bank may, in its discretion, notify in writing from time to time) (**Suspension Period**) and that during the Suspension Period a Nominated Activity may be conducted at the Alternative Site specified by the Reserve Bank for that Nominated Activity in the Suspended NBS Access Notice; and
    - (ii) on and from the Suspension Date until the end of the Suspension Period, the Participant will ensure that any ACCO specified in the Suspended NBS Access Notice will access the Alternative Site for the purpose of conducting the relevant Nominated Activity; and
  - (b) by written notice to the Participant (Contact Level A) (**Expanded Access Notice**) determine that:
    - (i) on and from a specified date (**Expanded Access Date**) until the date specified in the Expanded Access Notice (or such later date as the Reserve Bank may, in its absolute



discretion determine) (**Expanded Access Period**), any Nominated Activities may be conducted by ACCOs at the National Banknote Site or the Alternative Site specified by the Reserve Bank for such Nominated Activities in the Expanded Access Notice; and

- (ii) on and from the Expanded Access Date until the end of the Expanded Access Period, the Participant will ensure that any ACCO specified in the Expanded Access Notice will access either the National Banknote Site or the Alternative Site for the purpose of conducting the relevant Nominated Activities.

#### Requests for Access

- 5.4 The Reserve Bank may accept or decline requests for Replenishments and Clearances and for accessing a Reserve Bank Distribution Site in accordance with the BD Procedures (Chapter 5).
- 5.5 Each request for access to a Reserve Bank Distribution Site outside the days or hours specified in the BD Procedures (Chapter 5) will incur an Access Fee unless the Reserve Bank (Contact Level B) determines, in its sole discretion, to waive the Access Fee on a particular occasion. The Access Fee is specified in Schedule 15.

#### Indemnities

- 5.6 In consideration of the Reserve Bank agreeing to act on the basis of instructions given by the Participant or any of its ACCOs, by facsimile, email or via the Reserve Bank System the Participant agrees as follows:
  - (a) all risk of unauthorised instructions, fraud or incorrect reports lies with the Participant and its ACCOs and is not to be borne by the Reserve Bank.
  - (b) the Participant agrees to indemnify the Reserve Bank and hold it harmless against:
    - (i) any and all claims which the Participant or any third party may have against the Reserve Bank for any damage, loss, cost or expense which the Participant may suffer or incur (whether directly or indirectly and whether foreseeable or not); and
    - (ii) any damage, loss, cost or expense which the Reserve Bank may suffer or incur (whether directly or indirectly and whether foreseeable or not),as a result of or in connection with:
    - (iii) the Reserve Bank acting upon any instructions purporting to be from the Participant or any of its ACCOs, or an employee or contractor of the Participant or any of its ACCOs (by facsimile, email or via the Reserve Bank System); or
    - (iv) the Reserve Bank not acting upon any instructions purporting to be from the Participant or any of its ACCOs, or an employee or contractor of the Participant or any of its ACCOs, (by facsimile, email or via the Reserve Bank System) where the Reserve Bank (in its subjective determination) considers or suspects that such instructions have been communicated to the Reserve Bank fraudulently, mistakenly or without authority or contain material omissions or errors, except where the Reserve Bank so acting, or not acting, is contrary to the terms of the BDF Documents or is the result of fraud or wilful misconduct by an employee or contractor of the Reserve Bank.
- 5.7 Nothing in clause 5.6 of this Schedule 5 or clause 5.24 of Chapter 5 of the BD Procedures shall be construed as requiring the Reserve Bank to make any inquiries as to the genuineness or validity of an instruction given by facsimile, email or via the Reserve Bank System. In the event that the Reserve Bank shall be unable to act on any instruction received from the Participant



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or its ACCOs (by facsimile, email or via the Reserve Bank System) for any reason, it will notify the Participant (Contact Level C) as soon as possible after it shall become aware of such inability, and the Participant shall on receipt of such information take all such steps as may be open to it to rectify the situation so as to enable any instructions given by it to be acted upon.



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**SCHEDULE 6 - RESERVE BANK CONTAINERS, LIDS, PALLETS, DEPOSITOR IDENTIFIER CARDS & CARTONS**

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**Use of Reserve Bank Containers**

- 6.1 The Participant will ensure that its ACCOs only use Reserve Bank Containers, Lids and Pallets for the transportation of Banknotes for the purposes of, and in accordance with, the BDF Documents, including the BD Procedures (Chapter 6).
- 6.2 The Participant will ensure that its ACCOs seal all Reserve Bank Containers with the number and type of seals as advised in writing from time to time by the Reserve Bank (Contact Level C) to an Authorised Signatory of the Participant.
- 6.3 The Participant will ensure that its ACCOs do not use Reserve Bank Containers, Lids or Pallets for any purpose other than a purpose detailed under the BDF Documents and that its ACCOs otherwise comply with this Schedule 6 and the BD Procedures (Chapter 6).
- 6.4 Reserve Bank Containers, Lids or Pallets that are not used according to this Schedule 6 must be returned to a Reserve Bank Distribution Site within 10 Business Days of the Reserve Bank (Contact Level C) notifying the Participant of their misuse. If a Reserve Bank Container, Lid or Pallet is not returned to a Reserve Bank Distribution Site within 10 Business Days of the Reserve Bank notifying the Participant of their misuse, the Participant will have an unconditional obligation to pay the applicable Incorrect Use of a Reserve Bank Container, Lid or Pallet Fee specified in Schedule 15.
- 6.5 The Participant's ACCOs may request empty Reserve Bank Containers, Lids and Pallets in accordance with the BD Procedures (Chapter 6).
- 6.6 The Reserve Bank (Contact Level C) may, by written notice to an Authorised Signatory of the Participant (Contact Level C), specify a limit on the total number of empty Reserve Bank Containers, Lids or Pallets that each of the Participant's ACCOs may hold at any one time.
- 6.7 The Reserve Bank (Contact Level C) may choose not to supply additional empty Reserve Bank Containers, Lids or Pallets to the Participant's ACCO if it holds at least the number of empty Reserve Bank Containers, Lids or Pallets specified in any notice given under clause 6.6 of this Schedule 6.
- 6.8 The Reserve Bank (Contact Level C) may request the return of Reserve Bank Containers, Lids and Pallets with 10 Business Days' notice to an Authorised Signatory of the Participant (Contact Level C). If the Reserve Bank Containers, Lids and Pallets are not returned within 10 Business Days, the Participant will have an unconditional obligation to pay the applicable Incorrect Use of a Reserve Bank Container, Lid or Pallet Fee specified in Schedule 15.
- 6.9 The Participant will ensure that its ACCOs store Reserve Bank Containers, Lids and Pallets in a covered, secure area, and that the Reserve Bank Containers, Lids and Pallets remain free of Damage.
- 6.10 A Reserve Bank Container, Lid or Pallet will be deemed to be Damaged if it becomes, in the opinion of the Reserve Bank, inoperable or unfit for purpose due to:
- (a) exposure to the elements (including rain, hail or lightning);
  - (b) wilful, careless, or negligent handling or storage by the Participant's ACCO;
  - (c) unauthorised modifications;
  - (d) structural damage;
  - (e) contamination (including by oil and waste); and



(f) any other factors identified in the BD Procedures (Chapter 6).

For the avoidance of doubt, Damage does not include any defects in the design, materials or workmanship in the manufacture of the Reserve Bank Containers, Lids and Pallets.

- 6.11 Normal wear-and-tear will not be deemed by the Reserve Bank as Damage. Wear-and-tear occurs through the ordinary use of a Reserve Bank Container, Lid or Pallet leading to abrasive surface wear.
- 6.12 If the Reserve Bank receives a Reserve Bank Container, Lid or Pallet from an ACCO of the Participant that is Damaged, the Participant will have an unconditional obligation to pay the applicable Damage to a Reserve Bank Container, Lid or Pallet Fee specified in Schedule 15.
- 6.13 The Participant will ensure that its ACCOs keep the Reserve Bank Containers, Lids and Pallets free from Soiling.
- 6.14 A Reserve Bank Container, Lid or Pallet will be deemed Soiled if, as mutually agreed, it is unfit for purpose (for reasons including bird droppings or animal waste) but could become fit for purpose again if it is cleaned.
- 6.15 If the Reserve Bank receives a Reserve Bank Container, Lid or Pallet from an ACCO of the Participant that is Soiled:
- (a) the Reserve Bank (Contact Level C) will advise an Authorised Signatory of the Participant (Contact Level C) within five Business Days; and
  - (b) the Participant will arrange, at its own cost, for the ACCO that Cleared the Banknotes contained in the relevant Reserve Bank Container to collect the affected Reserve Bank Container, Lid or Pallet from the Reserve Bank Distribution Site for cleaning and return it within a further 10 Business Days to the same Reserve Bank Distribution Site.
- 6.16 The Participant and the Participant's ACCO reserve the right to refuse to collect any Reserve Bank Container that is Damaged or Soiled (as per the definitions set out in clauses 6.10 and 6.14 of this Schedule 6, respectively) at the time of collection.

### **Packaging Requirements**

- 6.17 The Participant will ensure that the Reserve Bank Containers are packaged by its ACCOs in accordance with the BD Procedures (Chapter 6) applicable to the specific category of Cleared Banknotes referred to in clauses 2.1(a) to 2.1(e) of Schedule 2.

### **Depositor Identifier Cards and Cartons**

- 6.18 The Reserve Bank will supply the Participant and its ACCOs with Depositor Identifier Cards and Cartons if requested in accordance with the BD Procedures (Chapter 6).
- 6.19 The Participant's ACCOs may request and collect Depositor Identifier Cards and Cartons in accordance with the BD Procedures (Chapter 6).
- 6.20 The Participant will ensure that its ACCOs do not use Depositor Identifier Cards and Cartons for any purpose other than a purpose detailed under the BDF Documents.





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**SCHEDULE 7 - APPROVED CASH CENTRE OPERATORS**

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- 7.1 For an entity to be authorised by the Reserve Bank as an Approved Cash Centre Operator for the Participant, a Participant Officer (Contact Level A) must provide written documentation to the Reserve Bank setting out the request, and supply background information on the entity to support the Participant's request, including the information referred to in clause 7.5 of this Schedule 7 in relation to that entity. For the avoidance of doubt:
- (a) the Participant must seek the Reserve Bank's authorisation in respect of an entity it proposes to nominate as its Approved Cash Centre Operator even if the Reserve Bank has separately authorised that entity as an Approved Cash Centre Operator in respect of another Distribution Participant; and
  - (b) a Participant may nominate itself as its Approved Cash Centre Operator in which case, it must provide the documentation and information referred to in this clause 7.1 of this Schedule 7.
- 7.2 The Reserve Bank (Contact Level A) will advise the Participant of its decision on whether an entity will be granted Approved Cash Centre Operator status within 20 Business Days of receiving the written request under clause 7.1 of this Schedule 7.
- 7.3 The Participant (Contact Level A) may remove the status of ACCO from an entity by providing the Reserve Bank written notice signed by a Participant Officer. The authority of the Approved Cash Centre Operator will cease five Business Days after the Reserve Bank has received written notification, or on such a date as indicated in the notification from the Participant.
- 7.4 If the Reserve Bank:
- (a) considers that there has been a material change in the ability of an ACCO to perform its role as ACCO in connection with the BDF Documents; or
  - (b) becomes aware of any material change in the ownership or control, financial position, or nature or value of assets or business of an ACCO,
- the Reserve Bank (Contact Level A) may issue a written notice to the Participant specifying the matters in clause 7.4(a) and/or clause 7.4(b) as relevant, and requesting that the Participant investigate those matters. The Participant must provide the Reserve Bank a written report (**ACCO Report**) outlining:
- (c) the Participant's findings; and
  - (d) where the matters raised by the Reserve Bank have been verified by the Participant, its recommendations to address those matters,
- within a reasonable period after receipt of a notice under this clause 7.4, such period to be determined by the Participant taking into account the scope of the review required but not, unless the Reserve Bank agrees otherwise, to exceed 20 Business Days. Following receipt of an ACCO Report, the Reserve Bank may request a meeting with the Participant (Contact Level A) if it considers that, having regard to the ACCO Report, the status of the ACCO should be removed and the Participant will attend such a meeting within 10 Business Days of the request. For the avoidance of doubt, any decision to remove an ACCO's status must be made by the Participant.
- 7.5 Within 30 Business Days of the date of its Participation Agreement, and within 10 Business Days after each anniversary of the Implementation Date, the Participant must, in respect of each ACCO, provide to the Reserve Bank (Contact Level B) written certification of the following:



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- (a) where the Participant and the ACCO are not the same legal entity, the nature and extent of the ACCO's obligations under its contract with the Participant to comply with:
    - (i) the *Work Health and Safety Act 2011* (Cth) and any 'corresponding work health and safety law' as defined in clause 4 of that Act; and
    - (ii) any other applicable laws, industry standards and policies that relate to health and safety at the ACCO's premises; and
  - (b) regardless of whether the Participant and the ACCO are the same legal entity, the ACCO's compliance with the laws, standards and policies referred to in paragraph (a) of this clause 7.5.

7.6 Notwithstanding clause 7.5, the Participant must immediately notify the Reserve Bank in writing (Contact Level A) if it becomes aware of any failure of an ACCO to comply with its duties under any legislation referred to in clause 7.5 of this Schedule 7, or (if applicable) of any material change to the obligations referred to in clause 7.5(a) of this Schedule 7.



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**SCHEDULE 8 - APPROVED CASH CENTRES**

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- 8.1 For a site to be granted Approved Cash Centre status, the site must meet the following requirements:
- (a) be operated by an ACCO;
  - (b) be approved in writing by the Reserve Bank; and
  - (c) have VCH available for Sampling by the Reserve Bank in accordance with Schedule 9 and the BD Procedures (Chapter 7).
- 8.2 The Participant must seek the Reserve Bank's authorisation in respect of a site that it proposes to nominate as an Approved Cash Centre even if the Reserve Bank has separately authorised that site as an Approved Cash Centre in respect of another Distribution Participant.
- 8.3 Requests for new Approved Cash Centres must be submitted by the Participant (Contact Level A) in writing to the Reserve Bank. The request will include, but not be limited to:
- (a) the ACCO operating the site;
  - (b) the start date of operation;
  - (c) the address of the site;
  - (d) the site's telephone number;
  - (e) the purpose of the ACC, if applicable;
  - (f) details on Banknote Fitness Sorting equipment at the site, if applicable; and
  - (g) the site's unique identification code.
- 8.4 The Reserve Bank (Contact Level A) will advise the Participant of its decision on whether a site nominated in accordance with clause 8.3 in this Schedule 8 will be granted Approved Cash Centre status within 15 Business Days of receiving the written request.
- 8.5 The Participant will ensure that its ACCO notifies the Reserve Bank (Contact Level B) in writing of any changes in the details of an Approved Cash Centre that were provided by the Participant under clauses 8.3(c) to 8.3(g) in this Schedule 8, at least 20 Business Days before the change takes place.
- 8.6 The Participant (Contact Level A) may remove the status of Approved Cash Centre from a site by notifying the Reserve Bank in writing. The authorisation of the Approved Cash Centre will cease five Business Days after the Reserve Bank has received written notification, or on such a date as indicated in the notification from the Participant.
- 8.7 Within 12 Calendar Months of the Implementation Date and within 10 Business Days after each successive five Calendar Year period starting from the Implementation Date, the Participant must:
- (a) conduct (or ensure that each of its ACCOs conducts) a review of any site that holds Approved Cash Centre Status as at the date of review to ensure that it:
    - (i) continues to meet the requirements stated in clauses 8.1(a) and 8.1(c) of this Schedule 8; and
    - (ii) is equipped and resourced in such a way as to enable the Participant to meet its obligations under the BDF Documents as they relate to Approved Cash Centres, the criteria in sub-paragraphs 8.7(a)(i) and 8.7(a)(ii) being Performance Criteria; and



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- (b) provide written confirmation (Contact Level A) to the Reserve Bank of the extent to which each site continues to meet the Performance Criteria.



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**SCHEDULE 9 - VCH BANKNOTE QUALITY SAMPLING**

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- 9.1 Banknote quality is measured as defined in Schedule 10.
- 9.2 Banknote Sampling provides the basis for periodically selecting representative samples of Banknotes to measure Fitness Sorting accuracy and the subsequent calculations for the Note Quality Reward Scheme.
- 9.3 Each ACC will be Sampled a maximum of 12 times per Calendar Year.
- 9.4 The Reserve Bank (Contact Level C) will provide at least two hours' notice, or such shorter notice period as the Participant may agree, by email (to an email address notified to the Reserve Bank by the Participant or by the relevant ACCO on its behalf from time to time) before a Sample will be taken at an ACC.
- 9.5 If the Reserve Bank is denied entry to an ACC to undertake Sampling, for reasons which are under the control of the relevant ACCO and/or the Participant, the Participant will have an unconditional obligation to pay the applicable fee listed in Schedule 15.
- 9.6 The Reserve Bank will not Sample an ACC three Business Days before, after or during the periods:
- (a) Good Friday to Easter Monday inclusive; and
  - (b) Christmas Day to New Years' Day inclusive.
- 9.7 The Participant will ensure that its ACCOs follow the BD Procedures (Chapter 7) for the selection of Banknotes for any Sample under this Schedule 9.

**SCHEDULE 10 - BANKNOTE QUALITY CATEGORIES**

- 10.1 The Reserve Bank will use the Banknote Quality Matrix to measure the quality of Banknotes for the purposes of the Note Quality Reward Scheme and for calculating Fit-in-Unfit processing fees.
- 10.2 Subject to clause 10.3, the Reserve Bank (Contact Level A) may, by giving not less than six Calendar Months' written notice to the Participant (Contact Level A), revise the Banknote Quality Matrix with effect from the date nominated in the notice (**Revision**).
- 10.3 The parties agree that a Revision that amends a Defect Category and/or any Defect specified in the Banknote Quality Matrix as at the Effective Date will be of no effect unless and until the parties agree in writing.
- 10.4 Each Banknote processed by the Reserve Bank will be assigned a Defect Category for each Defect based on the Banknote Quality Matrix. The Banknote Quality Matrix as at the Effective Date is set out below:

Type of Defect	Defect Category							
	1	2	3	4	5	6	7	8
Ink Wear Level	4	4	5	5	6	6	7	8
Hole (mm)	-	-	1 × 1	1 × 1	3 × 3	5 × 5	5 × 5	5 × 5
Missing Corner (mm)	-	3 × 3	4 × 4	5 × 5	5 × 5	10 × 10	20 × 20	25 × 25
Open Tear (mm)	-	0.2 × 2	1 × 3	2 × 5	4 × 8	5 × 10	5 × 20	5 × 25
Closed Tear Long Edge (mm)	-	4	4	6	20	20	20	20
Closed Tear Short Edge (mm)	-	8	8	10	20	20	30	30
Staple (mm)	-	-	-	10	10	12	12	12
Tape (mm)	-	6 × 6	12 × 12	12 × 15	15 × 15	15 × 40	15 × 50	15 × 60

- 10.5 A Defect will be treated as having a particular area or measurement for the purposes of a Defect Category if its area or measurement is less than or equal to that Defect Category area or measurement as specified in the Banknote Quality Matrix (but exceeds the next smallest area or measurement).
- 10.6 The overall Category Score assigned to a Banknote will be the highest (worst) of all the Defect Categories for that Banknote, even if its other Defect Categories, looked at in isolation, would have resulted in a lower numerical score. For example:
- (a) a Banknote with an ink wear level of 4 (Defect Category 1), a missing corner of 4.5 × 5 millimetres (Defect Category 4), and a 10 millimetre staple (Defect Category 4) will be given a (neutral) Category Score of 4; and
- (b) a Banknote with an ink wear level of 6 (Defect Category 5), a missing corner of 15 × 20 millimetres (Defect Category 7), and a 10 millimetre staple (Defect Category 4) will be given a (debit) Category Score of 7.
- 10.7 Subject to clause 10.8 of this Schedule 10, the Reserve Bank may, at its absolute discretion and for any period of time, apply a minimum Category Score of 4.5 for Sampled Banknotes from a nominated Series and denomination. This minimum Category Score will:



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- (a) apply to all Sampled Banknotes from the nominated Series and denomination where the recorded Category Score is below (better than) 4.5;
  - (b) not be applied to any Sampled Banknotes from the nominated Series and denomination where the recorded Category Score is above (worse than) 4.5; and
  - (c) for Banknotes from the nominated Series and denomination, replace the Banknote Quality Matrix for the purposes of the Note Quality Reward Scheme.
- 10.8 The Reserve Bank (Contact Level A) will provide the Participant with a minimum of six Calendar Months' prior written notice to a Participant Officer before applying or changing a minimum Category Score with respect to a particular denomination and Series. In its notification, the Reserve Bank will include information on why it is applying the minimum Category Score, which may include the average banknote quality in Circulation.

**SCHEDULE 10A - BANKNOTE QUALITY CATEGORIES**

- 10.1 The Reserve Bank will use the Banknote Quality Matrix to measure the quality of Banknotes for the purposes of the Note Quality Reward Scheme and for calculating Fit-in-Unfit processing fees.
- 10.2 The Reserve Bank (Contact Level A) may, following consultation with the Participant and by giving not less than six Calendar Months' written notice to the Participant (Contact Level A), revise the Banknote Quality Matrix with effect from the date nominated in the notice.
- 10.3 Each Banknote processed by the Reserve Bank will be assigned a Defect Category for each Defect based on the Banknote Quality Matrix. The Banknote Quality Matrix as at the First Operative Date (determined in accordance with clause 21.3 of the BDTCs) is set out below:

Type of Defect	Defect Category		
	1	4.5	8
Missing or folded corner (mm <sup>2</sup> )	12.5	50	∞
Hole (mm <sup>2</sup> )	2	8	∞
Open tears (mm)	4	8	∞
Tape (mm <sup>2</sup> )	50	400	∞
Staple (present)	No	No	Yes
Ink wear	Minor	Moderate	Severe

- 10.4 A Defect will be treated as having a particular area or measurement for the purposes of a Defect Category if its area or measurement is less than or equal to that Defect Category area or measurement as specified in the Banknote Quality Matrix (but exceeds the next smallest area or measurement).
- 10.5 The overall Category Score assigned to a Banknote will be the highest (worst) of all the Defect Categories for that Banknote, even if its other Defect Categories, looked at in isolation, would have resulted in a lower numerical score. For example:
- (a) a Banknote with moderate ink wear (Defect Category 4.5), a missing corner of 3 × 4 millimetres (Defect Category 1), and a piece of tape 80 millimetres squared (Defect Category 4.5) will be given a Category Score of 4.5; and
- (b) a Banknote with minor ink wear (Defect Category 1), a missing corner of 15 × 20 millimetres (Defect Category 8), and a piece of tape 80 millimetres squared (Defect Category 4.5) will be given a Category Score of 8.
- 10.6 Subject to clause 10.7 of this Schedule 10A, the Reserve Bank may, at its absolute discretion and for any period of time, apply a Category Score of 0 for Sampled Banknotes from a nominated Series and denomination. This Category Score will:
- (a) apply to all Sampled Banknotes from the nominated Series and denomination; and
- (b) for Banknotes from the nominated Series and denomination, replace the Banknote Quality Matrix for the purposes of the Note Quality Reward Scheme.
- 10.7 The Reserve Bank (Contact Level A) will provide the Participant with a minimum of six Calendar Months' prior written notice to a Participant Officer before applying or changing a Category Score with respect to a particular denomination and Series. In its notification, the Reserve Bank





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will include information on why it is applying the Category Score, which may include the average banknote quality in Circulation.

**SCHEDULE 10B - BANKNOTE QUALITY CATEGORIES**

- 10.1 The Reserve Bank will use the Banknote Quality Matrix to measure the quality of Banknotes for the purposes of the Note Quality Reward Scheme and for calculating Fit-in-Unfit processing fees.
- 10.2 The Reserve Bank (Contact Level A) may, following consultation with the Participant and by giving not less than six Calendar Months' written notice to the Participant (Contact Level A), revise the Banknote Quality Matrix with effect from the date nominated in the notice.
- 10.3 Each Banknote processed by the Reserve Bank will be assigned a Defect Category for each Defect based on the Banknote Quality Matrix. The Banknote Quality Matrix as at the Second Operative Date (determined in accordance with clause 21.4 of the BDTCs) is set out below:

Type of Defect	Defect Category		
	1	4.5	8
Missing or folded corner (mm <sup>2</sup> )	12.5	50	∞
Hole (mm <sup>2</sup> )	2	8	∞
Open tears (mm)	4	8	∞
Tape (mm <sup>2</sup> )	50	400	∞
Staple (present)	No	No	Yes
Graffiti	Minor	Moderate	Severe
Foil wear	Minor	Moderate	Severe
Ink wear	Minor	Moderate	Severe

- 10.4 A Defect will be treated as having a particular area or measurement for the purposes of a Defect Category if its area or measurement is less than or equal to that Defect Category area or measurement as specified in the Banknote Quality Matrix (but exceeds the next smallest area or measurement).
- 10.5 The overall Category Score assigned to a Banknote will be the highest (worst) of all the Defect Categories for that Banknote, even if its other Defect Categories, looked at in isolation, would have resulted in a lower numerical score. For example:
- (a) a Banknote with moderate ink wear (Defect Category 4.5), a missing corner of 3 × 4 millimetres (Defect Category 1), and a piece of tape 80 millimetres squared (Defect Category 4.5) will be given a Category Score of 4.5; and
- (b) a Banknote with minor ink wear (Defect Category 1), a missing corner of 15 × 20 millimetres (Defect Category 8), and a piece of tape 80 millimetres squared (Defect Category 4.5) will be given a Category Score of 8.
- 10.6 Subject to clause 10.7 of this Schedule 10B, the Reserve Bank may, at its absolute discretion and for any period of time, apply a Category Score of 0 for Sampled Banknotes from a nominated Series and denomination. This Category Score will:
- (a) apply to all Sampled Banknotes from the nominated Series and denomination; and
- (b) for Banknotes from the nominated Series and denomination, replace the Banknote Quality Matrix for the purposes of the Note Quality Reward Scheme.



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- 10.7 The Reserve Bank (Contact Level A) will provide the Participant with a minimum of six Calendar Months' prior written notice to a Participant Officer before applying or changing a Category Score with respect to a particular denomination and Series. In its notification, the Reserve Bank will include information on why it is applying the Category Score, which may include the average banknote quality in Circulation.

**SCHEDULE 11 - NOTE QUALITY REWARD SCHEME**

- 11.1 A Quality Score of between 1 and 4 results in a performance credit.
- 11.2 A Quality Score of higher than 5 results in a performance debit.
- 11.3 The process for calculating Quality Scores will be based on the Reserve Bank's application of the following principles:
- Sampling Banknotes will be selected according to Schedule 9 and the BD Procedures (Chapter 7);
  - Sampled Banknotes from VCH will be Cleared to a Reserve Bank Distribution Site in accordance with Schedule 2;
  - Sampling Banknotes will be processed by the Reserve Bank and a Banknote Category Score assessed in accordance with Schedule 10;
  - A Quality Score will be calculated based on the worst 15 per cent of Category Scores of VCH Sampling Banknotes, by denomination, at each Channel in each ACC.

**Maximum Performance Credits and Debits**

- 11.4 The maximum aggregate performance credit in a Financial Year will be \$15 million per annum across all Distribution Participants and all ACCs.
- 11.5 The maximum aggregate performance debit in a Financial Year will be \$30 million per annum across all Distribution Participants and all ACCs.

**Performance Credits and Debits**

- 11.6 The table below shows the Financial Year performance credit amounts and performance debit amounts, across all Distribution Participants and across all denominations, corresponding to a range of Quality Scores.

Quality Score	Financial Year Performance Credits/Debits (\$)
1.0	15,000,000.00
1.1	14,909,969.66
1.2	14,806,676.33
1.3	14,686,585.47
1.4	14,544,813.48
1.5	14,374,437.46
1.6	14,165,360.26
1.7	13,902,415.34
1.8	13,562,298.97
1.9	13,109,698.08
2.0	12,500,000.00
2.1	11,734,860.83
2.2	10,915,340.55
2.3	10,077,477.89
2.4	8,990,479.65
2.5	7,500,000.00
2.6	6,009,520.35
2.7	4,922,522.11
2.8	4,084,659.45



Quality Score	Financial Year Performance Credits/Debits (\$)
2.9	3,265,139.17
3.0	2,500,000.00
3.1	1,900,510.16
3.2	1,458,117.51
3.3	1,128,209.38
3.4	875,472.70
3.5	676,603.73
3.6	516,435.95
3.7	384,872.20
3.8	274,989.58
3.9	181,904.49
4.0	102,082.39
4.1	0.00
4.2	0.00
4.3	0.00
4.4	0.00
4.5	0.00
4.6	0.00
4.7	0.00
4.8	0.00
4.9	0.00
5.0	0.00
5.1	-363,808.98
5.2	-549,979.15
5.3	-769,744.40
5.4	-1,032,871.90
5.5	-1,353,207.46
5.6	-1,750,945.40
5.7	-2,256,418.76
5.8	-2,916,235.01
5.9	-3,801,020.32
6.0	-5,000,000.00
6.1	-6,530,278.34
6.2	-8,169,318.90
6.3	-9,845,044.23
6.4	-12,019,040.69
6.5	-15,000,000.00
6.6	-17,980,959.31
6.7	-20,154,955.77
6.8	-21,830,681.10
6.9	-23,469,721.66
7.0	-25,000,000.00
7.1	-26,219,396.15
7.2	-27,124,597.94
7.3	-27,804,830.67
7.4	-28,330,720.51
7.5	-28,748,874.92
7.6	-29,089,626.96



Quality Score	Financial Year Performance Credits/Debits (\$)
7.7	-29,373,170.94
7.8	-29,613,352.67
7.9	-29,819,939.31
8.0	-30,000,000.00

### Lodgement Data

11.7 Fit Banknote Lodgements at any time refers to Banknotes which are at that time:

- (a) Fitness Sorted by the Participant, determined by the Participant to be Fit Banknotes, and transported by an ACCO from a branch of the Participant to an ACC where they are recorded as fit VCH; or
- (b) collected by an ACCO, and subsequently Fitness Sorted by an ACCO at an ACC as Fit Banknotes where they are recorded as fit VCH;

but does not refer to:

- (c) movements of Fit Banknotes between ACCs; or
- (d) Banknotes Replenished under Schedule 1.

For the purposes of this clause 11.7, where the Participant and the ACCO are the same legal entity, the Banknotes will be taken to have been Fitness Sorted by the ACCO.

11.8 Unfit Banknote Lodgements at any time refers to Banknotes which are at that time:

- (a) Fitness Sorted by the Participant, determined by the Participant to be Unfit, and transported by an ACCO from a branch of the Participant to an ACC where they are classed as unfit VCH; or
- (b) collected by an ACCO, and subsequently Fitness Sorted by an ACCO at an ACC as Unfit where they are recorded as Unfit VCH;

but does not refer to movements of Unfit Banknotes between ACCs.

For the purposes of this clause 11.8, where the Participant and the ACCO are the same legal entity, the Banknotes will be taken to have been Fitness Sorted by the ACCO.

11.9 The Participant acknowledges its critical obligation to provide a true and correct Banknote Lodgement Report to the Reserve Bank and acknowledges that if any data element in a Banknote Lodgement Report is wrong, it may lead to the Reserve Bank making payments to the Participant that the Participant is not entitled to under the BDF Documents.

11.10 A Banknote Lodgement Reporting Error will have occurred if, following the Reserve Bank making a payment to the Participant under clause 11.36 of this Schedule 11, any element of a Banknote Lodgement Report that the Reserve Bank used to calculate that payment is found (by any means) to be incorrect.

11.11 The Participant will ensure that if it, or its ACCO, becomes aware that any data element in a Banknote Lodgement Report is not true and correct:

- (a) a Participant Officer will notify the Reserve Bank in writing within five Business Days of the error being detected by, or brought to the attention of, the Participant, outlining the nature of the error, and the estimated impact on Lodgements; and
- (b) the Participant will provide a revised Banknote Lodgement Report, within a further 15 Business Days.



If the Participant does not provide a revised Banknote Lodgement Report by the date specified in clause 11.11(b) of this Schedule 11, the Reserve Bank will have no obligation to pay performance credits to that Participant in accordance with this Schedule 11, until the revised Banknote Lodgement Report is supplied.

11.12 Within 20 Business Days of each Banknote Lodgement Reporting Error, a Participant Officer (Contact Level A) must provide an Incident Report to the Reserve Bank, that, subject to clause 11.14 of this Schedule 11, includes but is not limited to:

- (a) background to the Banknote Lodgement Reporting Error;
- (b) details of the Banknote Lodgement Reporting Error;
- (c) a discussion on procedural adherence by the Participant and its ACCO; and
- (d) an action plan for mitigating the risk of further Banknote Lodgement Reporting Errors occurring.

11.13 If an Incident Report in accordance with clause 11.12 of this Schedule 11 is not received by the Reserve Bank within 20 Business Days of a Banknote Lodgement Reporting Error, then the Reserve Bank will have no obligation to allow Clearances in respect of the Participant to proceed until the Incident Report is provided.

11.14 If a Banknote Lodgement Reporting Error is discovered by the External Auditor, the Participant (Contact Level A) is required to provide an Incident Report that covers any issues referred to in clause 11.12 of this Schedule 11 that are not included in the audit report.

11.15 Within 20 Business Days of receiving the Incident Report provided by the Participant in accordance with clause 11.12 of this Schedule 11, a Reserve Bank Officer (Contact Level A) will provide a written notice to the Participant detailing any fees and conditions as contemplated in clause 11.16 of this Schedule 11 that will be imposed on the Participant as a result of Banknote Lodgement Reporting Error.

11.16 The Participant will pay a fee imposed by the Reserve Bank in respect of each Banknote Lodgement Reporting Error within 10 Business Days of the date of the notice given by the Reserve Bank in accordance with clause 11.15 of this Schedule 11. The fee payable in respect of each Banknote Lodgement Reporting Error will be calculated as follows:

$$\text{Banknote Lodgement Reporting Error Fee} = x^{0.5} \times z$$

$x$  is the number of Banknote Lodgement Reporting Errors in a Banknote Lodgement Report for the relevant Calendar Month

$z$  is the Banknote Lodgement Reporting Error Base Fee specified in Schedule 15

11.17 Notwithstanding clauses 11.15 and 11.16, the fee payable by the Participant in relation to a specific Banknote Lodgement Reporting Error that occurs in multiple Banknote Lodgement Reports during one or more Calendar Months will be the lower of:

- (a) the aggregate fee calculated under clause 11.16 in respect of each occurrence of that Banknote Lodgement Reporting Error; and
- (b) such amounts as may be determined by the Reserve Bank (in its absolute discretion) and notified to the Participant (Contact Level B) as representing the costs incurred by the Reserve Bank arising out, of or in connection with, actions taken by it in respect to that Banknote Lodgement Reporting Error.



### Calculation Process

11.18 The process for the calculation of performance credits and performance debits will be based on the Reserve Bank's application of the following principles:

- (a) each month, Distribution Participants will be allocated a share of the maximum aggregate Financial Year performance credit (referred to in clause 11.4 of this Schedule 11) or debit (referred to in clause 11.5 of this Schedule 11);
- (b) this share of the maximum aggregate annual performance credit or debit will be allocated based on a monthly exposure for each Channel, ACC and denomination, calculated as follows:
  - (i) an ACC's annual exposure to the maximum aggregate performance credit or debit will be calculated based on the ACC Lodgements over the previous 12 months and any applicable ACC floor determined in accordance with clause 11.19 or clause 11.20 of this Schedule 11;
  - (ii) each ACC's monthly exposure to the maximum aggregate performance credit or debit will then be calculated based on the ACC's monthly Lodgements as a proportion of annual Lodgements for each ACC;
  - (iii) a weighting will then be applied to each denomination's exposure to the maximum aggregate performance debit or credit, based on the ACC's Lodgements or any adjusted denominational weighting applied by the Reserve Bank under clause 11.21 of this Schedule 11; and
  - (iv) the monthly denominational exposure determined under clause 11.18(b)(iii) of this Schedule 11 will then be allocated by Channel, based on the Lodgement shares for each Channel at each ACC;
- (c) the allocated share of the maximum Financial Year aggregate performance credit or debit determined in accordance with clause 11.18(b) will be scaled according to the table in clause 11.6 of this Schedule 11, based on the applied Quality Score (calculated in accordance with clause 11.3 of this Schedule 11); and
- (d) if no new Quality Score data are available then the previous Quality Score will be carried forward. If no previous Quality Score data are available then a Quality Score of 4.5 will be applied.

### ACC Floor

11.19 If all Sampled Banknotes at an ACC have a Category Score of 1, as defined in Schedule 10, the minimum aggregate annual performance credit available to Distribution Participants at that ACC in a Financial Year will be \$75,000.

11.20 If all Sampled Banknotes at an ACC have a Category Score of 8, as defined in Schedule 10, the minimum aggregate annual performance debit on Distribution Participants at that ACC in a Financial Year will be \$150,000.

### Denomination Weighting

11.21 The Reserve Bank may apply an adjusted weighting for each denomination's exposure to the maximum aggregate performance credit or debit for the purposes of the calculation process outlined in clause 11.18(b)(iii) of this Schedule 11. The adjusted weighting will be a fixed percentage which will be applied instead of the weighting which would otherwise apply to the





nominated denomination if it were determined by reference to an ACC's Lodgements of that denomination.

- 11.22 Subject to clause 11.24 of this Schedule 11, for the purposes of clause 11.21 the adjusted weighting is as follows:

Denomination	Adjusted Weighting
\$5	15%
\$10	15%
\$20	20%
\$50	45%
\$100	5%

- 11.23 If the Reserve Bank decides to apply an adjusted denominational weighting under clause 11.21 of this Schedule 11, it will provide at least three Calendar Months' prior written notice to a Participant Officer (Contact Level A).
- 11.24 The Reserve Bank may remove any adjusted denominational weighting applied under clause 11.21 of this Schedule 11 by providing three Calendar Months' written notice to a Participant Officer (Contact Level A).

#### Additional Sampling of an ACC

- 11.25 The Participant (Contact Level B) may request a resample of an ACC, if:
- (a) a change had been made at the relevant ACC during the course of the month during which the Sampling occurred, that the Participant would have expected to yield a better Quality Score; or
  - (b) a Quality Score is inconsistent or out of line with the Participant's expectations.
- 11.26 The Participant (Contact Level B) will need to justify the request in writing to the Reserve Bank Officer and pay the VCH Resampling Fee detailed in, or notified in accordance with, Schedule 15. The Reserve Bank will use its best endeavours to resample the ACC within the two Calendar Months following the Participant's request.

#### Fitness Sorting Failure

- 11.27 The Reserve Bank (Contact Level B) will notify a Participant Officer in writing (Contact Level B) when a Quality Score of 7 or worse has occurred, with details of the ACC, Channel and denomination involved (**Initial Failure Notice**), no later than 90 Calendar Days after the date when the relevant Banknotes were Sampled (the **Initial Failure Sampling Date**).
- 11.28 If the Reserve Bank conducts another VCH Sampling visit (**Subsequent Sampling**) at an ACC the subject of an Initial Failure Notice at any time during the period from the Initial Failure Sampling Date to the date 30 Calendar Days after the date the Participant receives the Initial Failure Notice (the **Remedy Period**), it will:
- (a) for the Subsequent Sampling disregard the Quality Score for the denomination and Channel of Banknotes that were the subject of the Initial Failure Notice; and
  - (b) for the purpose of calculating any performance credit or performance debit in respect of that Subsequent Sampling under clause 11.18 of this Schedule 11, apply instead the



Quality Score for that denomination and Channel of Banknotes at that ACC that applied for the Sampling on the Initial Failure Sampling Date.

- 11.29 A Fitness Sorting Failure will have occurred when there is an Initial Failure Notice and then a Quality Score of 7 or worse for the same denomination and Channel at the same ACC in the first Sampling that occurs at that ACC after the end of the relevant Remedy Period (the date of that Sampling being the **Second Failure Sampling Date**). The Reserve Bank (Contact Level B) will notify the Participant in writing (Contact Level B) when this occurs (**Fitness Sorting Failure Notice**), no later than 90 Calendar Days after the Second Failure Sampling Date.
- 11.30 If a Fitness Sorting Failure occurs, then:
- (a) the Fitness Sorting Failure fee will be the calculated performance debit for that denomination and Channel of Banknotes at that ACC that applied for the Sampling on the Second Failure Sampling Date multiplied by three; and
  - (b) The Participant (Contact Level A) will within 20 Business Days of receipt by the Participant of the Fitness Sorting Failure Notice provide the Reserve Bank with a written action plan, signed by a Participant Officer, that will demonstrate how the Participant will end the Fitness Sorting Failure (that is, put itself in a position to achieve a Quality Score at the same ACC for the same denomination and the same Channel of better than 6) within four Calendar Months of the receipt by the Reserve Bank of the action plan. If the action plan:
    - (i) is not received by the Reserve Bank within the deadline; or
    - (ii) is not implemented, or is implemented but fails to resolve the Fitness Sorting Failure within four Calendar Months of the receipt by the Reserve Bank of the action plan, then the Reserve Bank:
      - (iii) will include these details on the Report to the Executive General Manager or Participant Officer (Contact Level A) in accordance with clause 10.4 of the BDTCs; and
      - (iv) will have no obligation to allow Clearances in respect of that Participant to proceed.
- 11.31 If multiple Fitness Sorting Failures occur, the Fitness Sorting Failure fee will be calculated and applied separately for each denomination, at each ACC, for each Channel, for each Distribution Participant.
- 11.32 The Fitness Sorting Failure fee will be applied for the Sampling on the Second Failure Sampling Date, and will remain in place for subsequent Sampling until the Quality Score at the same ACC for the same denomination and the same Channel is better than 6.

#### **Payment of Note Quality Reward Scheme Performance Credits and Performance Debits**

- 11.33 The Reserve Bank (Contact Level C) will notify the Participant in writing (**NQRS Statement**) of the net amount of the performance credits and performance debits for a Calendar Month (**Sampled Month**) by the 10th Business Day of the second Calendar Month following the Sampled Month, unless:
- (a) the Sampled Banknotes have not been Cleared to a Reserve Bank Distribution Site by the 10th Business Day of the Calendar Month following the Sampled Banknotes selection in accordance with Schedule 2;
  - (b) Banknote Lodgement Reports for the Sampled Month have not been provided by the Participant or any other Distribution Participant in accordance with clause 14.1 of Schedule 14; or



- 
- (c) the Reserve Bank determines (in its absolute discretion) that further time is required in order to enable it to verify the NQRS Statement.
- 11.34 Where clause 11.33(b) or clause 11.33(c) applies, the Reserve Bank will notify the Participant and endeavour to provide the Participant with the NQRS Statement as soon as practicable after giving notice under this clause.
- 11.35 If the net amount stated in an NQRS Statement is a credit, the Participant must, within 10 Business Days of receiving the NQRS Statement, provide the Reserve Bank with a tax invoice in respect of the net amount payable by the Reserve Bank.
- 11.36 The Reserve Bank will pay the amount in a tax invoice issued in accordance with clause 11.35 via direct entry or Approved Payment within 10 Business Days of receiving that tax invoice from the Participant.
- 11.37 If the net amount stated in an NQRS Statement is a debit, the Participant will pay that amount to the Reserve Bank via direct entry or Approved Payment, within 10 Business Days of receiving the NQRS Statement.

**SCHEDULE 11A – NOTE QUALITY REWARD SCHEME**

- 11.1 A Quality Score of between 1 and 7.9 results in a performance payment.
- 11.2 A Quality Score of 8 or 0 (zero) results in no performance payment.
- 11.3 The process for calculating Quality Scores will be based on the Reserve Bank’s application of the following principles:
- (a) Sampling Banknotes will be selected according to Schedule 9 and the BD Procedures (Chapter 7);
  - (b) Sampled Banknotes from VCH will be Cleared to a Reserve Bank Distribution Site in accordance with Schedule 2;
  - (c) Sampling Banknotes will be processed by the Reserve Bank and a Banknote Category Score assessed in accordance with Schedule 10A; and
  - (d) a Quality Score will be calculated based on the worst 20 per cent of Category Scores of VCH Sampling Banknotes, by denomination, at each Channel in each ACC.

**Maximum Performance Payments**

- 11.4 The maximum aggregate performance payment in a Financial Year will be \$18 million per annum across all Distribution Participants and all ACCs.

**Performance Payments**

- 11.5 The table below shows the Financial Year performance payment amounts across all Distribution Participants and across all denominations, corresponding to a range of Quality Scores.

Quality Score	Performance Payment (\$)
1.0	\$18,000,000
1.1	\$17,742,857
1.2	\$17,485,714
1.3	\$17,228,571
1.4	\$16,971,429
1.5	\$16,714,286
1.6	\$16,457,143
1.7	\$16,200,000
1.8	\$15,942,857
1.9	\$15,685,714
2.0	\$15,428,571
2.1	\$15,171,429
2.2	\$14,914,286
2.3	\$14,657,143
2.4	\$14,400,000
2.5	\$14,142,857
2.6	\$13,885,714



Quality Score	Performance Payment (\$)
2.7	\$13,628,571
2.8	\$13,371,429
2.9	\$13,114,286
3.0	\$12,857,143
3.1	\$12,600,000
3.2	\$12,342,857
3.3	\$12,085,714
3.4	\$11,828,571
3.5	\$11,571,429
3.6	\$11,314,286
3.7	\$11,057,143
3.8	\$10,800,000
3.9	\$10,542,857
4.0	\$10,285,714
4.1	\$10,028,571
4.2	\$9,771,429
4.3	\$9,514,286
4.4	\$9,257,143
4.5	\$9,000,000
4.6	\$8,742,857
4.7	\$8,485,714
4.8	\$8,228,571
4.9	\$7,971,429
5.0	\$7,714,286
5.1	\$7,457,143
5.2	\$7,200,000
5.3	\$6,942,857
5.4	\$6,685,714
5.5	\$6,428,571
5.6	\$6,171,429
5.7	\$5,914,286
5.8	\$5,657,143
5.9	\$5,400,000
6.0	\$5,142,857
6.1	\$4,885,714
6.2	\$4,628,571



Quality Score	Performance Payment (\$)
6.3	\$4,371,429
6.4	\$4,114,286
6.5	\$3,857,143
6.6	\$3,600,000
6.7	\$3,342,857
6.8	\$3,085,714
6.9	\$2,828,571
7.0	\$2,571,429
7.1	\$2,314,286
7.2	\$2,057,143
7.3	\$1,800,000
7.4	\$1,542,857
7.5	\$1,285,714
7.6	\$1,028,571
7.7	\$771,429
7.8	\$514,286
7.9	\$257,143
8.0	\$0
0.0	\$0

### Lodgement Data

11.6 Fit Banknote Lodgements at any time refers to Banknotes which are at that time:

- (a) Fitness Sorted by the Participant, determined by the Participant to be Fit Banknotes, and transported by an ACCO from a branch of the Participant to an ACC where they are recorded as fit VCH; or
- (b) collected by an ACCO, and subsequently Fitness Sorted by an ACCO at an ACC as Fit Banknotes where they are recorded as fit VCH;

but does not refer to:

- (c) movements of Fit Banknotes between ACCs; or
- (d) Banknotes Replenished under Schedule 1.

For the purposes of this clause 11.6, where the Participant and the ACCO are the same legal entity, the Banknotes will be taken to have been Fitness Sorted by the ACCO.

11.7 Unfit Banknote Lodgements at any time refers to Banknotes which are at that time:

- (a) Fitness Sorted by the Participant, determined by the Participant to be Unfit, and transported by an ACCO from a branch of the Participant to an ACC where they are classed as unfit VCH; or
- (b) collected by an ACCO, and subsequently Fitness Sorted by an ACCO at an ACC as Unfit where they are recorded as Unfit VCH;



but does not refer to movements of Unfit Banknotes between ACCs.

For the purposes of this clause 11.7, where the Participant and the ACCO are the same legal entity, the Banknotes will be taken to have been Fitness Sorted by the ACCO.

- 11.8 The Participant acknowledges its critical obligation to provide a true and correct Banknote Lodgement Report to the Reserve Bank and acknowledges that if any data element in a Banknote Lodgement Report is wrong, it may lead to the Reserve Bank making payments to the Participant that the Participant is not entitled to under the BDF Documents.
- 11.9 A Banknote Lodgement Reporting Error will have occurred if, following the Reserve Bank making a payment to the Participant under clause 11.33 of this Schedule 11A, any element of a Banknote Lodgement Report that the Reserve Bank used to calculate that payment is found (by any means) to be incorrect.
- 11.10 The Participant will ensure that if it, or its ACCO, becomes aware that any data element in a Banknote Lodgement Report is not true and correct:
- (a) a Participant Officer will notify the Reserve Bank in writing within five Business Days of the error being detected by, or brought to the attention of, the Participant, outlining the nature of the error, and the estimated impact on Lodgements; and
  - (b) the Participant will provide a revised Banknote Lodgement Report, within a further 15 Business Days.

If the Participant does not provide a revised Banknote Lodgement Report by the date specified in clause 11.10(b) of this Schedule 11A, the Reserve Bank will have no obligation to pay performance payments to that Participant in accordance with this Schedule 11A, until the revised Banknote Lodgement Report is supplied.

- 11.11 Within 20 Business Days of each Banknote Lodgement Reporting Error, a Participant Officer (Contact Level A) must provide an Incident Report to the Reserve Bank that, subject to clause 11.13 of this Schedule 11A, includes but is not limited to:
- (a) background to the Banknote Lodgement Reporting Error;
  - (b) details of the Banknote Lodgement Reporting Error;
  - (c) a discussion on procedural adherence by the Participant and its ACCO; and
  - (d) an action plan for mitigating the risk of further Banknote Lodgement Reporting Errors occurring.
- 11.12 If an Incident Report in accordance with clause 11.11 of this Schedule 11A is not received by the Reserve Bank within 20 Business Days of a Banknote Lodgement Reporting Error, then the Reserve Bank will have no obligation to allow Clearances in respect of the Participant to proceed until the Incident Report is provided.
- 11.13 If a Banknote Lodgement Reporting Error is discovered by the External Auditor, the Participant (Contact Level A) is required to provide an Incident Report that covers any issues referred to in clause 11.11 of this Schedule 11A that are not included in the audit report.
- 11.14 Within 20 Business Days of receiving the Incident Report provided by the Participant in accordance with clause 11.11 of this Schedule 11A, a Reserve Bank Officer (Contact Level A) will provide a written notice to the Participant detailing any fees and conditions as contemplated in clause 11.15 of this Schedule 11A that will be imposed on the Participant as a result of Banknote Lodgement Reporting Error.



11.15 The Participant will pay a fee imposed by the Reserve Bank in respect of each Banknote Lodgement Reporting Error within 10 Business Days of the date of the notice given by the Reserve Bank in accordance with clause 11.14 of this Schedule 11A. The fee payable in respect of each Banknote Lodgement Reporting Error will be calculated as follows:

$$\text{Banknote Lodgement Reporting Error Fee} = x^{0.5} \times z$$

x is the number of Banknote Lodgement Reporting Errors in a Banknote Lodgement Report for the relevant Calendar Month

z is the Banknote Lodgement Reporting Error Base Fee specified in Schedule 15

11.16 Notwithstanding clauses 11.14 and 11.15, the fee payable by the Participant in relation to a specific Banknote Lodgement Reporting Error that occurs in multiple Banknote Lodgement Reports during one or more Calendar Months will be the lower of:

- (a) the aggregate fee calculated under clause 11.15 in respect of each occurrence of that Banknote Lodgement Reporting Error; and
- (b) such amounts as may be determined by the Reserve Bank (in its absolute discretion) and notified to the Participant (Contact Level B) as representing the costs incurred by the Reserve Bank arising out of, or in connection with, actions taken by it with respect to that Banknote Lodgement Reporting Error.

### Calculation Process

11.17 The process for the calculation of performance payments will be based on the Reserve Bank's application of the following principles:

- (a) each month, Distribution Participants will be allocated a share of the maximum aggregate Financial Year performance payment (referred to in clause 11.4 of this Schedule 11A);
- (b) this share of the maximum aggregate annual performance payment will be allocated based on a monthly exposure for each Channel, ACC and denomination, calculated as follows:
  - (i) an ACC's annual exposure to the maximum aggregate performance payment will be calculated based on the ACC Lodgements over the previous 12 months and any applicable ACC floor determined in accordance with clause 11.18 of this Schedule 11A;
  - (ii) each ACC's monthly exposure to the maximum aggregate performance payment will then be calculated based on the ACC's monthly Lodgements as a proportion of annual Lodgements for each ACC;
  - (iii) a weighting will then be applied to each denomination's exposure to the maximum aggregate performance payment, based on the ACC's Lodgements or any adjusted denominational weighting applied by the Reserve Bank under clause 11.20 of this Schedule 11A; and
  - (iv) the monthly denominational exposure determined under clause 11.17(b)(iii) of this Schedule 11A will then be allocated by Channel, based on the Lodgement shares for each Channel at each ACC;
- (c) the allocated share of the maximum Financial Year aggregate performance payment determined in accordance with clause 11.17(b) will be scaled according to the table in clause 11.5 of this Schedule 11A, based on the applied Quality Score (calculated in accordance with clause 11.3 of this Schedule 11A);





- (d) if no new Quality Score data are available in relation to a month (**Base Month**), then:
- (i) the Quality Score data applied under clause 11.17(c) in relation to the preceding month will be carried forward and applied for the Base Month and each month after the Base Month until the earlier of:
    - (A) the month in relation to which new Quality Score data is available; and
    - (B) the last Business Day of the 11th month after the Base Month (**Maximum QS Carry Forward Month**); and
  - (ii) if new Quality Score data are not available by the date referred to in clause 11.17(d)(i)(B), a Quality Score of 0 will be applied under clause 11.17(c) in relation to each month following the Maximum QS Carry Forward Month, unless the Reserve Bank (Contact Level A), following consultation with the Participant, informs the Participant that the Maximum QS Carry Forward Month is extended to a later month; and
- (e) if no previous Quality Score data are available in relation to an ACC for a month then a Quality Score of 0 will be applied.

#### ACC Floor

- 11.18 If all Sampled Banknotes at an ACC have a Category Score of 1, as defined in Schedule 10A, the minimum aggregate annual performance payment available to Distribution Participants at that ACC in a Financial Year will be \$75,000.

#### Denomination Weighting

- 11.19 The Reserve Bank may apply an adjusted weighting for each denomination's exposure to the maximum aggregate performance payment for the purposes of the calculation process outlined in clause 11.17(b)(iii) of this Schedule 11A. The adjusted weighting will be a fixed percentage which will be applied instead of the weighting which would otherwise apply to the nominated denomination if it were determined by reference to an ACC's Lodgements of that denomination.
- 11.20 Subject to clause 11.22 of this Schedule 11A, for the purposes of clause 11.19 the adjusted weighting is as follows:

Denomination	Adjusted Weighting
\$5	15%
\$10	15%
\$20	20%
\$50	45%
\$100	5%

- 11.21 If the Reserve Bank decides to apply an adjusted denominational weighting under clause 11.19 of this Schedule 11A, it will provide at least three Calendar Months' prior written notice to a Participant Officer (Contact Level A).
- 11.22 The Reserve Bank may remove any adjusted denominational weighting applied under clause 11.19 of this Schedule 11A by providing three Calendar Months' written notice to a Participant Officer (Contact Level A).



### Additional Sampling of an ACC

- 11.23 The Participant (Contact Level B) may request a resample of an ACC, if:
- (a) a change had been made at the relevant ACC during the course of the month during which the Sampling occurred, that the Participant would have expected to yield a better Quality Score; or
  - (b) a Quality Score is inconsistent or out of line with the Participant's expectations.
- 11.24 The Participant (Contact Level B) will need to justify the request in writing to the Reserve Bank Officer and pay the VCH Resampling Fee detailed in, or notified in accordance with, Schedule 15. The Reserve Bank will use its best endeavours to resample the ACC within the two Calendar Months following the Participant's request.

### Fitness Sorting Failure

- 11.25 The Reserve Bank (Contact Level B) will notify a Participant Officer in writing (Contact Level B) when a Quality Score of 7 or worse has occurred, with details of the ACC, Channel and denomination involved (**Initial Failure Notice**), no later than 90 Calendar Days after the date when the relevant Banknotes were Sampled (the **Initial Failure Sampling Date**).
- 11.26 If the Reserve Bank conducts another VCH Sampling visit (**Subsequent Sampling**) at an ACC the subject of an Initial Failure Notice at any time during the period from the Initial Failure Sampling Date to the date 30 Calendar Days after the date the Participant receives the Initial Failure Notice (the **Remedy Period**), it will:
- (a) for the Subsequent Sampling disregard the Quality Score for the denomination and Channel of Banknotes that were the subject of the Initial Failure Notice; and
  - (b) for the purpose of calculating any performance payment in respect of that Subsequent Sampling under clause 11.17 of this Schedule 11A, apply instead the Quality Score for that denomination and Channel of Banknotes at that ACC that applied for the Sampling on the Initial Failure Sampling Date.
- 11.27 A Fitness Sorting Failure will have occurred when there is an Initial Failure Notice and then a Quality Score of 7 or worse for the same denomination and Channel at the same ACC in the first Sampling that occurs at that ACC after the end of the relevant Remedy Period (the date of that Sampling being the **Second Failure Sampling Date**). The Reserve Bank (Contact Level B) will notify the Participant in writing (Contact Level B) when this occurs (**Fitness Sorting Failure Notice**), no later than 90 Calendar Days after the Second Failure Sampling Date.
- 11.28 If a Fitness Sorting Failure occurs then the Participant (Contact Level A) will within 20 Business Days of receipt by the Participant of the Fitness Sorting Failure Notice provide the Reserve Bank with a written action plan, signed by a Participant Officer, that will demonstrate how the Participant will end the Fitness Sorting Failure (that is, put itself in a position to achieve a Quality Score at the same ACC for the same denomination and the same Channel of better than 6) within four Calendar Months of the receipt by the Reserve Bank of the action plan. If the action plan:
- (a) is not received by the Reserve Bank within the deadline; or
  - (b) is not implemented, or is implemented but fails to resolve the Fitness Sorting Failure within four Calendar Months of the receipt by the Reserve Bank of the action plan, then the Reserve Bank:
  - (c) will include these details on the Report to the Executive General Manager or Participant Officer (Contact Level A) in accordance with clause 10.4; and



(d) will have no obligation to allow Clearances in respect of that Participant to proceed.

11.29 For the avoidance of doubt, the provisions of clause 11.17(d) apply in relation to an ACC referred to in a Fitness Sorting Failure Notice issued by the Reserve Bank.

#### **Payment of Note Quality Reward Scheme Performance Payments**

11.30 The Reserve Bank (Contact Level C) will notify the Participant in writing (**NQRS Statement**) of the amount of the performance payments for a Calendar Month (**Sampled Month**) by the 10th Business Day of the second Calendar Month following the Sampled Month, unless:

- (a) the Sampled Banknotes have not been Cleared to a Reserve Bank Distribution Site by the 10th Business Day of the Calendar Month following the Sampled Banknotes selection in accordance with Schedule 2;
- (b) Banknote Lodgement Reports for the Sampled Month have not been provided by the Participant or any other Distribution Participant in accordance with clause 14.1 of Schedule 14; or
- (c) the Reserve Bank determines (in its absolute discretion) that further time is required in order to enable it to verify the NQRS Statement.

11.31 Where clause 11.30(b) or clause 11.30(c) applies, the Reserve Bank will notify the Participant and endeavour to provide the Participant with the NQRS Statement as soon as practicable after giving notice under this clause.

11.32 If the amount stated in an NQRS Statement is a credit, the Participant must, within 10 Business Days of receiving the NQRS Statement, provide the Reserve Bank with a tax invoice in respect of the amount payable by the Reserve Bank.

11.33 The Reserve Bank will pay the amount in a tax invoice issued in accordance with clause 11.32 via direct entry or Approved Payment within 10 Business Days of receiving that tax invoice from the Participant.



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**SCHEDULE 12 - VERIFIED CASH HOLDINGS**

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12.1 Verified Cash Holdings at any time refers to Banknotes which at that time are:

- (a) Banknotes that the Participant has title to;
- (b) stored in an ACC;
- (c) if that time is 4:00 am (local time) at the ACC where Banknotes are physically stored, recorded and reconciled (and subsequently reported in a Daily VCH Report) as stored at that ACC at that time;
- (d) Fitness Sorted;
- (e) not Incomplete Banknotes and not Badly Damaged/Contaminated Banknotes;
- (f) available for Sampling by the Reserve Bank at the ACC where Banknotes are physically stored and, if Sampled, able to be Cleared by the ACCO that operates the ACC to the Reserve Bank in accordance with Schedule 2; and
- (g) available for audit by the External Auditor.

Verified Cash Holdings recorded at 4:00 am on a VCH Reporting Day are regarded as the Verified Cash Holdings for the previous VCH Reporting Day.

**VCH Reporting**

12.2 The Participant acknowledges its critical obligation to provide a true and correct Daily VCH Report in relation to each VCH Reporting Day to the Reserve Bank and acknowledges that if any data element in a Daily VCH Report is wrong, it may lead to the Reserve Bank making payments to the Participant that the Participant is not entitled to under the BDF Documents.

12.3 The Participant (Contact Level C) must:

- (a) provide the Reserve Bank with reconciled, true and correct details of its VCH at 4:00 am (local time) at the ACC where the VCH is physically stored each VCH Reporting Day, using the Daily VCH Report; and
- (b) ensure that within 10 Business Days of the start of each Calendar Month, it has provided the Reserve Bank with the Daily VCH Report referred to in clause 12.3(a) in relation to each VCH Reporting Day in the immediately preceding Calendar Month and the first VCH Reporting Day of the current Calendar Month (**Daily VCH Report Deadline**); and
- (c) within 15 Business Days of the Daily VCH Report Deadline, provide the Reserve Bank with the following:
  - (i) written confirmation (in such form as the Reserve Bank may determine from time to time) that data included in each Daily VCH Report provided by the Participant in relation to the preceding Calendar Month and the first VCH Reporting Day of the current Calendar Month is true and correct in all particulars; and
  - (ii) an invoice for the VCH Interest Payment payable by the Reserve Bank to the Participant in relation to the immediately preceding Calendar Month and the first VCH Reporting Day of the current Calendar Month calculated in accordance with Schedule 13,

the date that the Reserve Bank receives the information specified in paragraphs (i) and (ii) above being the **Confirmation and Invoice Date**; and



- (d) acknowledges that the Reserve Bank is not required to calculate or notify the Participant of the VCH Interest Payment payable before the Participant provides the invoice referred to in clause 12.3(c)(ii) of this Schedule 12.

#### **VCH Reconciliation**

- 12.4 The Participant must ensure that all of its reconciliation processes, and its ACCOs' reconciliation processes, involving a Daily VCH Report in respect of any VCH Reporting Day are completed before the Daily VCH Report in respect of that VCH Reporting Day is provided to the Reserve Bank.

#### **Incorrect VCH Reporting**

- 12.5 The Participant will ensure that if it, or any of its ACCOs, becomes aware that any data element in the Daily VCH Report is not true and correct:
- (a) a Participant Officer (Contact Level A) will notify the Reserve Bank within five Business Days of the error being detected by, or brought to the attention of, the Participant, outlining the nature of the error, and the estimated impact on VCH; and
  - (b) the Participant (Contact Level C) will provide the Reserve Bank with a revised Daily VCH Report, within a further 15 Business Days.
- 12.6 The Reserve Bank will use the revised Daily VCH Report supplied by the Participant in accordance with clause 12.5 of this Schedule 12 to recalculate the VCH Interest Payment affected by the revised Daily VCH Report.
- 12.7 If the revised Daily VCH Report relates to a Calendar Day in a Calendar Month that has been the subject of a VCH Interest Payment, the Reserve Bank (Contact Level A) will notify the Participant of the amount of any excess or shortfall in the VCH Interest Payment that has been paid or is due (as appropriate), and:
- (a) any excess VCH Interest Payment will be paid by the Participant by Approved Payment to the Reserve Bank's Nominated Account; and
  - (b) any shortfall VCH Interest Payment will be paid by the Reserve Bank by Approved Payment to the Participant's Nominated Account,
- within 10 Business Days of the date of the notice issued by the Reserve Bank under this clause 12.7.

#### **VCH Reporting Errors**

- 12.8 Subject to clause 12.10 of this Schedule 12, a VCH Reporting Error will have occurred if any element of a Daily VCH Report that the Reserve Bank used to calculate a VCH Interest Payment in relation to a Calendar Month in accordance with Schedule 13 is found (by any means) to be incorrect at any time after the Confirmation and Invoice Date.
- 12.9 The Participant acknowledges the serious nature of VCH Reporting Errors and the financial impact that any wrong element of a Daily VCH Report has on the Reserve Bank.
- 12.10 If an element of data in consecutive Daily VCH Reports which relate to days within the same Calendar Month and are used to calculate the same VCH Interest Payment are found, at any time after the Confirmation and Invoice Date to be incorrect in the same amount in relation to the same denomination and the same ACC, then only one VCH Reporting Error will be deemed to have occurred.



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- 12.11 Subject to clause 12.10 of this Schedule 12, each element of each Daily VCH Report that is incorrect will be a separate VCH Reporting Error.
- 12.12 Within 20 Business Days of each VCH Reporting Error, the Participant (Contact Level A) must provide a written Incident Report to the Reserve Bank, that as a minimum includes:
- (a) background to the VCH Reporting Error;
  - (b) details of the VCH Reporting Error;
  - (c) a discussion on procedural adherence by the Participant and its ACCO; and
  - (d) an action plan for mitigating the risk of further VCH Reporting Errors occurring.
- 12.13 If an Incident Report in accordance with clause 12.12 of this Schedule 12 is not received by the Reserve Bank within 20 Business Days, then the Reserve Bank will have no obligation to allow Clearances in respect of the Participant to proceed until the Incident Report is provided.
- 12.14 If the VCH Reporting Error is discovered by the External Auditor, the Participant (Contact Level A) is required to provide an Incident Report that covers any issues in clause 12.12 of this Schedule 12 that are not included in the audit report.
- 12.15 Within 20 Business Days of receiving the Incident Report provided by the Participant in accordance with clause 12.12 of this Schedule 12, the Reserve Bank (Contact Level A) will provide a written response to the Participant commenting on the VCH Reporting Error and the Incident Report, and notifying the Participant of any fees as contemplated in clause 12.16 of this Schedule 12 that will be imposed on the Participant as a result of the VCH Reporting Error.

#### **Fees Following VCH Reporting Errors**

- 12.16 The Participant will pay any fee imposed by the Reserve Bank for and in respect of a VCH Reporting Error within 10 Business Days of the date of the notice given by the Reserve Bank in accordance with clause 12.15 of this Schedule 12. The fee payable in respect of each VCH Reporting Error will be calculated as follows:

$$\text{VCH Reporting Error Fee} = x^{0.5} \times z$$

*x* is the number of VCH Reporting Errors in the Daily VCH Reports for the relevant Calendar Month

*z* is the VCH Reporting Error Base Fee specified in Schedule 15.

- 12.17 If more than one VCH Reporting Error occurs, each VCH Reporting Error will incur the applicable fee outlined in clause 12.16 of this Schedule 12 and each of these fees is a separate and independent obligation.
- 12.18 Notwithstanding clauses 12.16 and 12.17, the fee payable by the Participant in relation to a specific VCH Reporting Error that occurs in multiple Daily VCH Reports during one or more Calendar Months will be the lower of:
- (a) the aggregate fee calculated under clause 12.17 in respect of each occurrence of that VCH Reporting Error; and
  - (b) such amounts as may be determined by the Reserve Bank (in its absolute discretion) and notified to the Participant (Contact Level B) as representing the costs incurred by the Reserve Bank arising out, of or in connection with, actions taken by it with respect to that VCH Reporting Error.



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**SCHEDULE 13 - VCH INTEREST PAYMENT**

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- 13.1 The Reserve Bank will pay the VCH Interest Payment on VCH.
- 13.2 The VCH Interest Payment will be calculated:
- (a) each Calendar Day over a Calendar Month;
  - (b) using VCH at each ACC and for each denomination included in a Daily VCH Report; and
  - (c) separately for Fit Banknotes, Unfit Banknotes (which for the purpose of this Schedule 13 includes Superseded Banknotes) and Sampling Banknotes.
- 13.3 Incomplete Banknotes and Badly Damaged/Contaminated Banknotes are not eligible for a VCH Interest Payment.

**Calculation of the VCH Interest Payment for Fit Banknotes**

- 13.4 For Fit Banknotes which are VCH:

$I$  is the ESA Rate

VCH is the amount of Fit Banknotes reported on the relevant Daily VCH Report

- 13.5 For each Calendar Day, calculate the VCH Interest Payment using the following methodology:

$$\text{VCH Interest Payment} = \text{VCH} \times \frac{I}{100} \times \frac{1}{365}$$

**Calculation of the Unfit Banknote VCH Interest Payment**

- 13.6 For Unfit Banknotes:

$I$  is the ESA Rate

Unfit is the amount of Unfit Banknotes reported on the relevant Daily VCH Report

- 13.7 For each Calendar Day, calculate the Unfit Banknote VCH Interest Payment using the following methodology:

$$\text{VCH Interest Payment} = \text{Unfit} \times \frac{I}{100} \times \frac{1}{365}$$

**Calculation of the Sampled Banknotes VCH Interest Payment**

- 13.8 The Reserve Bank will provide the Participant with a Participant Sampling Report, detailing Banknotes that have been Sampled in that Calendar Month, that are eligible for the same Calendar Month's VCH Interest Payment in accordance with clause 13.9 of this Schedule 13.

- 13.9 For VCH Sampling Banknotes:

$I$  is the ESA Rate

Sampling is the amount of the Sampled Banknotes reported on the relevant Participant Sampling Report

- 13.10 For each Calendar Day between the selection of Banknotes for Banknote Sampling at an ACC in accordance with Schedule 9, and the Calendar Day before the Sampling Banknotes are Cleared to a Reserve Bank Distribution Site in accordance with Schedule 2, calculate the Sampled Banknotes VCH Interest Payment using the following methodology:



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$$\text{VCH Interest Payment} = \text{Sampling} \times \frac{I}{100} \times \frac{1}{365}$$

**Payment of VCH Interest Payment**

- 13.11 Subject to clauses 13.12 to 13.14 (inclusive) of this Schedule 13, the Reserve Bank will pay the VCH Interest Payment for a Calendar Month to the Participant by Approved Payment, by the 10th Business Day after the Confirmation and Invoice Date in relation to that Calendar Month.
- 13.12 Within five Business Days after the Confirmation and Invoice Date, the Reserve Bank will provide the Participant with written notice of any error or inaccuracy in the invoice provided by the Participant in accordance with clause 12.3(c)(ii) of Schedule 12.
- 13.13 The Participant will provide the Reserve Bank with a correct invoice (the **Updated VCH Invoice**) within five Business Days of the date of any notice provided by the Reserve Bank under clause 13.12 and the Reserve Bank will pay the VCH Interest Payment for the relevant Calendar Month within 10 Business Days of receiving the Updated VCH Invoice in accordance with this clause 13.13.
- 13.14 The Reserve Bank has no obligation to pay the VCH Interest Payment unless the Participant provides the following:
- (a) any Daily VCH Report required for the Reserve Bank to pay the VCH Interest Payment in accordance with clause 13.11 of this Schedule 13 and the confirmation and invoice referred to in clause 12.3(c)(i) and clause 12.3(c)(ii) of Schedule 12; and
  - (b) if the Reserve Bank issues a notice to the Participant under clause 13.12 of Schedule 13, an Updated VCH Invoice in accordance with clause 13.13.



**SCHEDULE 14 - REPORTS****Reports and Data Provided by the Participant**

14.1 The Participant must provide to the Reserve Bank true and correct reports and data in the form prescribed by the Reserve Bank from time to time and as set out in the table below, unless otherwise agreed by the Reserve Bank:

<b>Name</b>	<b>Description</b>	<b>Data Timing</b>	<b>Deadline for Submission of Report to Reserve Bank</b>
Daily VCH Report	Daily VCH data, by ACC and by denomination and by Fit and Unfit	4:00 am (local time at the ACC) each VCH Reporting Day	Within 10 Business Days of the start of the next Calendar Month
Banknote Lodgement Report	Fit and Unfit Daily Banknote Lodgements by ACC, denomination and Channel	4:00 am (local time at the ACC) each ACC Business Day	Within 10 Business Days of the start of the next Calendar Month
ACC Banknote Flows Report	Fit and Unfit Banknotes transported between ACCs by denomination	4:00 am (local time at the ACC) each ACC Business Day	Within 10 Business Days of the start of the next Calendar Month
Banknote Trading Report	Daily Banknote trades undertaken with other entities	Each trade during a Calendar Month	Within 10 Business Days of the start of the next Calendar Month
Customer Outflows (Banknotes which: <ul style="list-style-type: none"> <li>had been classified by the Participant as Fit Banknotes and stored as VCH; and</li> <li>are delivered from an ACC to another entity where the Banknotes are no longer VCH (for example, to customers, ATMs and Bank Branches) but not to another ACC or to a Reserve Bank Distribution Site)</li> </ul>	Daily Customer Outflow data by ACC, by denomination and Channel	4:00 am (local time at the ACC) each ACC Business Day	Within 10 Business Days of the start of the next Calendar Month

14.2 The Participant must provide the reports and data required in clause 14.1 of this Schedule 14 and in accordance with the BD Procedures (Chapter 8).

14.3 For all reports apart from the Daily VCH Report, if reports and data are not provided within two Business Days of the relevant deadline for submission in accordance with this Schedule 14, then the Reserve Bank has no obligation to allow Clearances in respect of that Participant to proceed until the reports and data are provided.

14.4 For all reports apart from the Daily VCH Report and the Banknote Lodgement Report, (in relation to which express provisions elsewhere in these BDTCs deal with errors) the Participant



will ensure that if it, or any of its ACCOs, becomes aware that any data element in a report is not true and correct:

- (a) the Participant notifies the Reserve Bank in writing signed by a Participant Officer or Authorised Agent Signatory within five Business Days of the error being detected by, or brought to the attention of, the Participant, outlining the nature of the error;
- (b) the Participant provides a revised report, within a further 15 Business Days; and
- (c) if the Participant does not provide a revised report by the date specified in clause 14.4(b) of this Schedule 14, then the Reserve Bank will have no obligation to allow Clearances in respect of that Participant to proceed until the revised report is provided.

14.5 The Reserve Bank will provide the Participant with at least two Calendar Months' prior written notice of any material change to the content and/or formats of reports and data to be provided by the Participant.

#### Reports Provided by the Reserve Bank

14.6 Subject to clause 14.7 of this Schedule 14, the Reserve Bank (Contact Level C) will provide reports and data to the Participant as set out in the table below:

Name	Description	Data Timing	Deadline for Submission of Report by the Reserve Bank
Fit-in-Unfit Report	The quantity of Category Score 1 Banknotes in Unfit Banknotes processed by the Reserve Bank as per Schedule 10	Fit-in-Unfit data by ACCO and by ACC	5:00 pm on the second Business Day of the next calendar week
Discrepancy Report	Information on:  (a) the total number of Discrepancies and the Participant's proportion of those Discrepancies by ACCO over a Calendar Month; and  (b) the total amount of Discrepancy Fees payable by the Participant in relation to that Calendar Month.	A Calendar Month's Discrepancies	Within 10 Business Days of the start of the next Calendar Month



Name	Description	Data Timing	Deadline for Submission of Report by the Reserve Bank
Unfit Packaging Errors Report	Information on:  (a) the total number of Unfit Packaging Errors and the Participant's proportion of those Unfit Packaging Errors by ACCO over a Calendar Month; and  (b) the total amount of Unfit Packaging Error Fees payable by the Participant in relation to that Calendar Month	A Calendar Month's Unfit Packaging Errors	Within 10 Business Days of the start of the next Calendar Month
Banknote Sampling Quality Report	Detailed Quality Score data	Information on Quality Scores by denomination and ACC for a Calendar Month	Within 10 Business Days of the start of the second Calendar Month following the Sampled Month
Participant Sampling Report	Information on the Sampling from the Participant's VCH	Cumulative details of each ACC Sampled during a calendar week	5:00 pm on the first Business Day of the next calendar week
Banknote Exchange Program Status Report	Information on the progress of Banknote Exchange Program	Actual Clearances and Replenishments compared to Target Volume over the past two calendar weeks	Fortnightly during a Banknote Exchange Program

- 14.7 In the event of a Contingency affecting the ability of the Reserve Bank to provide the reports and data to the Participant set out in clause 14.6 in accordance with that clause, the Participant agrees that the Reserve Bank (Contact Level C) may extend a deadline specified in clause 14.6 of this Schedule 14 for the submission of a report.
- 14.8 The Reserve Bank will provide the Participant with at least two Calendar Months' prior written notice of any material change to the content and/or formats of reports and data to be provided by the Reserve Bank.

**SCHEDULE 15 - FEES AND CHARGES**

15.1 Without limiting any other provision of the BDF Documents, the Participant will pay the fees and charges set out below, or notified to the Participant in accordance with clause 15.2 of this Schedule 15.

Fee	Reference	Amount
Unfit Packaging Error Fee	Schedule 18	Calculated in accordance with clause 18.3 of Schedule 18, and apportioned among the Distribution Participants in accordance with Schedule 18, where the Unfit Packaging Error Base Fee is \$10
Access Fee	Clause 5.5 of Schedule 5	\$580 for each access request referred to in clause 5.5 of Schedule 5, apportioned equally among the Distribution Participants requesting access
Token Fee	Chapter 5 of the BD Procedures	At cost
Incorrect Use of a Reserve Bank Container Fee	Clauses 6.3, 6.4 and 6.8 of Schedule 6	\$340 per Reserve Bank Container, apportioned equally among the Distribution Participants with VCH at the ACC where and when the Reserve Bank Container was used other than in accordance with clause 6.3 or not returned in accordance with clauses 6.4 or 6.8 of Schedule 6
Incorrect Use of a Lid Fee	Clauses 6.3, 6.4 and 6.8 of Schedule 6	\$165 per Lid, apportioned equally among the Distribution Participants with VCH at the ACC where and when the Lid was used other than in accordance with clause 6.3 or not returned in accordance with clauses 6.4 or 6.8 of Schedule 6
Incorrect Use of a Pallet Fee	Clauses 6.3, 6.4 and 6.8 of Schedule 6	\$95 per Pallet, apportioned equally among the Distribution Participants with VCH at the ACC where and when the Pallet was used other than in accordance with clause 6.3 or not returned in accordance with clauses 6.4 or 6.8 of Schedule 6



Fee	Reference	Amount
Damage to Reserve Bank Container Fee	Clause 6.12 of Schedule 6	<p>If the Reserve Bank Container contains Fit Banknotes, Unfit Banknotes, Sampling Banknotes or Banknote Exchange Program Banknotes: \$340 per Reserve Bank Container, apportioned equally among the Distribution Participants that have title to Banknotes in the Damaged Reserve Bank Container.</p> <p>If the Reserve Bank Container does not contain Banknotes: \$340 per Reserve Bank Container, apportioned equally among the Distribution Participants that have used the same ACCO to Clear Banknotes to the Reserve Bank over the previous 30 Calendar Days</p>
Damage to Lid Fee	Clause 6.12 of Schedule 6	<p>If the Reserve Bank Container accompanying the Lid contains Fit Banknotes, Unfit Banknotes, Sampling Banknotes or Banknote Exchange Program Banknotes: \$165 per Lid, apportioned equally among the Distribution Participants that have title to Banknotes in the Damaged Reserve Bank Container.</p> <p>If the Reserve Bank Container accompanying the Lid does not contain Banknotes: \$165 per Lid, apportioned equally among the Distribution Participants that have used the same ACCO to Clear Banknotes to the Reserve Bank over the previous 30 Calendar Days</p>
Damage to Pallet Fee	Clause 6.12 of Schedule 6	<p>If the Reserve Bank Container accompanying the Pallet contains Fit Banknotes, Unfit Banknotes, Sampling Banknotes or Banknote Exchange Program Banknotes: \$95 per Pallet, apportioned equally among the Distribution Participants that have title to Banknotes in the Damaged Reserve Bank Container.</p> <p>If the Reserve Bank Container accompanying the Pallet does not contain Banknotes: \$95 per Pallet, apportioned equally among the Distribution Participants that have used the same ACCO to Clear Banknotes to the Reserve Bank over the previous 30 Calendar Days</p>
Fit-in-Unfit Processing Fee	Schedule 16	Calculated in accordance with clause 16.5 of Schedule 16, and apportioned among the Distribution Participants in accordance with Schedule 16, where the Fit-in-Unfit Base Fee is \$115



Fee	Reference	Amount
Discrepancy Fees	Schedule 17	Calculated in accordance with clause 17.2 of Schedule 17, and apportioned among the Distribution Participants in accordance with Schedule 17, where:  <b>Discrepancy Base Fee: \$60</b>
		Each of the following is a 'Discrepancy Error':
		(a) either:  (i) a Carton; or  (ii) a TEP containing Sampled Banknotes,  has a Discrepancy comprising a surplus or shortage of Banknotes of the relevant said to contain denomination;
		(b) either:  (i) a Carton; or  (ii) a TEP containing Sampled Banknotes  contains one or more Banknotes of a denomination other than the relevant said to contain denomination (in this case, there is a Discrepancy Error for each incorrect denomination);
		(c) a Container has one or more Discrepancies comprising in aggregate a net Surplus or net Shortage of Banknotes of at least \$50,000;
		(d) either:  (i) a Carton; or  (ii) a TEP containing Sampled Banknotes,  contains one or more Incomplete Banknotes, Counterfeit Banknotes or Badly Damaged/Contaminated Banknotes of the relevant said to contain denomination or a denomination other than the relevant said to contain denomination;



Fee	Reference	Amount
		(e) a Carton contains any Badly Damaged/Contaminated Banknote that is contaminated, the contaminant is a substance other than mould and the contaminant is identified by a Distribution Officer before the TEP containing the Carton is opened (in this case there is one Discrepancy Error for the Carton);
		(f) a Carton contains any Badly Damaged/Contaminated Banknote that is contaminated, the contaminant is a substance other than mould and the contaminant is identified by a Distribution Officer after the TEP containing the Carton is opened (in this case there is one Discrepancy Error for each Contaminated Banknote in the Carton);
		(g) a Carton contains one or more Banknotes of the relevant said to contain denomination or a denomination other than the relevant said to contain denomination that are contaminated from mould.
		A Container or a Carton may have multiple Discrepancy Errors.
ACC Denial of Entry Fee	Clause 9.5 of Schedule 9	\$1,500 apportioned equally among the Distribution Participants with VCH at the ACC where and when the access denial occurred
VCH Resampling Fee	Clause 11.26 of Schedule 11	\$1,500
Banknote Lodgement Reporting Error Base Fee	Clause 11.16 of Schedule 11	Calculated in accordance with clause 11.16 of Schedule 11 where the Banknote Lodgement Reporting Error Base Fee is \$220
VCH Reporting Error Base Fee	Schedule 12	Calculated in accordance with clause 12.16 of Schedule 12 where the VCH Reporting Error Base Fee is \$220

15.2 The Reserve Bank will review the fees and amounts listed in this Schedule 15 annually, and may, by not less than 30 Calendar Days' prior written notice (Contact Level A), alter these fees with effect on 1 September each Calendar Year. The Reserve Bank will include in its notice information outlining the fee change. The review will take into account:



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- (a) **(Fit-in-unfit Base Fee)** the growth in processing costs; and
- (b) **(All other fees and amounts)** the annual growth in average weekly ordinary time earnings (AWOTE) as reported by the Australian Bureau of Statistics.
- 15.3 The payment of Fees and Charges must be effected promptly by the Participant by Approved Payment, and no later than five Business Days after receiving notification from the Reserve Bank (Contact Level C) of the Fees and Charges owed.





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**SCHEDULE 16 - FIT-IN-UNFIT PROCESSING FEES**

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- 16.1 A Fit-in-Unfit processing fee will be applied in accordance with this Schedule 16 when the quantity of Banknotes assigned a Category Score 1 under Schedule 10 that are included in Unfit Banknotes Cleared to the Reserve Bank by the Participant or its ACCO and processed by the Reserve Bank exceeds 10 per cent (**Threshold**).
- 16.2 Unfit Banknotes Cleared to the Reserve Bank may be processed by the Reserve Bank in accordance with Schedule 10.
- 16.3 Unfit Banknotes processed by the Reserve Bank will be categorised as either Participant Channel Unfit Banknotes or ACCO Channel Unfit Banknotes as follows:
- (a) if the Participant and the ACCO are separate legal entities, Participant Channel Unfit Banknotes will be those where the Depositor Identifier Card identifies the Participant as responsible for the Fitness Sorting of the Banknotes;
  - (b) if the Participant and the ACCO are separate legal entities, ACCO Channel Unfit Banknotes will be those where the Depositor Identifier Card identifies the ACC as responsible for the Fitness Sorting of the Banknotes; and
  - (c) if the Participant and the ACCO are the same legal entity, or if no Depositor Identifier Card is included with the Unfit Banknotes, the Reserve Bank will deem the Banknotes to have been Fitness Sorted by the Nominated ACC of the ACCO that Cleared the Banknotes to the Reserve Bank.

**Fit-in-Unfit Processing Fee**

- 16.4 The proportion of the Fit-in-Unfit processing fee payable by the Participant in respect of each Calendar Month will be calculated as detailed in clauses 16.5 and 16.6 of this Schedule 16.
- 16.5 The Fit-in-Unfit processing fee payable by all Distribution Participants will be calculated as follows:
- x*: The number of Category Score 1 Banknotes detected by the Reserve Bank for a particular Channel, Series and denomination in a given Calendar Month *m*, during processing.
  - y*: The total number of Unfit Banknotes processed by the Reserve Bank for that particular Channel, Series and denomination in the same Calendar Month *m*.
  - t*: The Threshold.
  - z*: The Fit-in-Unfit Base Fee, determined in accordance with clause 15.1 of Schedule 15.

**Methodology:**

- Step 1: Calculate the percentage ( $\rho$ ) of Category Score 1 Banknotes in Unfit Banknotes processed by the Reserve Bank for a particular Channel, Series and denomination.

$$\rho = (x / y) \times 100$$

- Step 2: Calculate the amount of the Fee.

$$\text{If } \rho \leq t: \quad \text{Fee} = 0$$

$$\text{If } \rho > t: \quad \text{Fee} = (x - [y \times t\%]) \times (z / 2000)$$

- 16.6 The Participant's proportion of the Fit-in-Unfit processing fee will be equal to its proportion of the total quantity of Unfit Banknotes of that particular Series Cleared to the Reserve Bank from the particular Channel in the relevant Calendar Month *m*. For the avoidance of doubt, the



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Participant's proportion of the Fit-in-Unfit processing fee will be 100 per cent where the Unfit Banknotes are categorised as Participant Channel in accordance with clause 16.3 of this Schedule 16.

- 16.7 The Participant will have an unconditional obligation to pay its proportion of the Fit-in-Unfit processing fee in accordance with clause 15.1 of Schedule 15.
- 16.8 The Reserve Bank may, at its absolute discretion and for any period of time, waive the Fit-in-Unfit processing fee payable by the Participant in respect of a particular denomination of a Series of Unfit Banknotes by providing written notice to the Participant (Contact Level A). The Reserve Bank's notice will specify the timing and duration of the waiver of the Fit-in-Unfit processing fee for that denomination of Banknotes in that Series. Subject to clause 4.10, any NNS Banknotes that are classified by the Participant as Unfit Banknotes and returned to the Reserve Bank as Unfit Banknotes pursuant to clause 4.9 will not attract the Fit-in-Unfit processing fee.



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**SCHEDULE 17 - DISCREPANCY FEE**

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- 17.1 For the purposes of this Schedule 17, Banknotes processed by the Reserve Bank will be categorised as either Participant Channel or ACCO Channel as follows:
- (a) if the Participant and the ACCO are separate legal entities, Participant Channel Banknotes will be those where the Depositor Identifier Card identifies the Participant as responsible for the Fitness Sorting of the Banknotes;
  - (b) if the Participant and the ACCO are separate legal entities, ACCO Channel Banknotes will be those where the Depositor Identifier Card identifies the ACC as responsible for the Fitness Sorting of the Banknotes; and
  - (c) if the Participant and the ACCO are the same legal entity, or if no Depositor Identifier Card is included with the Banknotes, the Reserve Bank will deem the Banknotes to have been Fitness Sorted by the Nominated ACC of the ACCO that Cleared Banknotes to the Reserve Bank.

**Discrepancy Fee**

- 17.2 For each Channel the amount of the Discrepancy Fee will be calculated as follows:

$$\text{Discrepancy Fee} = (x_{DE}^{0.8} \times z_{DE})$$

$x_{DE}$  is the total number of Discrepancy Errors (as defined in Schedule 15) detected in a given Calendar Month  $m$  during processing by the Reserve Bank of Banknotes Cleared to the Reserve Bank by all Distribution Participants.

$z_{DE}$  is the base fee for Discrepancy Errors determined in accordance with Schedule 15.

- 17.3 The Participant will pay the same proportion of the Discrepancy Fee as the proportion in which the Participant is obliged to contribute to the Shortage, or share in the Surplus, for the particular Channel to which the Discrepancy Fee relates. For the avoidance of doubt, the Participant's proportion of the Discrepancy Fee will be 100 per cent where the relevant Banknotes are categorised as Participant Channel in accordance with clause 17.1 of this Schedule 17.
- 17.4 The Participant will have an unconditional obligation to pay its proportion of the Discrepancy Fee in accordance with clause 15.1 of Schedule 15.



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**SCHEDULE 18 - UNFIT PACKAGING ERROR FEE**

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- 18.1 For the purposes of this Schedule 18, Unfit, Superseded and Banknote Exchange Program Banknotes processed by the Reserve Bank will be categorised as either Participant Channel or ACCO Channel as follows:
- (a) if the Participant and the ACCO are separate legal entities, Participant Channel Banknotes will be those where the Depositor Identifier Card identifies the Participant as responsible for the Fitness Sorting of the Banknotes;
  - (b) if the Participant and the ACCO are separate legal entities, ACCO Channel Banknotes will be those where the Depositor Identifier Card identifies the ACC as responsible for the Fitness Sorting of the Banknotes; and
  - (c) if the Participant and the ACCO are the same legal entity, or if no Depositor Identifier Card is included with the Banknotes, the Reserve Bank will deem the Banknotes to have been Fitness Sorted by the Nominated ACC of the ACCO that Cleared Banknotes to the Reserve Bank.
- 18.2 For each Carton of Unfit, Superseded and Banknote Exchange Program Banknotes processed by the Reserve Bank, the Reserve Bank will determine if there are any Unfit Packaging Errors.
- 18.3 The amount of the Unfit Packaging Error Fee payable by Distribution Participants whose Unfit, Superseded and Banknote Exchange Program Banknotes are Cleared to the Reserve Bank will be calculated as follows for each Channel:
- Unfit Packaging Error Fee =  $x^{0.8} \times z$
- x: The number of Unfit Packaging Errors of all Distribution Participants for a particular Channel detected in a given Calendar Month *m* during processing by the Reserve Bank of Unfit, Superseded and Banknote Exchange Program Banknotes Cleared to the Reserve Bank
  - z: The Unfit Packaging Error Base Fee, determined in accordance with clause 15.1 of Schedule 15.
- 18.4 The Participant's proportion of the Unfit Packaging Error Fee calculated under clause 18.3 of this Schedule 18 for a particular Channel will be equal to the Participant's proportion of the total quantity of Unfit, Superseded and Banknote Exchange Program Banknotes from that Channel Cleared to the Reserve Bank on behalf of one or more Distribution Participants including the Participant in the relevant Calendar Month *m*. For the avoidance of doubt, the Participant's proportion of the Unfit Packaging Error Fee will be 100 per cent where the Unfit, Superseded and Banknote Exchange Program Banknotes are categorised as Participant Channel in accordance with clause 18.1 of this Schedule 18.
- 18.5 The Participant will have an unconditional obligation to pay its proportion of the Unfit Packaging Error Fee in accordance with clause 15.1 of Schedule 15.



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**SCHEDULE 19 - BANKNOTE TRANSPORT RATES**

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**Banknote Transport Rate**

- 19.1 The Reserve Bank will compensate the Participant for the movement of:
- (a) The Participant's Unfit Banknotes in accordance with Schedule 2;
  - (b) Superseded Banknotes Cleared in accordance with clause 2.9 of Schedule 2;
  - (c) Banknote Exchange Program Banknotes in accordance with Schedule 4; and
  - (d) Sampling Banknotes in accordance with Schedule 9,
- from ACCs (whether it is via other ACCs or not) to a permitted Reserve Bank Distribution Site, and, in the case of Banknote Exchange Program Banknotes, from a Reserve Bank Distribution Site to ACCs (whether it is via other ACCs or not), such movements being a Banknote Transport or Transport.
- 19.2 The Participant will be compensated for Banknote Transports at the Banknote Transport Rate.
- 19.3 The Banknote Transport Rate as at the Implementation Date is:
- (a) subject to paragraph (b), \$890 per million dollars (face value) of Banknotes delivered to, or collected from, a Reserve Bank Distribution Site as part of a Banknote Transport (the **Headline Rate**); and
  - (b) to the extent that the Banknotes delivered to, or collected from, a Reserve Bank Distribution Site as part of a Banknote Transport have an aggregate face value that is not one million dollars or a multiple of one million dollars, the rate for the part of the Transport that is not one million dollars or a multiple of one million dollars (the **Partial Face Value**) will be \$0.00089 per dollar of the Partial Face Value.
- 19.4 The Participant may adjust the Headline Rate by CPI annually with effect on 1 September of each Calendar Year by providing written notice (Contact Level A) to the Reserve Bank (an **Adjustment Notice**) not less than 20 Business Days prior to the date on which the adjustment will take effect (being 1 September in the relevant Calendar Year), and if any such adjustment is made then the rate per dollar in clause 19.3(b) will automatically be adjusted proportionately accordingly. For the purposes of this clause 19.4:
- (a) CPI means the weighted average of the All Groups Price Index Numbers for the eight capital cities of the states and territories of Australia published from time to time by the Australian Bureau of Statistics or, if that index number is no longer published, its substitute as a cumulative indicator of the inflation rate in Australia; and
  - (b) the Headline Rate (exclusive of GST) may be adjusted with effect on an anniversary of 1 September of each Calendar Year to an amount calculated by multiplication of the Headline Rate applying immediately prior to the adjustment by a fraction, the denominator of which is the CPI most recently published on the date of the most recent previous Adjustment Notice (or if none, on 1 September 2023) and the numerator of which is the CPI most recently published on the date of the current Adjustment Notice.

**Provision of Invoices**

- 19.5 By June 30 each Calendar Year, the Participant (Contact Level C) will provide the Reserve Bank with a list of the invoice periods in respect of the Banknote Transport Rates for the following Financial Year (each an **Invoice Period**).



- 19.6 For each Invoice Period, the Participant (Contact Level C) will provide the Reserve Bank with a single Banknote Transport Invoice for all Banknotes delivered to or, in relation to Banknote Exchange Program, Banknotes collected from the Reserve Bank Distribution Site by the Participant as part of a Banknote Transport during that Invoice Period. The Banknote Transport Invoice will be provided to the Reserve Bank no later than 15 Business Days after the end of that Invoice Period, or within such other period as may be approved by the Reserve Bank (Contact Level C).
- 19.7 The Reserve Bank may verify the information provided by the Participant under clause 19.6 of this Schedule 19. The Reserve Bank will pay Banknote Transport Rates by direct entry or Approved Payment, no later than 10 Business Days after receiving the Banknote Transport Invoice from the Participant showing Banknote Transport Rates owed.

#### Errors in Invoicing

- 19.8 The Participant will ensure that if it, or any of its ACCOs, becomes aware of any data element in a submitted Banknote Transport Invoice that is not true and correct, the Participant (Contact Level C) will notify the Reserve Bank in writing within 10 Business Days of the error being detected by, or brought to the attention of, the Participant. The Participant's notification will outline the nature of the error and the impact on, and the correct amount of, the Banknote Transport Invoice (**Amended Banknote Transport Invoice**).
- 19.9 If the Reserve Bank becomes aware of any data element in a submitted Banknote Transport Invoice that is not true and correct, the Reserve Bank (Contact Level C) will notify the Participant within 10 Business Days and the Participant will within five further Business Days provide an Amended Banknote Transport Invoice containing the same information as required in clause 19.8 of this Schedule 19 as if the Participant had identified the error.
- 19.10 If an Amended Banknote Transport Invoice is provided by the Participant in accordance with clause 19.8 at any time after the Reserve Bank has paid Banknote Transport Rates in accordance with the Banknote Transport Invoice provided in accordance with clause 19.6 (**Initial Payment Amount**), the following provisions will apply:
- (a) if the Banknote Transport Rates payable under the Amended Banknote Transport Invoice exceed the Initial Payment Amount, the Reserve Bank will pay the difference by direct entry or Approved Payment to the Participant's Nominated Account within 10 Business Days of its receipt of the Amended Banknote Transport Invoice; or
  - (b) if the Banknote Transport Rates payable under the Amended Banknote Transport Invoice is less than the Initial Payment Amount, the Participant will pay the difference by Approved Payment to the Reserve Bank's Nominated Account within 10 Business Days of the date of the Amended Banknote Transport Invoice.



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**SCHEDULE 20 - COSTS**

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**Costs to be Met by the Reserve Bank**

- 20.1 The Reserve Bank will meet:
- (a) Banknote Transport Rates in accordance with Schedule 19; and
  - (b) the administration Costs of Banknote Sampling in accordance with Schedule 9 and any further Sampling performed by the Participant under clause 4.7 of the BDTCs and the Note Quality Reward Scheme in accordance with Schedule 11, except for the Costs of a VCH Resample in accordance with clause 11.26 of Schedule 11.

**Costs to be Met by the Participant**

- 20.2 The Participant will meet all Costs of the External Auditor and Internal Auditor relating to all audits under clause 8 of the BDTCs, including those audits required by the Reserve Bank under the BDF Documents, or under an authority given in accordance with the BDF Documents.

**Enforcement Costs**

- 20.3 A party (the first party) will pay the other party (the second party), or reimburse the second party, for any costs the second party incurs in any actual or contemplated exercise, or enforcement or preservation of, its rights under the BDF Documents or doing anything in connection with any enquiry by an authority involving the first party.

**Payment and Taxes**

- 20.4 Subject to clause 13 of these BDTCs, each party shall pay all taxes and fees (including registration fees) and fines and penalties in respect of any fees paid or payable by it under or in connection with the BDF Documents.
- 20.5 Each party agrees to pay amounts payable by it to the other party under this Schedule 20 in respect of which a time for payment is not specified in the BDF Documents on demand from the other party.



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**SCHEDULE 21 - DISPUTE RESOLUTION**

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**Dispute Notice**

- 21.1 If either the Participant or the Reserve Bank claims that a dispute has arisen, they may give a written dispute notice to the other party (Contact Level A). The dispute notice must:
- (a) identify the party's representative for negotiations relating to the dispute, being a person with authority to settle the dispute on behalf of that party; and
  - (b) set out succinctly the issues the subject of the dispute and, with all relevant particulars, a description of the circumstances giving rise to the dispute and the relief sought including, to the extent possible, any amount claimed.

**Reply**

- 21.2 The recipient of the dispute notice must, within 10 Business Days of receipt of the dispute notice, reply in writing to the other party (Contact Level A). The reply must:
- (a) identify the recipient's representative for negotiations relating to the dispute, being a person with authority to settle the dispute on behalf of the recipient; and
  - (b) set out succinctly the recipient's response to the matters set out in the dispute notice and any additional matters the recipient considers relevant.

**First Meeting**

- 21.3 The representatives designated in clauses 21.1 and 21.2 of this Schedule 21 will make whatever investigations each considers appropriate and, within 10 Business Days of receipt of the reply sent under clause 21.2 of this Schedule 21 by the party that issued the dispute notice under clause 21.1 of this Schedule 21 (the **First Resolution Date**), use their reasonable endeavours to resolve the dispute on a 'without prejudice' basis and taking such steps as are considered appropriate.
- 21.4 If the representatives designated in clauses 21.1 and 21.2 of this Schedule 21 are unable to resolve the dispute to the satisfaction of all parties to the dispute in accordance with clause 21.3 of this Schedule 21, the dispute will be submitted to the Assistant Governor (Business Services) of the Reserve Bank and an officer of the Participant of equivalent seniority, who will meet (the **First Meeting**) within 10 Business Days of the First Resolution Date to attempt to resolve the dispute.

**Second Meeting**

- 21.5 If the First Meeting and any subsequent negotiation fails to resolve the dispute within 20 Business Days from the date of the First Meeting (the **Second Resolution Date**) the matter will be referred to the Governor of the Reserve Bank and the Chief Executive Officer of the Participant (or equivalent), who will meet (the **Second Meeting**) within 20 Business Days from the date of the Second Resolution Date to attempt to resolve the dispute.

**Mediation**

- 21.6 If the Second Meeting and any subsequent negotiation fail to resolve the dispute within 10 Business Days from the date of the Second Meeting, the matter will be referred to mediation administered by the Australian Commercial Disputes Centre (**ACDC**) to be conducted in Sydney.





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- 21.7 The mediation shall be conducted in accordance with the ACDC Guidelines for Commercial Negotiation, which are operating at the time the matter is referred to the ACDC.
- 21.8 The Reserve Bank and the Participant agree to appoint a mediator or, if there is no agreement, the Chairman of the ACDC will appoint a mediator.
- 21.9 The Reserve Bank and the Participant agree to bear their own Costs of mediation and an equal proportion of the Costs of the mediator.

**Resolution of Dispute**

- 21.10 Any resolution reached under clauses 21.3, 21.4, 21.5 or 21.6 of this Schedule 21 that is satisfactory to all parties to the dispute will be implemented as soon as possible.

**Interlocutory Relief**

- 21.11 Nothing in this Schedule 21 prevents the Reserve Bank or the Participant from making an application for interlocutory relief in respect of the BDF Documents.

**Obligations During a Dispute**

- 21.12 The Reserve Bank and the Participant agree to continue to perform their respective obligations under the BDF Documents and not take any steps to terminate their Participation Agreement (and thereby the BDF Documents) or any part of it relying on the act, matter or thing in dispute, pending the resolution of any dispute.



# **Banknote Distribution Framework – Participation Agreement**

**Reserve Bank of Australia**

**and**

**[Participant name]**

**AGREEMENT BETWEEN:**

**RESERVE BANK OF AUSTRALIA** (ABN 50 008 559 486) at 65 Martin Place, Sydney NSW 2000 (the **Reserve Bank**)

and

**[Participant name]** (ABN [Participant ABN]) at [Participant address] (the **Participant**)

dated: \_\_\_\_\_

**1. Definitions**

(a) In this Agreement:

**Banknote Distribution Procedures** or **BD Procedures** has the meaning given in the BDTCs.

**Banknote Distribution Terms and Conditions** or **BDTCs** means the terms and conditions governing banknote distribution and quality sorting, as published on the Reserve Bank of Australia website and as amended from time to time in accordance with the procedure set out in the BDTCs.

**Effective Date** has the meaning given in clause 7 of this Agreement.

(b) Definitions and interpretations in the BDTCs apply in this Agreement.

**2. Agreement**

(a) This Agreement is a bilateral agreement between the Participant and the Reserve Bank.

(b) This Agreement is a Participation Agreement for the purposes of the BDTCs.

**3. Incorporation of terms**

(a) The BDTCs and the terms of the BD Procedures are incorporated in this Agreement as if set out in full and bind the Participant (and the Reserve Bank).

(b) For clarity, the BDTCs and the BD Procedures in place as at the Effective Date are as follows:

(i) the BDTCs issued on [\*], effective on and from [\*]; and

(ii) the BD Procedures issued on [\*], effective on and from [\*],

however each party acknowledges that by executing this Agreement, they agree to be bound by the BDTCs and the BD Procedures as each of these are amended from time to time.

**4. Additional conditions of participation**

- (a) Additional conditions of participation (if any) are set out in Attachment A to this Agreement and are binding on the Participant and the Reserve Bank.
- (b) To the extent of any inconsistency between Attachment A to this Agreement and the remainder of this document, Attachment A will prevail.

**5. Nominated Address**

- (a) The Nominated Address for the Reserve Bank is:

Reserve Bank of Australia  
65 Martin Place Sydney NSW  
GPO Box 3947  
Attention: Head of Note Issue

- (b) The Nominated Address for the Participant is:

*[Participant name]*  
*[Participant address]*  
Attention: *[Participant contact person]*

**6. Nominated Account**

- (a) The Nominated Account for the Reserve Bank is:

*[Details to be provided]*

- (b) The Nominated Account for the Participant is:

*[Details to be provided]*

**7. Effective Date**

The Effective Date is *[[insert date] OR [the date of this Agreement]]*.



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**8. Counterparts**

This Agreement may consist of a number of copies, each signed by one or more parties to the agreement. If so, the signed copies are treated as making up the one document.

**9. Governing law and jurisdiction**

This Agreement is governed and construed in accordance with the laws of the State of New South Wales and each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction there.

Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.



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**Reserve Bank of Australia**

**Signed by Reserve Bank of Australia** by its  
Attorney under Power:

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Signature of attorney

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Date

---

Name of attorney

---

Title of attorney



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**[Participant name]**

**Signed** for [Participant name] by its attorneys under power of attorney dated \_\_\_\_\_ in the presence of:

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Witness signature

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Attorney signature

---

Print name

---

Print name

---

Address of witness

---

Date

---

Occupation of witness

**Executed** in accordance with section 127 of the *Corporations Act 2001* by [Participant name]

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Director signature

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Director/Secretary signature

---

Print name

---

Print name

---

Date

---

Date



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**Attachment A – Additional Conditions of Participation**

*[To be inserted. Additional Termination Events to those specified in clause 9.2 of the BDTCs may be included.]* OR *[There are no additional conditions of membership.]*