

Authorised Deposit-taking Institutions' Points of Presence Review

Submission to the Australian Prudential Regulation Authority

June 2023

Introduction

The Reserve Bank has been invited to make a submission to APRA's Authorised Deposit-taking Institutions' Points of Presence Review.

The Bank is committed to meeting public demand for its banknotes so that cash continues to be available for those who want or need to use it. It places a high priority on the community having good access to cash withdrawal and deposit services. The Bank is the sole issuer of banknotes and works closely with the major commercial banks and cash-in-transit companies to meet the Australian public's demand for banknotes. Specifically, the Bank is a wholesaler of banknotes and provides bulk quantities of banknotes as demanded by the banking sector so it can meet customer needs. Once issued by the Bank, banknotes are distributed by the private sector to bank branches, ATMs and retailers. The Bank also monitors developments in cash use and access to understand the payment system landscape.

In 2022, the Bank undertook a Review of Banknote Distribution Arrangements.¹ One of the conclusions of the review was that the Bank committed to monitoring the ability of Australians to access and pay with cash, with a particular focus on regional communities. This submission provides a summary of the Bank's use of the APRA Points of Presence data to monitor cash access in Australia.

The Reserve Bank's interest in the review (Qs 1 and 2)

The Bank considers the main purpose of APRA's Points of Presence collection to be the provision of data on outlets providing banking services in Australia. The Bank values this rich data source as it forms an integral part of its ability to analyse Australians' access to cash withdrawal and deposit services. For example, the Bank published a recent article using the data on 'The Cash-use Cycle in Australia'.² The article found most Australians have adequate access to cash despite the considerable reduction in the number of cash access points in recent years; in 2022, 95 per cent of Australians lived within 4.5 km of a cash withdrawal point and 5.6 km of a cash deposit point (Table 1).³ Nonetheless,

1 See RBA (2022), ['Review of Banknote Distribution Arrangements: Conclusions Paper'](#), August.

2 See Guttman R, T Livermore, and Z Zhang (2023), ['The Cash-use Cycle in Australia'](#), RBA *Bulletin*, March.

3 These distances are calculated by mapping the location of cash access points, collected in the Points of Presence dataset and other data sources, against the location of where Australians live. For further discussion of data

the cash system has become more vulnerable to further removal of cash access points, especially in remote parts of Australia. This can be seen by examining the average distance to the next closest cash access point (Graph 1); this represents the additional distance that a consumer would have to travel if their closest cash access point was to be removed, and so captures consumers' vulnerability to access point closures. Increasing vulnerability is particularly evident in cash deposit services, where the additional distance to the next closest access point has increased considerably over the past couple of years.

Table 1: Cash Access Points and Distance to Cash Services^(a)

	June 2022		Change from June 2020 ^(b)	
	Number	Distance in kilometres ^(c)	Number	Distance in kilometres ^(c)
		95 per cent		95 per cent
ADI deposit	8,469	5.6	-886	0.1
– ADI branches	4,944	10.7	-864	0.8
– Bank@Post outlets	3,525	5.8	-22	0.1
All withdrawal types ^(d)	24,356	4.5	-1,403	0.2
– ADI withdrawal	14,881	5.4	-4,095	0.5
– ADI ATMs	6,412	11.1	-3,209	1.8
– All ATMs	15,887	6.7	-517	0.2

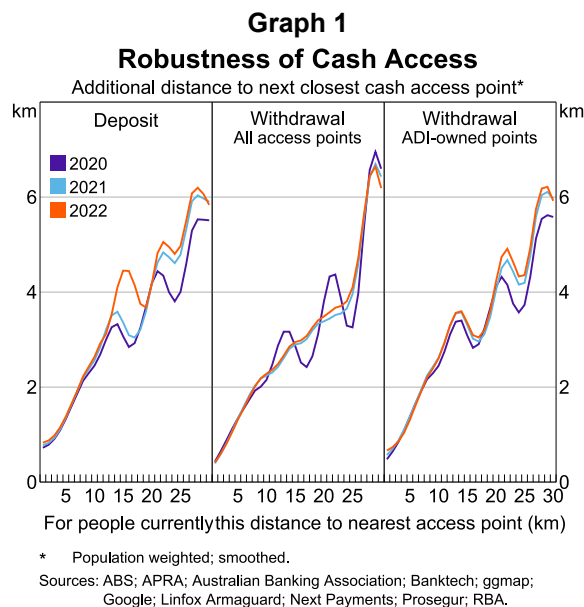
(a) Distances are measured as the shortest distance between two points.

(b) The change in distance captures population changes – that is, the distances are calculated using population data at different points in time.

(c) Distance within which 95 per cent of Australia's usual resident population lives.

(d) Includes ADI ATMs, ADI branches, Bank@Post and independent ATMs.

Sources: ABS; APRA; Australian Banking Association; Banktech; ggmap; Google; Linfox Armaguard; Next Payments; Prosegur; RBA.



sources and methodology, see Caddy J and Z Zhang (2021), '[How Far Do Australians Need to Travel to Access Cash?](#)', RBA Bulletin, June.

The number and specific geographic locations of these outlets are of particular interest to the Bank. In addition, the Bank is interested in the level and range of cash-related services offered; for example, some consumers may require or prefer a face-to-face outlet, in which case an ATM may not meet their needs.

The current publication (Qs 3–6)

The current publication provides the Bank with useful data on cash access. The number, location (especially the longitude and latitude) and service type of the Points of Presence are important data fields that should be retained in future publications. Nevertheless, some aspects of the publication could be improved, particularly against the background of increasing vulnerability in cash access. While the Bank has, to date, focused on the geographic coverage of cash access points, it recognises that other characteristics of cash access points also affect the ease of consumers' access. Enhancing the Points of Presence collection to provide further insights into these other dimensions would allow a more comprehensive analysis of cash access.

Below are some examples of other characteristics that the Bank considers would be useful for the data collection to provide, particularly as the use of cash declines in Australia:

- **A detailed breakdown of 'other face-to-face' point of presence:** While the current publication differentiates between a 'branch' and 'other face-to-face' point of presence based on whether a minimum range of services (as listed in 'Section 3.2.2 Definitions and categories' of the Discussion Paper) is provided, a more granular breakdown within the 'other face-to-face' category could be helpful. Specifically, the Bank would find it useful for 'other face-to-face' outlets that provide cash services to be separately identified from those that do not.
- **Functionality of ATMs:** The current publication does not differentiate between ATMs based on functionality, but such differentiation could be useful. Specifically, the Points of Presence data could consider identifying functionalities that an ATM provides in addition to cash withdrawal, including the ability to accept deposits, dispense a range of banknote denominations, or access other digital banking or payment services (such as the ability to manage accounts or initiate payments and transfers).⁴ This would assist in determining whether an ATM serves as a relatively suitable alternative to a bank branch or Bank@Post outlet.⁵
- **Data on opening hours, fees (if applicable) and outage times:** These are discussed further below in response to Question 18.
- **Data on EFTPOS terminals:** Cash-out services at EFTPOS terminals are important cash access points. It would be beneficial to include further details on these Points of Presence, including a more precise location and whether cash services are available at the terminal. However, the Bank recognises the collection of such data may be extremely difficult or costly, given the high number of EFTPOS terminals; the ability for consumers to withdraw cash from these terminals also depends on the retailer, which would be outside of APRA's data collection powers.

4 Unlike cash withdrawal services, many deposit-taking ATMs accept deposits only from customers of their own brand. This limits consumers' ability to deposit cash at ATMs, even if the ATM has deposit-taking functionalities.

5 ATMs and Bank@Post outlets typically have lower cash withdrawal or deposit limits than bank branches. As such, some cash users, such as consumers making high-value cash payments or small businesses depositing their sale revenues, may find these bank branch alternatives not suitable for their requirements.

The Excel format of the publication is sufficient for the Bank's requirements.

Category of banking services (Qs 7–11)

The Bank primarily uses the dataset to monitor cash access in Australia and so is focused on information related to this purpose. However, the Bank recognises that the Points of Presence data are useful to a range of users for different purposes.

As noted above, identifying functionality of ATMs and branches would be a valuable addition to the current collection. Such functionality could include whether an ATM accepts deposits or is able to dispense a range of cash denominations. Likewise, a more granular classification of other face-to-face points of presence, including whether they provide cash services, would be helpful. This information would assist the Bank's monitoring of access to cash in Australia.

Regarding location identification, the provision in the current publication – that is, latitude and longitude, statistical area, and suburb or town – is sufficient for the Bank's uses. Latitude and longitude data are most useful for the Bank's monitoring. The Bank analyses access to cash by calculating the distance between where people live and the location of cash access points. Granular locational data – as captured by the longitude and latitude data – are vital for this exercise. Suburbs and statistical areas are less useful, as their larger size (which sometimes span hundreds of square kilometres) would make distance estimates imprecise. Nonetheless, the Bank recognises that other users of the data collection may find these location identifiers to be more useful for their purposes.

Additional information in the Points of Presence publication to capture trends and innovations in the delivery of banking services (such as business centres and mobile bankers) could be useful for a broader range of users, although the Bank recognises that such information may be difficult to collect.

Coverage of services (Qs 12–15)

For cash services, Bank@Post outlets are reasonable substitutes for branch-level services. However, not all financial institutions are subscribed to the service, which means some customers will not be able to use these outlets. There are also limitations at Bank@Post outlets, such as more restrictive deposit/withdrawal limits. ATMs provide a lower level of substitutability, given the lack of face-to-face service. Furthermore, other services available at bank branches, such as opening and closing accounts and applying for loans, may not be readily available at these physical alternatives to branches. Digital alternatives (such as online banking) are available for many of these services; however, they cannot provide cash-related services and may not be preferred or easily accessible by some customers.

While outside our focus on cash access, the Bank recognises that some users may find data on a broader range of banking options (including online banking) useful. However, the Bank does not have views on how such data could be collected for the Points of Presence collection.

Coverage of service providers (Qs 16–17)

The share of non-ADI ATMs has been increasing in recent years, with a significant number of bank ATMs being acquired by third-party operators, including cash-in-transit providers. These non-ADI ATMs serve as substitutes to bank ATMs in terms of the service they provide (though they seldom offer deposit services) but they may charge a cost for doing so (i.e. ATM withdrawal fees).⁶ These fees

6 Some ADI providers charge fees for particular services, such as for cheques and assisted cash services. Nonetheless, ATMs – which account for the majority of cash withdrawals – are generally free-of-charge for ADI-owned machines.

can be considerable, especially for lower value transactions. Such fees can be a significant financial barrier to cash access for some members of the community. The Bank notes that those on lower incomes are more likely to be higher cash users, which exacerbates the negative impact of these fees.

The trend of increasing non-ADI deployers' presence in the ATM market is likely to persist. In turn, this will make the Points of Presence collection less representative of the market over time and may affect the Bank's ability to monitor cash access. Expanding the coverage of the Points of Presence collection to non-ADIs would help to mitigate this problem, if feasible.

Currently, the Bank collects non-ADIs' ATM data separately from APRA's Points of Presence collection and these data are provided on a voluntary basis. This collection is not exhaustive: the Bank has locational data on around half of non-ADI ATMs in Australia. It should be noted that much of this data are already in the public domain (e.g. location of ATMs are available on Google Maps).

Accessibility and other issues (Qs 18–19)

The Bank notes that there are several dimensions that may influence the accessibility of various points of presence, including:

- Hours of access – for example, bank branches and Bank@Post are typically available during business hours only. ATMs may also be located inside shopping malls, bars, hotels and other establishments that do not provide 24/7 access. Some locations may be inherently unsuitable for some customers to access.
- Disability access – for example, whether the point of presence is accessible for those who are mobility- or vision-impaired.
- Fees and costs associated with access – e.g., ATM fees.
- Operational disruptions – e.g., an ATM may be out of service due to having no banknotes or because of a technology outage.⁷ This issue is becoming increasingly important as the considerable number of ATMs removed in recent years has greatly reduced the number of nearby alternatives (especially in regional Australia); some towns may be served by a single cash access point only. This in turn exacerbates the impacts of an unexpected disruption.

The Bank recognises that some of these data may be difficult or costly to collect. Further consideration on data availability and the feasibility of collecting such data would be required.

Reserve Bank of Australia
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⁷ The Bank requires several banks to publish data on the average service availability across their entire ATM fleet (where service availability is defined as the planned available time that the ATM fleet is not experiencing a significant unexpected outage). See RBA [‘Disclosures on Retail Payments Service Reliability’](#).