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Aide Memoire: Meeting with RBNZ officials on cash system issues

Purpose

The purpose of this Aide Memoire is to provide you with an update on developments between major players in the cash system, the risks this poses to New Zealanders' uninterrupted access to cash services, our activity in response, and areas where your support is needed.

It is intended to support your discussion with Reserve Bank officials at your meeting with them on 28 January 2026.

Cash-in-transit update

As you know, New Zealand's sole remaining cash-in-transit (CiT) firm, Armourguard (ALL), has been attempting to renegotiate contracts for the supply of CiT services with major banks in New Zealand. The major banks and several other parties applied to the Commerce Commission for authorisation to enter collective negotiations with ALL. In November, the Commerce Commission declined to provide interim authorisation and continues to consider its final decision, which is due by 25 March 2026.¹

s 9(2)(b)(ii)

[Redacted content]

¹ ComCom declines interim authorisation for banks to collectively negotiate | Commerce Commission

s 9(2)(b)(ii)

s 9(2)(b)(ii)

s 9(2)(b)(ii)

s 9(2)(b)(ii)

We are committed to considering applications from suitable operators who need to access RBNZ facilities to deliver CiT services, but this will necessarily require thorough checks to provide assurance around security, that they are fit and proper, and can meet our operational requirements.

s 18(c)(i)

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Reserve Bank response options

We currently have limited powers to immediately address risks arising from a breakdown in cash-related arrangements between Banks and CiT service providers. Our immediate action and possible options are:

- Moral suasion: We have intentionally invested in building cooperative and open relationships with the banks since 2017, including via our regular Cash Industry Forum. Despite this, we have seen ongoing challenges for the cash system because of bank business choices, s 9(2)(g)(i)

s 9(2)(b)(ii)

- **s 9(2)(d)**

[Redacted]

- **s 18(c)(i)**

[Redacted]

In the longer term there are further options we can develop and present for approval, although these will take some to assess, prepare and operationalise:

- **Cost recovery:** Under the current RBNZ Act we are permitted to create cash-related cost recovery regulations that apply to banks. The regulations would mean that any new expenditure incurred by RBNZ in relation to cash and motivated by the need to safeguard the circulation of cash, could be recovered by a fee payable by banks. **s 9(2)(f)(iv)**

[Redacted]

RBNZ cost recovery would require your support, but could be available and implemented relatively quickly, requiring only an Order in Council.

- **Banknote quality standards:** We can issue standards under the RBNZ Act setting standards for quality checking of banknotes. This would support public confidence in the quality of cash but would not require banks to continue to make cash available or set broader standards such as resilience and access requirements. In a scenario where a new CiT is introducing risk into the system, Banknote Quality Standards increase in importance.
- **Deposit Takers Act:** We could create a cash services standard under the Deposit Takers Act, but this would not take effect until 2028. It would also not be able to set minimum standards for non-bank participants in the system (for example, those offering CiT services).
- **New powers:** Creating new powers, while requiring the urgent passage of primary legislation, would be the most direct way to ensure continuity of cash services both in the immediate period and the long term. The new powers would, among other things, require banks to continue to provide cash services. This reform could also include the development of a licensing regime for CiT firms, a crisis management regime for dominant cash system players, and other powers needed to address market power in the cash system. This has been the approach taken in Australia and a range of other jurisdictions.

We are keen to explore your appetite for urgent legislative reform as outlined above to support ongoing stabilisation of the cash system before directing resources to urgent drafting.

Access to cash services public consultation

In our previous updates to you, we have noted our intention to consult with the public on possible standards requiring banks to provide a minimum level of cash services throughout New Zealand. We plan to release this consultation on 23 February. We will provide a copy of this to you in advance of publication.

This consultation will send an important message to the banks that they are expected to continue to play an active role in the provision and acceptance of cash from their customers into the future.

There are several theoretical options for implementing a new minimum cash services standard, including some of the options set out above. We will be writing to banks to seek their voluntary agreement to deliver a minimum level of cash services as per the consultation. However, even if that is agreed to, legislation will be needed to ensure there is no backsliding.

Signature



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