Submission

by

THE NEW ZEALAND INITIATIVE

to the Reserve Bank of New Zealand – Te Pūtea Matua

on the

Keeping Cash Local consultation

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1. INTRODUCTION AND SUMMARY

1.1 This submission on the Reserve Bank of New Zealand's Keeping Cash Local consultation is made by The New Zealand Initiative (the **Initiative**), a Wellington-based think tank supported primarily by major New Zealand businesses. In combination, our members employ more than 150,000 people.

1.2 The Initiative undertakes research that contributes to the development of sound public policies in New Zealand, advocating for a competitive, open, and dynamic economy and a free, prosperous, fair, and cohesive society.

1.3 The Initiative's members span the breadth of the New Zealand economy and include registered banks that would be subject to the proposed cash-services standard. The views expressed in this submission are those of the author rather than the Initiative's members.

1.4 The Reserve Bank launched this consultation as a proposal that banks "must provide" a minimum level of cash services.[1] The consultation paper proposed making New Zealand's banks subject to a minimum standard for cash services, grounding the obligation in banks' "social licence".[2] Two months into the consultation period, the Bank's legal-basis paper said its "current preferred option" is a voluntary standard rather than a regulation or statutory requirement, with statutory options under current law to be investigated only if a voluntary standard cannot be put in place.[3]

1.5 A consultation on a mandatory legal standard is a different exercise from a consultation on a voluntary industry arrangement, a negotiation conducted under the shadow of possible compulsion, or a case for future legislation. The legal instrument, the identity of the statutory decision-maker, and the further steps required to create an enforceable obligation are not incidental implementation details; they determine the nature of the proposal on which people are being asked to submit. Submitters are entitled to know what they are being asked to assess.

1.6 The released record shows that officials understood the distinction between voluntary agreement, cost recovery, regulation, and new legislation. In July 2025, Assistant Governor Karen Silk recorded that the Bank's "real desire" was that banks be required to deliver cash services, which "would require legislation".[4] In January 2026, the Bank told the Minister of Finance that it had limited immediate powers and that new primary legislation would be the most direct way to require banks to continue providing cash services.[5] And the legal-authority question was an old one: the Bank asked for an express

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[1] RBNZ, "Consultation opens on keeping cash local", 25 February 2026: https://www.rbnz.govt.nz/news-and-events/news/2026/02/consultation-opens-on-keeping-cash-local.

[2] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, pp 5–6: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[3] RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, pp 2–3: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf.

[4] Karen Silk email to Ian Woolford, 24 July 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 1: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[5] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, pp 2–4: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

cash-access power in 2019, and Parliament, in two subsequent overhauls of the Bank's legislation, did not provide it.[6]

1.7 The Initiative's objection is therefore one of legality and regulatory governance. At launch, the Bank had no presently exercisable power to impose the standard on which it consulted. Its earlier internal advice said compulsory delivery would require legislation. The DTA route later advanced by the Bank depends first on regulations made by the Governor-General on the Minister's recommendation, following a decision by the Minister and Cabinet; only then could the Bank issue a standard.

1.8 The Bank presented a potential mandatory outcome without identifying the operative legal instrument, the responsible decision-maker, or the further statutory steps needed to create an enforceable obligation. Respondents were invited to assess the proposal as though the Bank had existing authority to impose the standard. At the same time, the Bank was seeking voluntary commitments from regulated firms while developing regulatory, cost-recovery, and legislative backstops. The process therefore used an unsettled prospect of compulsion as negotiating leverage against regulated firms.

1.9 Nor does the proposed standard become desirable if a lawful implementation route might ultimately be found. In economic substance, a mandatory standard would create a tax-like obligation outside the Budget process. The legal incidence would fall on banks, but its economic incidence could fall in varying proportions on borrowers, depositors, fee-paying customers, shareholders, employees, and suppliers. Where broad public benefits are the intended objective, it is difficult to see why that burden should not fall on the tax base through an appropriation. The Bank should not conscript private firms to provide those benefits, and it should not procure them through a "voluntary" agreement negotiated under regulatory pressure.

1.9 **RECOMMENDATIONS**

1.9.1 The Reserve Bank should withdraw or reset the consultation, reissuing a document that clearly distinguishes the available instruments and states the legal basis claimed for each. The revised document should also identify who would make the operative decision under each option and what statutory steps would be required before it could take effect.

1.9.2 The Reserve Bank should confirm that it will not impose a mandatory retail cash-services standard under existing law, and will not procure an equivalent "voluntary" arrangement under the threat of compulsion or cost recovery, unless and until Parliament has enacted clear authority. It should not represent itself as having a presently exercisable power to impose the standard described in the consultation, and any proposed mandatory route should identify the legal instrument, the responsible decision-maker, and the further statutory steps required.

1.9.3 If the Government judges that greater cash access carries public benefits exceeding its cost, it should fund that access directly in the communities where it judges subsidised provision is warranted, with the cost carried transparently on the general tax base.

1.9.4 Any further step toward a standard should be preceded by a full regulatory impact analysis: problem definition, evidence of market failure, cost incidence, competition effects, and less intrusive alternatives. The questions Treasury raised deserve an answer.

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[6] RBNZ, *The future of the cash system — Te pūnaha moni anamata* (consultation paper), 2 October 2019, sections 7.1–7.3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/notes-and-coins/future-of-cash/cash-system-consultation.pdf; see also RBNZ, "Reserve Bank seeks views on expanded stewardship role for cash" (media release), October 2019: https://www.rbnz.govt.nz/news-and-events/news/2019/10/reserve-bank-seeks-views-on-expanded-stewardship-role-for-cash. See also Reserve Bank of New Zealand Act 2021, ss 160–165; Deposit Takers Act 2023, especially ss 3(2)(c), 72, 90(1)(e), and 454.

1.9.5 Cash-in-transit resilience should be treated as a separate workstream, with policy directed at the wholesale infrastructure problem rather than at retail service mandates.

1.9.6 Treasury, as the Bank's monitor, and the Minister should review how a Board-monitored programme reached public consultation without a settled and disclosed legal-authority pathway. The review should identify who authorised release, what legal advice or authority statement was before that decision-maker, what the Board was told, and whether material omissions in the incoming Governor's induction materials were identified and corrected. The Bank should adopt a statutory-authority gateway requiring those matters to be recorded before any consultation affecting regulated entities is approved.

2. THE QUESTION IS NOT WHETHER CASH MATTERS

2.1 Cash remains useful for many consumers, businesses, and communities, and can matter particularly during digital outages and emergencies. Banks have closed a large share of their branches over the past decade, and the drive to the nearest deposit-taking ATM from some small communities is long.[7] The concern is real.

2.2 A sound policy process would first identify the specific problem to be solved and then compare the least-cost and best-targeted instruments. If a compulsory nationwide standard survived that analysis, the next question would be whether the Reserve Bank had authority to impose it. If not, which decision-maker could create the proposed obligation, through what instrument, and subject to what further process? The consultation did not answer these questions adequately or consistently. It bundled several distinct problems into one proposal, did not compare the main policy instruments, and did not identify a lawful implementation pathway.

2.3 A compulsory standard is unlikely to be the best option. The Bank assumes that banks would try to pass the costs of the standard on to New Zealand more generally.[8] Treasury assessed that the economic incidence appeared likely to fall mostly on bank customers, irrespective of where the legal obligation sat.[9] Compulsion in that case amounts to a hidden tax on banking services, levied without appropriation, invisible in the Budget, and poorly targeted. A direct subsidy for provision in identified communities would make the cost visible and contestable. That spending would compete with other public priorities on equal terms. Provision could be targeted at the communities facing access problems. Parliament, not a regulator, would decide whether the benefits warrant the cost. Where a service is worth having but not commercially viable, the remedy is to pay for it openly, not to order someone else to supply it. The tax and appropriation system at least exposes distributional choices to parliamentary scrutiny; a cash-services mandate would shift costs through banking prices in ways that are harder to observe and test against stated equity objectives.

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[7] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, pp 3–4: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[8] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, p 13: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[9] Judy WanMinKee (Treasury) email, 1 September 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF pp 32–33: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

3. A CONSULTATION LAUNCHED AS MANDATORY, REFRAMED AS VOLUNTARY

3.1 The February launch was unambiguous. The media release sought feedback on a proposal that banks "must provide" minimum cash services.[10] The consultation paper said responsibility for providing cash services sat "squarely with banks" and proposed a minimum standard to which banks would be subject.[11] The consultation site described a standard banks "would have to meet", with consultation open to 31 July 2026.[12] The launch material did not identify any potential deficiencies in the Bank's statutory authority to set such a mandate.

3.2 The legal-basis paper released on 24 April, after stakeholders sought more detail on the proposed standard, including its legal basis, states that the Bank's "current preferred option" is a voluntary standard implemented by contract, acknowledges that banks may choose not to join, and defers statutory options to later investigation.[13]

3.3 Those are different policy instruments with different legal tests, enforcement mechanisms, decision-makers, costs, and accountability channels. The April paper changed the legal character of the proposal: from a standard that banks "would have to meet" to a contractual arrangement banks could decline to join, with statutory options left for later investigation. However, the unpublished backstop of direct Reserve Bank provision, with the resulting expenditure recovered from banks, remained part of the Bank's internal strategy at launch.[14] The April paper therefore did not convert the proposal into ordinary voluntary contracting between willing parties. The consultation was materially mis-specified.

4. THE INTERNAL RECORD SHOWS THE BANK UNDERSTOOD THE DISTINCTIONS

4.1 The released record shows that officials repeatedly drew distinctions that were absent from the public consultation.

4.2 In July 2025, following a meeting with the Minister of Finance, Karen Silk recorded that current powers could allow the Bank to recover costs from banks if the Bank delivered or

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[10] RBNZ, "Consultation opens on keeping cash local", 25 February 2026: https://www.rbnz.govt.nz/news-and-events/news/2026/02/consultation-opens-on-keeping-cash-local.

[11] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, pp 5–7: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[12] RBNZ, Citizen Space consultation page, "Access to cash": https://consultations.rbnz.govt.nz/rbnz/access-to-cash/; RBNZ, "Access to cash": https://www.rbnz.govt.nz/money-and-cash/access-to-cash; both accessed 31 July 2026.

[13] RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, pp 2–3: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf.

[14] RBNZ, *Cash system redesign policy programme 2025* (slide deck attached to Susan Guthrie email of 30 July 2025), reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 15: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf; RBNZ, *22 Jan 26 PSOC Paper — Keeping Cash Close to Home*, pp 1–2: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/22-jan-26-psoc-paper---keeping-cash-close-to-home.pdf; RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, pp 3–4: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

subsidised services itself, but that the Bank's "real desire" was that banks be required to deliver — which "would require legislation".[15]

4.3 Intervention-options material from late July 2025 distinguished Reserve Bank delivery, subsidies to cash-service providers, voluntary bank commitments, bank regulation, and cost recovery, recording that bank regulation would require amendments to the Reserve Bank Act.[16]

4.4 By November 2025, briefing #6336 to the Minister recorded an interim assessment that both the Reserve Bank Act and the Deposit Takers Act "could potentially" be used to create regulations introducing a standard, and proposed inviting banks to adopt the standard voluntarily in the meantime.[17] The Bank's 24 November letter to banks paired a preference for voluntary increases in cash access with the note that regulatory requirements were being explored.[18]

4.5 The January 2026 paper to the Payments and Settlements Oversight Committee went further. It described the consultation as the first step in a broader work programme, with banks invited to adopt the standard voluntarily while the Bank prepared advice on mechanisms ranging from moral suasion to new powers. It also recorded that the Bank did not expect moral suasion to succeed but considered it important to try.[19]

4.6 The January 2026 aide-memoire to the Minister was plainest: the Bank has limited immediate powers; banknote-quality standards cannot require banks to keep providing cash services; a Deposit Takers Act standard could not take effect until 2028; and new primary legislation would be the most direct way to require banks to continue providing cash services.[20]

4.7 None of those distinctions appeared in the consultation document. The public was asked to comment on a standard that banks "must" meet without being told that the legal pathway to that outcome remained unsettled and would require decisions by actors other than the Reserve Bank.

5. THE BANK PREVIOUSLY PROPOSED AN EXPRESS POWER; PARLIAMENT DID NOT ENACT IT

5.1 The legal-authority question is not new. In October 2019, the Bank proposed that the Reserve Bank Act include regulation-making powers to require banks to provide access

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[15] Karen Silk email to Ian Woolford, 24 July 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 1: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[16] RBNZ, *Cash system redesign policy programme 2025* (slide deck attached to Susan Guthrie email of 30 July 2025), reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF pp 15 and 18: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[17] RBNZ, *Briefing #6336 — Addressing NZ's cash system challenges*, 12 November 2025, at [18(b)] and [21]–[23]: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-briefing-6336--addressing-nzs-cash-system-challenges.pdf.

[18] RBNZ, *24 Nov 25 RBNZ Letter to Banks — Current and future initiatives to support New Zealander's access to cash*, pp 2–3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/24-nov-25-rbnz-letter-to-banks--current-and-future-initiatives-to-support-new-zealanders-access-to-c.pdf.

[19] RBNZ, *22 Jan 26 PSOC Paper — Keeping Cash Close to Home*, pp 1–2, especially key point 5 and [3.7]–[3.8]: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/22-jan-26-psoc-paper---keeping-cash-close-to-home.pdf.

[20] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, pp 2–4: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

to cash deposits and withdrawals — powers to be held in reserve against "the risk of a significant reduction in access to cash across the country that prevents the public's needs being met", which the Bank "would not intend to use ... in the near future, or indeed at all, unless we observed a significant failing in the ability of the system to meet the needs of the public". Under the proposed model, regulations would be made by the Governor-General on the advice of the Minister of Finance, with oversight from the Regulations Review Committee; the Bank's role would be to design the regulation and advise the Minister.[21]

5.2 Parliament subsequently legislated twice in adjacent areas, through the Reserve Bank of New Zealand Act 2021 and the Deposit Takers Act 2023. It enacted standards machinery for banknote-handling machines but did not enact the express retail cash-access power in the form the Bank had proposed.[22]

5.3 The Bank's own prior assessment was that compelling cash access requires powers it does not hold. The Deposit Takers Act subsequently included an access-to-financial-services purpose and broad provisions allowing regulations to prescribe additional matters for standards. But general words in a prudential statute should not be read as delivering, by an indirect route, the specific power Parliament was asked to grant and did not. A $104 million-a-year nationwide service obligation should rest on clear words.

5.4 An agency consulting on an option that would require regulations or primary legislation should say that this is what it is doing. It should identify the limits of its existing authority, the further decisions required, and the Minister, Cabinet, or Parliament as the relevant decision-maker. That allows consultation to inform advice while preserving political responsibility for whether additional authority should be created.

5.5 The Reserve Bank did not do that here. It presented a mandatory standard that banks "must" meet without identifying that it had no settled legal basis for such a requirement. At the same time, it sought voluntary adoption from regulated entities while developing compulsory and cost-recovery alternatives. In those circumstances, the consultation functioned both as an institutional campaign for additional powers and as a means of seeking concessions under the shadow of authority that had not been established.

6. THE BANK HAS NO PRESENT POWER TO IMPOSE THE PROPOSED STANDARD

6.1 The legal-basis paper rests on two propositions: that the Bank has central-bank functions under section 116(c) of the Reserve Bank Act relating to issuing, distributing, and quality-managing banknotes and coins; and that the Bank may enter contracts and may have standard-making options under the Deposit Takers Act.[23]

6.2 The section 116 functions support the Bank's own cash operations, monitoring, contracting, and potentially Bank-funded or Bank-delivered services, as the Silk note itself distinguished.[24] They do not supply a power to compel registered banks to provide

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[21] RBNZ, *The future of the cash system — Te pūnaha moni anamata* (consultation paper), 2 October 2019, sections 7.1–7.3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/notes-and-coins/future-of-cash/cash-system-consultation.pdf.

[22] Reserve Bank of New Zealand Act 2021, ss 160–164 (standards for bank note handling machines).

[23] RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, pp 2–4: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf.

[24] Karen Silk email to Ian Woolford, 24 July 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 1: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

free retail services at prescribed locations and densities. "Cash stewardship" is the Bank's shorthand for the section 116 functions, not an additional statutory power.

6.3 The Deposit Takers Act argument, on the Bank's account, takes the following chain:

6.3.1 Parliament added section 3(2)(c), making it an additional purpose of the Act "to support New Zealanders having reasonable access to financial products and services provided by the deposit taking sector";

6.3.2 Accepting, issuing, and changing banknotes and coins may constitute financial services;

6.3.3 Section 72 permits standards where the Bank is satisfied they are necessary or desirable for a purpose of the Act;

6.3.4 Section 90(1)(e) provides that standards may deal with other matters prescribed in regulations, while section 454(1)(a) empowers the Minister to recommend regulations providing for anything the Act says may be provided for by regulations.[25]

6.3.5 On this view, a regulation could prescribe access to cash as a matter on which a standard may be made, after which the Bank could make a standard applying to licensed deposit takers. Such a standard could not take effect before 1 December 2028.

6.4 The argument does not establish a presently exercisable Reserve Bank power and should not be accepted as sufficient authority for the proposal without clearer legislative authorisation.

6.4.1 Even taken at face value, the argument does not describe a power the Bank could exercise at the time it launched the consultation. It requires a regulation recommended by the Minister and approved through the Order in Council process. Without those regulations, the Bank cannot issue a Deposit Takers Act standard dealing with cash access. The consultation therefore presented the mandatory outcome before the legally responsible decision-maker had authorised the subject matter of such a standard.

6.4.2 The access purpose will not carry the weight. Section 3(2)(c) operates only "to the extent not inconsistent with subsection (1) and paragraphs (a), (b), and (d)", and, by the Bank's acknowledgment, few operative functions, powers, or duties correspond to it.[26] The pathway therefore depends on general residual standards machinery in a prudential statute: a catch-all provision allowing standards to address matters prescribed by regulation, rather than any provision expressly directed at retail cash access. The proposed route would use that general delegated machinery to create a nationwide retail-service obligation estimated to cost $104 million annually. Parliament had the Bank's own 2019 design before it and did not enact it; general provisions should not be treated as an indirect substitute for the express power previously proposed. An obligation of this scale and character should rest on clear primary legislation.

6.4.3 Finally, on the Bank's own advice the route is neither immediate nor comprehensive: a standard could take effect no earlier than 1 December 2028 and could not reach non-bank participants in the cash system, such as cash-in-transit firms.[27]

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[25] RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, pp 4–5: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf; Deposit Takers Act 2023, ss 3(2)(c), 72, 90(1)(e), and 454(1)(a) and (3).

[26] Deposit Takers Act 2023, s 3(2)(c); RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, p 4: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf.

[27] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, p 3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

6.5 The January aide-memoire described new primary legislation as the most direct way to require banks to provide cash services. We agree that primary legislation is the proper route. Even if the Deposit Takers Act pathway were ultimately held to be legally available, an obligation of this scale should be made expressly by Parliament, following select committee scrutiny and a proper regulatory impact process, rather than inferred from broad stewardship functions or assembled indirectly through general regulation-making machinery. In any event, the problem would be better addressed through transparent appropriation for targeted service provision.

7. "VOLUNTARY" AGREEMENT UNDER THE SHADOW OF COMPULSION

7.1 The Bank's preferred instrument is now a voluntary contractual arrangement. Voluntary arrangements between equals can be legitimate. But an arrangement negotiated between a prudential regulator and the entities it regulates is not an agreement between equals. A bank weighing whether to join would know that the Bank was simultaneously preparing ministerial advice on mechanisms "ranging from moral suasion to new powers",[28] and that the Bank had told the Minister the consultation would send banks "an important message" that they were expected to keep providing cash services.[29] Regulated entities may concede obligations not because Parliament imposed them but because refusing a regulator with broad discretionary authority is costly. Where a regulator seeks voluntary agreement against a possible compulsory backstop, the nature and legal basis of that backstop should be clear, settled, and open to scrutiny before it is used as leverage. Here, the backstop remained contingent and was not disclosed when the consultation was launched.

7.2 The released material shows what the backstop was. The Bank's late-July 2025 intervention options paired Bank delivery of cash services with "RBNZ cost recovery",[30] and the January 2026 aide-memoire spelled out the mechanics: the Bank considers that under the current Act it can create "cash-related cost recovery regulations that apply to banks", so that any new cash expenditure the Bank incurs "could be recovered by a fee payable by banks" — "requiring only an Order in Council" and available "relatively quickly".[31]

7.3 The practical structure being considered was therefore to invite banks to provide the services voluntarily while the Bank also considered providing or funding services itself and seeking regulations enabling it to recover those costs from banks. The cost-recovery route was itself contingent on regulations and Ministerial support. The late-July 2025 material was candid about the intent, stating the policy objective as ensuring "that the cost of providing cash services is predominantly borne by banks", through interventions

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[28] RBNZ, *22 Jan 26 PSOC Paper — Keeping Cash Close to Home*, pp 1–2: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/22-jan-26-psoc-paper---keeping-cash-close-to-home.pdf.

[29] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, p 4: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

[30] RBNZ, *Cash system redesign policy programme 2025* (slide deck attached to Susan Guthrie email of 30 July 2025), reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 15: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[31] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, p 3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.

that "must be capable of making banks provide, or in other ways incur the costs of providing, cash services to their customers".[32]

7.4 The released material suggests that allocating the cost to banks had become a central design constraint before the public consultation had established the case for intervention or compared alternative funding instruments. This would not be conventional user-pays cost recovery. The immediate beneficiaries of the additional services would be members of the public, while banks would be designated as the legally liable funding base and would seek to recover at least some of the expense through their wider business. Whatever this backstop arrangement is, it is not voluntary. It is compulsion with a choice of payment and delivery method.

7.5 The competition-law position compounds the problem. The Bank's cost estimate assumes collective delivery, such as through a multilateral contract, and its legal-basis paper acknowledges that section 27 concerns may arise and that authorisation might be required.[33] The Bank should not proceed to implement, or pressure banks to commit to, such an arrangement until the Commerce Act implications have been resolved. The consultation should have made clear that the delivery model presented as least-cost depended on collective conduct whose competition-law status remained unresolved.

7.6 The Bank should adopt a formal protocol for any voluntary arrangement with regulated entities. The protocol should require a written statement of statutory authority, identification of the relevant decision-maker, and a record of any compulsory or cost-recovery alternative communicated to the regulated entities.

8. THE BANK AND ITS BOARD FAILED THE INCOMING GOVERNOR

8.1 The Bank's Board is its governing body, with overall responsibility for the Bank's strategic direction, functions, and operations.[34] The relevant projects, including the Community Cash Service Trials, were classified as "Board monitored" and received additional oversight from the Bank's Enterprise Portfolio Management Office.[35] The Board and executive leadership were sent the full consultation package on 20 February 2026, with the proposal summarised as one under which banks must provide a minimum level of cash services at an annual cost of around $104 million.[36] "Board monitored" indicates heightened project-level salience and EPMO oversight. But the Board's involvement was substantive, not merely portfolio-level. On 1 September 2025, Susan Guthrie recorded

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[32] RBNZ, *Cash system redesign policy programme 2025* (slide deck attached to Susan Guthrie email of 30 July 2025), reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 14: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[33] RBNZ, *Keeping cash local — Legal basis for proposed cash standard*, 24 April 2026, p 3: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/legal-basis-for-proposed-cash-standard-1.pdf.

[34] Reserve Bank of New Zealand Act 2021, s 24; RBNZ, *OIA2526_186 — Information about the Governor's Induction*, 4 June 2026, "Board of Directors", PDF p 34: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_186-response.pdf.

[35] RBNZ, *OIA2526_186 — Information about the Governor's Induction*, 4 June 2026, Enterprise Portfolio Management Office section, PDF p 36: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_186-response.pdf.

[36] Email to RBNZ Board and ELT, 20 February 2026, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF pp 100–101: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

that the Board had, the previous week, endorsed the proposed advice to the Minister on cash-system policy and the strategy for delivering it "with urgency".[37]

8.2 The endorsed advice was briefing #6314. RBNZ subsequently withdrew that briefing before the Minister read it because emerging issues had rendered some of its advice out of date, and replaced it with briefing #6336. That does not reduce the Board's responsibility for the programme. It raises the further question of whether the revised strategy and legal theory were returned to the Board before public launch.

8.3 The incoming Governor's position deserves careful statement. The induction programme separately identified the Governor, as Chief Executive, as responsible for strategic, financial, legal, operational, and reputational matters.[38] As a member of the Payments and Settlements Oversight Committee, she received a draft of the consultation paper dated 22 January.[39] But her induction briefing described the cash work as Community Cash Services Trials and an intention to "seek agreement from commercial banks" to improve access to deposit, withdrawal, and change services. It included no indication that the Bank's own advice was that compulsion would require legislation, that the legal theory had shifted, or that moral suasion was being deployed against a contested regulatory backstop.[40]

8.4 The final consultation paper was emailed to the Governor on 20 February but was not opened because of travel and other commitments.[41] The Bank says Karen Silk mentioned the consultation at the 24 February lunch with banking executives, but it has no transcript or recording of what was said. That does not establish that the Governor was briefed on the legal-authority problem, and an external stakeholder lunch was no substitute for a formal internal briefing on the proposal's legal, governance, competition, and reputational risks. The OIA response also identified no Governor–Board Chair emails about the consultation and no calls with the Chair or Minister during the specified period.[42] Those facts do not establish that no oral briefing, meeting discussion, or other engagement occurred. But the released record does not show that the omission in the principal induction briefing was identified and cured before public launch.

8.5 **The Bank and its Board failed the incoming Governor.** The Board had endorsed the proposed advice to the Minister and the strategy for delivering it "with urgency"; the

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[37] Susan Guthrie email, 1 September 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF p 30: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf. See also RBNZ, *OIA2526_167 — Information about Access to Cash* (2 June 2026), pp 2–3, confirming that briefing #6314 was withdrawn before being read by the Minister and superseded by briefing #6336.

[38] RBNZ, *OIA2526_186 — Information about the Governor's Induction*, 4 June 2026, "Duties and responsibilities", PDF p 112: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_186-response.pdf.

[39] RBNZ, *OIA2526_166; OIA2526_168 — Questions, Correspondence, Briefings, and Communication Plans for the "Keeping Cash Local" Consultation*, 2 June 2026, PDF p 3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_166-oia2526_168.pdf.

[40] RBNZ, *OIA2526_186 — Information about the Governor's Induction*, 4 June 2026, "Briefing for the Incoming Governor", section "Currency and Future of Money and Payments", PDF p 15: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_186-response.pdf; compare Karen Silk email of 24 July 2025 (email bundle, PDF p 1); RBNZ, *22 Jan 26 PSOC Paper — Keeping Cash Close to Home*, pp 1–2; and RBNZ, *Aide-memoire #6343*, 22 January 2026, pp 2–4.

[41] RBNZ, *OIA2526_166; OIA2526_168 — Questions, Correspondence, Briefings, and Communication Plans for the "Keeping Cash Local" Consultation*, 2 June 2026, PDF pp 3–4: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_166-oia2526_168.pdf.

[42] RBNZ, *OIA2526_166; OIA2526_168 — Questions, Correspondence, Briefings, and Communication Plans for the "Keeping Cash Local" Consultation*, 2 June 2026, PDF p 8: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/oias/2026/june-2026/oia2526_166-oia2526_168.pdf.

programme was Board-monitored; and the Board received the full consultation package before launch. Yet the principal induction briefing described trials and an intention to seek agreement from banks, without identifying the unresolved legal-authority question, the planned use of moral suasion, or the regulatory and cost-recovery backstops. The final paper sent to the Governor was not opened, and the released record does not show that management or the Board ensured the omission was corrected before launch. A governing Board cannot discharge responsibility for a project carrying substantial legal and reputational risk merely by receiving papers. It had to ensure that the incoming Governor was properly briefed. It did not. Either the Board saw enough to know the legal-authority question should have been resolved before consultation, or a Board-monitored project did not give the Board what it needed. Neither possibility is reassuring.

8.6 The general lesson is that legal authority must be a gateway rather than a workstream. Before consultation is approved, the responsible decision-maker should receive a written statement identifying the power relied upon, any further decisions required from Ministers or Cabinet, the available enforcement mechanism, the risks associated with moral suasion, and any competition-law or cost-recovery dependencies. Project monitoring focused on milestones, budgets, and delivery risk is not an adequate substitute.

8.7 Treasury and the Minister should establish: who authorised release of the consultation and under what delegation; what legal advice or authority statement was before that person or body; what the Board or the responsible Board committee was told about the contingent Deposit Takers Act route, cost recovery, and possible primary legislation; whether Legal, Risk, or Audit escalated the authority issue; and when the Governor and Board were informed that the preferred implementation had changed from a mandatory-looking standard to voluntary contracting. In short, how did this consultation document get out the door?

9. EVEN WITH AUTHORITY, THE PROPOSED STANDARD IS POORLY JUSTIFIED

9.1 The modelled scale of the proposed intervention is out of proportion to any problem the consultation identifies. New Zealand currently has five multi-bank, more-or-less full-service cash sites. At one modelled extreme, collective compliance through multi-bank full-service sites would produce at least 1,293 sites. At the other, if each of the four largest banks complied individually, the model implies 5,172 bank-provided sites. The Bank says it expects an outcome somewhere between those endpoints.[43] The distance and density thresholds would compel new sites in cities as well as in the rural communities whose access problems motivated the work.

9.2 The consultation does not estimate the marginal benefits generated by the proposed cash-services standard. The Bank adopts an all-or-nothing counterfactual: if any one of the cash system's three "cornerstones" fails, the whole cash system fails and New Zealand becomes cashless.[44] That method does not establish that the proposed distance and density requirements would preserve those benefits, that the benefits would otherwise disappear, or that a substantially less costly intervention could not preserve them. The relevant comparison is between credible policy alternatives and a credible no-

[43] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, pp 12–13, Table 2 and associated text: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[44] RBNZ, *Keeping cash local — technical paper (considering the benefits of cash)*, 25 February 2026, pp 5–6 ("If any one of the cornerstones of the cash system fails, the whole system fails ... the relevant counterfactual for our analysis is the absence of cash completely"): https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-technical-paper.pdf; RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, pp 14–16: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

policy counterfactual, not between the proposed standard and a wholly cashless New Zealand. To put it bluntly, is it plausible that, without this particular distance-and-density standard, public-facing cash services would fail so completely that New Zealand would become cashless?

9.3 The Bank presents the $104 million annual cost as approximately 1 percent of sector pre-tax profits and, if fully recovered through lending margins, as equivalent to an average 1.8 basis-point increase.[45] Neither comparison establishes that the proposal has positive net benefits or is the least-cost intervention. A small percentage of a large denominator may still represent a poor use of resources. Bank profits are not a measure of the public's willingness to pay for the proposed service, and the lending-margin calculation says nothing about distribution, competition, entry, cross-subsidy, or alternatives.

9.4 Treasury asked the right questions, and the consultation does not answer them: why the Bank believes cash would cease to be a payments option without intervention; why normal competitive processes would not lead banks to provide cash-service assurance if customers value it; whether the claimed externality is unpriced; and whether costs would simply be passed to bank customers.[46] The competitive question deserves particular attention. A bank willing to maintain services in rural communities can win rural customers from banks that will not, along with their deposits, lending, and KiwiSaver accounts. Where no bank finds provision worthwhile even with customers free to switch, that is evidence about what the service is worth to those customers, and any case for provision beyond that point is a case for an explicit public subsidy, not a mandate.

9.5 Plausibly lower-cost instruments are available for most of the identified problem, and the Bank should at minimum have tested them. Deposit-taking smart ATMs may address much of the difficulty facing retailers that need to bank takings; retailer-agency arrangements, targeted procurement, mobile services, or narrower district-specific requirements may also be relevant. Those options should have been compared with the nationwide standard, the 1,293-site multi-bank full-service modelled endpoint, rather than dismissed by omission. The published analysis provides no comparative costing of these alternatives. It therefore cannot establish that the proposed standard is the least-cost response. Targeted subsidy could secure service in the specific communities where the Government judges access worth maintaining.

10. CASH-IN-TRANSIT RESILIENCE IS A SEPARATE PROBLEM

10.1 The Bank's materials show that wholesale cash logistics is a real and urgent concern: Armourguard is the sole remaining wholesale cash-in-transit provider, and the Commerce Commission has now authorised, with conditions, collective negotiation between the banking industry and Armourguard.[47] The Bank's January aide-memoire

[45] RBNZ, *Keeping cash local — public consultation paper*, 25 February 2026, p 14: https://consultations.rbnz.govt.nz/rbnz/access-to-cash/user_uploads/keeping-cash-local-consultation-paper.pdf.

[46] Judy WanMinKee (Treasury) email, 1 September 2025, reproduced in RBNZ, *Emails about Access to Cash and KCL from 26 February 2025 to 06 March 2026*, PDF pp 32–33: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/money-and-cash/keeping-cash-local/emails-about-access-to-cash-and-kcl-from-26-february-2025-to-06-march-2026.pdf.

[47] Commerce Commission, *2026 NZCC 14 — New Zealand Banking Association Authorisation Final Determination*, 14 May 2026, at [10], [307], and [317]–[319]: https://www.comcom.govt.nz/assets/Documents/timeline/2026-NZCC-14-New-Zealand-Banking-Association-Authorisation-Final-Determination-14-May-2026.pdf.

canvassed possible responses, including licensing of cash-in-transit firms and a crisis-management regime for dominant cash-system players.[48]

10.2 That workstream deserves its own analysis and, if warranted, its own targeted legislation. A fragile wholesale logistics market is not cured by compelling retail cash sites, and it supplies no legal authority for doing so. The two problems should not be allowed to launder each other's justifications.

11. CONCLUSION

11.1 The Keeping Cash Local consultation should be withdrawn or reset. The Bank consulted on a standard that banks "must" meet without identifying whether the mandatory outcome would be created by contract, delegated legislation, or primary legislation, or who would make the operative decision. At launch, the Bank had no presently exercisable power to impose the standard it proposed. Its internal record recognised that compulsory delivery required further legal steps; its later legal-basis paper advanced a contingent DTA route. Its later legal-basis paper also reframed the preferred option as a voluntary contract once stakeholders sought more detail. Meanwhile, the released record shows that officials had long distinguished voluntary agreement, cost recovery, Deposit Takers Act standards, and new legislation. A Board-monitored project carrying substantial legal, fiscal, competition, and reputational risk reached public launch without a settled and publicly disclosed authority pathway.

11.2 If the Government wishes banks to be legally required to provide retail cash services, that obligation should be enacted by Parliament, with full scrutiny of costs, incidence, and alternatives. If the Government instead judges that some communities warrant cash services beyond what is commercially viable, it should fund provision in those communities openly, on the general tax base. What the Reserve Bank should not do is continue toward an outcome, whether framed as mandatory or "voluntary", that it has no present authority to require.

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[48] RBNZ, *Aide-memoire #6343 — Meeting with RBNZ officials on cash system issues*, 22 January 2026, p 3: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/information-releases/2026/rbnz-aidememoire-6343--meeting-with-rbnz-officials-on-cash-system-issues.pdf.