

# Towards a Cash Smart Society

Position Paper on Cash in South Africa

South African Reserve Bank

7 May 2026



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## Executive summary

South Africa's payments system is undergoing rapid transformation as digital and mobile payment methods expand. Yet cash remains a foundational component of the economy, particularly for everyday transactions, informal markets and cash-reliant households. It continues to provide immediacy, universal acceptance and operational resilience when digital systems are unavailable. The South African Reserve Bank (SARB) therefore recognises that cash and digital payments are not pure substitutes, but complementary instruments within a hybrid payments ecosystem.

At the same time, structural shifts in payment behaviour are changing the economics of cash. Ongoing changes in formal cash channels and the rationalisation of distribution footprints risk making the cash ecosystem more expensive, less accessible and more fragmented. Evidence from the SARB's 2025 Cost of Cash Study shows that the total annual cost of cash in South Africa is substantial<sup>1</sup> and ultimately borne by consumers, not least through indirect costs such as travel time, queuing and exposure to crime. Left unaddressed, these dynamics risk undermining the affordability, accessibility and reliability of cash, especially for the most vulnerable segments of society.

This position paper sets out the SARB's policy response to these challenges through the **Cash Smart Strategy**, developed in alignment with the SARB's Strategy 2030. The Cash Smart Strategy treats cash as a critical public infrastructure that must be actively stewarded to remain resilient, inclusive and efficient within a modernising payments system. It is not a reactive response to the digitalisation of payments, but a forward-looking framework that modernises the cash ecosystem while preserving its essential public-interest functions.

The Cash Smart Strategy is anchored in three interrelated objectives: (i) **reducing the cost of cash** by addressing structural inefficiencies and duplication; (ii) **ensuring broad and equitable access to cash** across urban and rural areas; and (iii) **embedding ethical, secure and accountable stewardship of physical currency**. These objectives recognise that market forces alone cannot guarantee universal access, cost efficiency or system-wide resilience as commercial incentives evolve.

To operationalise the strategy, the SARB proposes an integrated, ecosystem-wide regulatory framework that establishes clear and enforceable 'rules of the road' for all participants who materially influence cash outcomes. The framework includes activity-based and proportionate licensing, and minimum sector-wide standards applicable to banks and non-bank service providers alike, including cash-in-transit (CIT) operators, automated teller machine (ATM) deployers, retailers, and

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<sup>1</sup> Research undertaken by the SARB indicates that consumers incur approximately R90 billion annually in costs for the use of cash.

cash-to-digital networks. By focusing on functions rather than institutional form, the framework reduces fragmentation, strengthens accountability, and ensures that systemically important cash activities are governed in the public interest, with explicit obligations to support **accessibility**, **affordability** and **resilience** across the cash ecosystem.

This position paper does not constitute binding regulation; rather, it sets out the policy rationale and structural logic that will guide the development of detailed regulations, licensing frameworks, delegation arrangements and technical standards through formal consultation. By setting out a clear vision for the future of cash, the paper establishes a shared reference point for industry and stakeholders and signals the SARB's commitment to ensuring that cash remains a trusted, accessible and resilient pillar of South Africa's payments system as the economy continues to modernise.

# 1. Purpose and scope

## 1.1. Purpose

This paper sets out the SARB's policy position on the future role of cash in South Africa and the regulatory architecture required to sustain it in a modern, hybrid-payment economy. It articulates how the SARB intends to safeguard cash as a critical public-interest component of the national payment system, while modernising the way cash is governed, distributed and managed in line with the SARB's strategic objectives – particularly Strategic Focus Area 3 (SFA 3).<sup>2</sup>

The paper provides a policy framework for the Cash Smart Strategy, explaining why cash continues to matter for inclusion, resilience and consumer choice, and why market forces alone are insufficient to secure these outcomes as payment technologies evolve. It frames cash not as a legacy instrument in decline, but as an essential national infrastructure that must be actively stewarded to remain affordable, accessible, trusted and secure.

The position paper is intended to serve three complementary purposes. First, it provides internal policy coherence by setting out a clear conceptual and strategic basis for future regulatory and operational decisions relating to cash. Second, it establishes a shared reference point for engagement with industry, government and other stakeholders on the direction and rationale of proposed reforms. Third, it signals the SARB's intent to treat cash as a system-wide public good, governed through an integrated framework that balances efficiency, competition, resilience and inclusion.

## 1.2. Scope

The paper focuses on the end-to-end cash ecosystem and the regulatory reforms required to ensure its continued viability and public-interest performance. Specifically, it addresses:

- **The role of cash in a hybrid payments economy**

The paper examines the current and evolving use of cash within South Africa's payments landscape, highlighting why cash remains indispensable for economic participation, resilience and trust, particularly for informal markets, rural areas and cash-reliant communities. It draws on evidence from the SARB's Cost of Cash Study<sup>3</sup> to illustrate the economic, operational and social pressures facing the cash value chain.

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<sup>2</sup> SFA 3 focuses on enhancing the resilience, effectiveness and accessibility of payments.

<sup>3</sup> SARB, Currency Management Department, 'Cost of Cash Study', unpublished internal report, November 2025.

- **The Cash Smart Strategy and its intended outcomes**

The paper outlines the principles underpinning the Cash Smart Strategy and its intended outcomes, most notably the affordability, accessibility and ethical stewardship of cash. These outcomes form the normative basis for the proposed reforms and guide how trade-offs between efficiency, competition and inclusion are to be managed.

- **An integrated regulatory and institutional framework for cash**

The paper describes the proposed regulatory architecture for the cash ecosystem, including:

- the regulation of cash-related activities across the system;
- the delegation arrangements between the SARB and the utility for specified functions; and
- an industry rulebook to ensure consistent standards, interoperability and accountability.

The paper explains how these components are designed to work together to address fragmentation, rising costs and uneven service outcomes.

- **Risk, transition and implementation considerations**

The paper identifies the key risks the framework seeks to mitigate – including systemic continuity risks, security threats, market distortions and exclusion – and outlines the high-level ways in which the regulatory framework addresses them.

### 1.3. What this paper is not

This position paper does not constitute binding regulation, nor does it replace the detailed legal, contractual and technical instruments that will be developed subject to separate consultation. The specific regulations, delegation agreements, licensing requirements, pricing methodologies and operational standards will be set out in subsequent instruments in accordance with established legislative and governance processes.

The paper is also not intended to replicate the full findings of the Cost of Cash Study, nor serve as a comprehensive competition or market conduct assessment. Instead, it provides the policy rationale and structural logic that inform future regulatory choices, against which more detailed proposals will be developed, tested and refined.

## 2. Context: Cash in a hybrid payments economy

South Africa's payment system is modernising rapidly, yet structurally it remains a dual system. Digital and mobile payments are expected to continue growing strongly – driven by initiatives under the SARB's Payments Ecosystem Modernisation Programme. However, cash retains a central role in everyday commerce. It is not anticipated that South Africa will become a cashless society. This is especially true in the informal sector, in rural areas, and among communities with limited access to digital financial services. Cash provides immediacy, universal acceptance and a payment option that does not depend on electronic networks, devices or related infrastructure. For many South Africans, cash is simply the most accessible and trusted medium for transactions.

Cash is increasingly recognised by policymakers and central banks as a vital contingency mechanism for modern digital payment systems, ensuring resilience when digital infrastructure fails. Numerous jurisdictions have formally acknowledged or legislated for this backup role of cash.

In the United Kingdom, the Financial Services and Markets Act 2023 empowers regulators to ensure nationwide access to cash, reflecting its importance for continuity and resilience when electronic payment networks are disrupted.<sup>4</sup> The European Commission's proposed 'right to cash' regulation similarly mandates broad cash acceptance across the euro area, explicitly noting that cash remains operable during power outages and cyberattacks.<sup>5</sup> Australia has likewise moved to require that essential businesses accept cash for vital goods such as groceries and fuel, ensuring commerce can continue during electronic payment outages.<sup>6</sup> Even highly digital economies such as Sweden<sup>7</sup> and Norway<sup>8</sup> have introduced measures obligating banks or retailers to maintain cash services for essential transactions, underscoring a

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<sup>4</sup> **United Kingdom:** Financial Conduct Authority, '[Financial Services and Markets Act 2023 gives FCA new powers to protect access to cash](#)', 18 August 2023.

<sup>5</sup> **European Union:** European Commission, '[Opinion of the European Central Bank on a proposal for a regulation on the legal tender of euro banknotes and coins](#)', 13 October 2023.

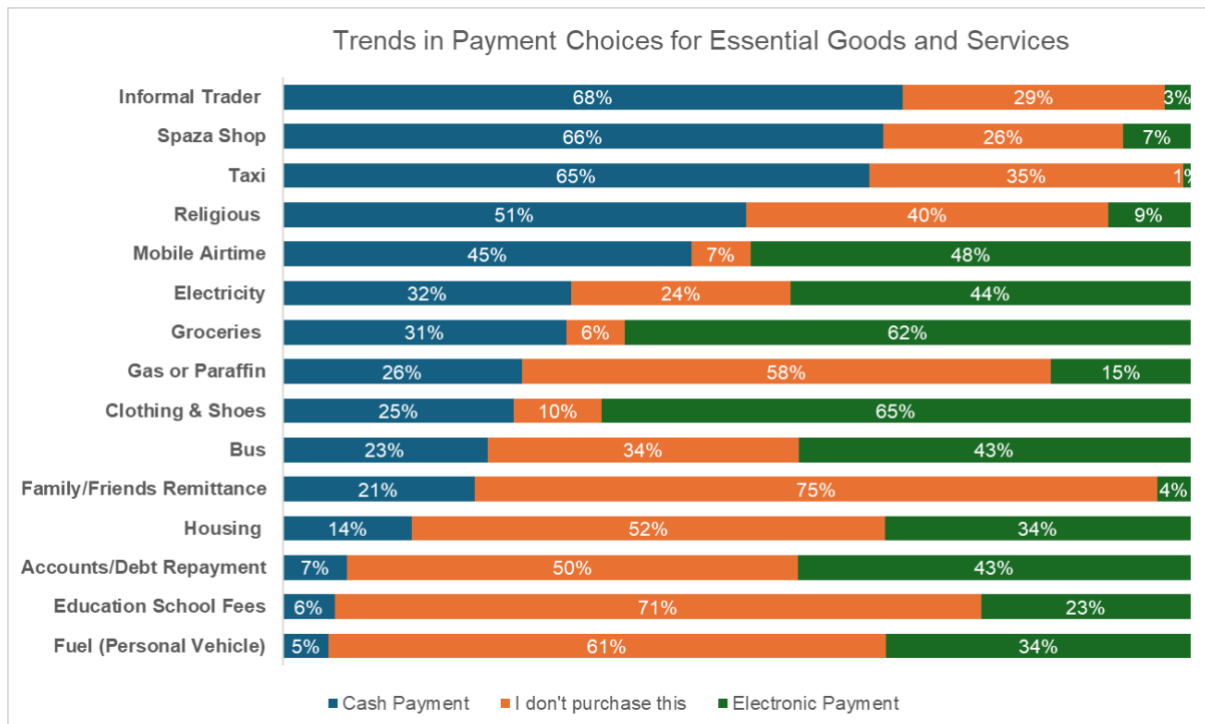
<sup>6</sup> **Australia:** Australian Treasury, '[Mandating cash acceptance a step closer](#)', 17 October 2025; Treasury of Australia, draft regulations on mandatory cash acceptance for essential goods (effective 1 January 2026).

<sup>7</sup> **Sweden:** Sveriges Riksbank, '[The public's ability to pay in times of crisis and states of heightened alert needs to be strengthened](#)', *Payments Report 2025*, 10 March 2025.

<sup>8</sup> **Norway:** [Lov om endringer i personopplysningsloven mv.](#) (gjennomføring av forordning (EU) 2018/1725 og utfyllende bestemmelser til forordning (EU) 2016/679) [Act on amendments to the Personal Data Act etc.] (2024) LOV-2024-06-07-29.

growing international consensus that preserving cash as a public payment option is integral to payment system resilience and crisis preparedness.

**Figure 1: Trends in current payment choices<sup>9</sup>**



While digital payments are gaining momentum, consumer behaviour reflects a pragmatic blend of old and new. When purchasing essential goods and services, many South Africans choose payment methods that offer the greatest accessibility and convenience (Figure 1). Electronic payments are clearly gaining popularity, yet cash remains indispensable – particularly in informal markets, rural communities and areas where digital infrastructure or trust in digital systems is limited. These patterns reinforce the reality of a dual payments landscape, where traditional and modern methods coexist, shaped by the diverse needs and lived experiences of consumers across the country.

At the same time, the interaction between digital payments and cash is not characterised by a zero-sum relationship. International experience shows that after an initial drop following the introduction of fast digital payments, the demand for cash – as measured in terms of currency in circulation – often stabilises or even rebounds, indicating that physical currency continues to fulfil certain needs over the long term. In South Africa, new ‘cash-to-digital’ bridge models – such as retail stores enabling cash deposits into mobile wallets, or fintech services converting cash to e-money – underscore that cash and digital ecosystems are increasingly intertwined.

<sup>9</sup> SARB, Currency Management Department, ‘Cost of Cash Study’, Unpublished internal report, November 2025.

Therefore, the policy challenge is to facilitate the transition to a more digital economy while preserving the unique benefits of cash. The SARB's Strategy 2030 explicitly recognises that both physical and digital payment methods are essential for economic activity and must co-exist in a balanced way to serve the needs of the public. A modernised cash framework should reinforce the affordability, accessibility and ethical controls of cash services across the country, even as digital payments flourish.

### **3. The case for reform: Core challenges**

Despite its enduring importance, South Africa's cash ecosystem faces several structural challenges that necessitate reform. The following core issues have been identified through the SARB's analysis and stakeholder consultations.

#### **3.1. Cost escalation and duplication**

The cash value chain is expensive, and without intervention, its costs continue to rise. According to a recent SARB study, the total annual cost of cash in South Africa is approximately R89.6 billion – costs ultimately borne by consumers.<sup>10</sup> These expenses span the entire value chain (from bulk cash centres to ATMs to retail operations) and include both direct costs (e.g. fees, security, transportation) and indirect costs (e.g. travel time, waiting in queues, opportunity costs, losses from cash lost and crime).

The current industry landscape is characterised by significant duplication of infrastructure and routes, with multiple banks and CIT firms independently moving cash to the same locations, and each bank maintaining its own costly ATM network in overlapping areas. Without policy intervention, declining cash volumes will lead to higher average costs per transaction, as fixed costs are spread over fewer withdrawals and deposits, putting upward pressure on fees for consumers. In short, the current cash ecosystem is not cost-efficient; end-users already bear these inefficiencies through fees and the time costs associated with cash access and usage.

#### **3.2. Access and inclusion under threat**

The market-driven reduction in the number of cash access points (i.e. bank branches and ATMs), particularly in rural or low-income areas where they are less profitable to maintain, raises concerns of 'cash deserts' emerging, resulting in vulnerable communities having to travel long distances or pay high fees to access cash.

Moreover, as costs rise, banks and retailers may impose new charges or minimum purchase requirements for cash services, further disadvantaging cash-dependent consumers. The current framework does not provide guarantees on minimum access or equitable service, putting cash-dependent groups at risk. Ironically, consumers with the least access to digital payments are the most severely impacted by any

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<sup>10</sup> SARB, Currency Management Department, 'Cost of Cash Study', Unpublished internal report, November 2025.

degradation of the cash network. Without proactive measures, the combination of competition pressures and cost-cutting efforts could lead to *uneven outcomes* – making cash easy and affordable to obtain in affluent areas, but scarce and costly in townships, informal settlements and rural provinces.

### 3.3. Integrity, security and quality risks

Counterfeiting, cash robberies and inconsistent banknote quality standards pose persistent risks across the cash ecosystem. **The absence of comprehensive and uniform regulations for cash** allows inconsistent enforcement of banknote authentication, fitness and security standards, particularly outside of the banking sector. As a result, unfit or counterfeit banknotes may remain in circulation for longer, increasing handling, sorting and replacement costs across the supply chain and undermining confidence in the national currency. Security practices for cash transportation, storage and ATM management also vary widely, creating vulnerabilities.

### 3.4. Fragmentation and uneven standards

The cash supply chain comprises multiple independent actors such as banks, CIT companies, ATM operators (including independent deployers) and retailers, largely operating through bilateral arrangements and informal practices rather than a coordinated, system-wide framework. This fragmentation results in inconsistent processes for cash handling, transportation, sorting, authentication and distribution, with uneven adherence to banknote fitness and security standards across the country.

These inconsistencies drive operating costs higher, as the same cash is often processed, transported and verified multiple times by different participants using non-aligned systems and standards. Fragmentation also undermines banknote quality outcomes, as variable sorting and fitness criteria increase the circulation of soiled or damaged notes, raising replacement costs for the central bank and handling costs for commercial participants. Critically, inconsistent authentication and quality controls heighten the risk of counterfeit banknotes entering circulation, as weaknesses at any point in the chain can be exploited and propagated throughout the system. Collectively, these effects erode efficiency, inflate costs borne by end-users, and weaken confidence in the integrity and reliability of the national cash ecosystem.

### 3.5. Limited system-wide visibility

No common data or reporting framework exists to give the SARB or industry participants a real-time, aggregated view of cash operations. This **lack of transparency** makes it challenging to measure performance, detect bottlenecks or address disruptions swiftly. For instance, data on cash stock-outs, ATM downtimes or regional cash shortages are not centrally collected, impeding effective oversight and timely interventions. The absence of an integrated information view also means opportunities for efficiency improvements or risk mitigation may be overlooked.

These challenges are interrelated and call for a **holistic solution** rather than piecemeal fixes. The SARB recognises that market forces alone cannot guarantee the public-interest attributes of cash (e.g. universal access, stability, fairness) in the face of technological change. An integrated regulatory and operational framework is required – one that establishes clear responsibilities and standards for all players, fosters cooperation on shared infrastructure, and aligns the cash industry with the national objectives of financial inclusion and stability.

### 3.6. Market failure risks

South Africa's cash ecosystem depends on a wide range of independent and often lightly regulated participants operating largely outside the traditional banking regulatory framework. These include multiple CIT operators, non-bank ATM deployers, and numerous retail outlets providing cash-back services. While this decentralised structure has supported broad access to cash, it also introduces structural vulnerabilities. Disruptions affecting any critical participant can have cascading effects on cash distribution and create systemic risk.

Key segments of the cash supply chain are highly concentrated. In particular, wholesale cash handling and transportation is dominated by a small number of providers, making the system sensitive to operational or financial stress affecting any single entity. These providers face mounting pressures from rising security costs linked to persistent criminal threats alongside moderating cash usage, which narrows margins and undermines commercial viability. The departure or insolvency of a major cash logistics provider could therefore severely disrupt nationwide cash distribution, with limited short-term alternatives available.

At the same time, systemically important banks (those facing high fixed costs associated with cash handling and infrastructure) have been rationalising their physical footprints. Branch closures and ATM reductions, particularly in lower-volume or less profitable locations, have become increasingly common. As a result, responsibility for maintaining access to cash has progressively shifted towards non-bank alternatives. Independent ATM networks and retail cash-back services now play a growing role in meeting everyday cash needs, especially in underserved areas – also see the discussion under section 4.2.

However, these alternative providers are commercially fragile. Their sustainability depends on sufficient transaction volumes and manageable operating costs. Should economic pressures, security risks or declining demand render their business models unviable, communities may experience the emergence of 'cash deserts', where access to cash becomes limited, costly or geographically distant. This would disproportionately affect rural areas, lower-income communities and cash-reliant users.

In combination, limited regulatory oversight of non-bank participants, high concentration in critical cash services, and profitability pressures across both bank and non-bank actors mean that the failure or withdrawal of any major participant – whether

a cash logistics operator, an independent ATM network, or a bank further reducing infrastructure – could materially weaken the stability, accessibility and resilience of the cash ecosystem. Beyond disrupting day-to-day cash availability, such failures risk undermining public confidence in cash as a reliable and universally available means of payment, particularly its role as a contingency option during digital payment outages or broader system disruptions.

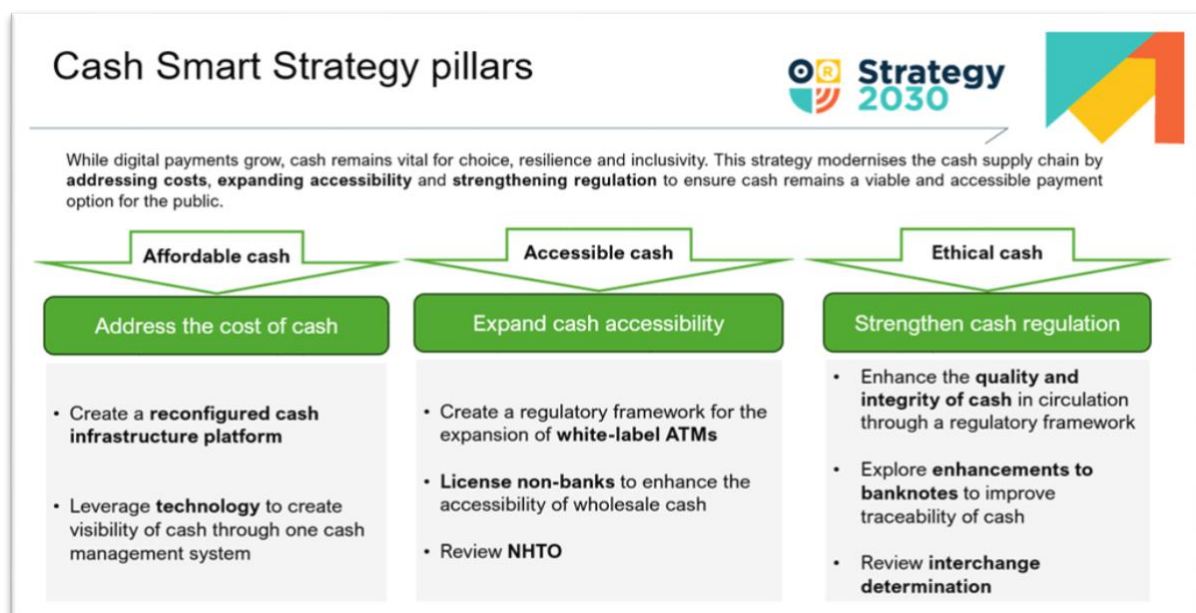
## 4. The Cash Smart Strategy

In response to the structural and operational challenges facing South Africa’s cash ecosystem, and in alignment with the SARB’s Strategic Focus Area 3 (SFA 3) – which seeks to **enhance the resilience, accessibility and effectiveness of the national payment system** – the SARB has developed the **Cash Smart Strategy**.

This strategy recognises that cash remains a vital component of the payments landscape and must be managed as a critical public infrastructure. It aims to ensure that cash remains available and trusted, while improving the efficiency, integrity and governance of the cash value chain. The Cash Smart Strategy is not a reactive posture against payments modernisation, but a forward-looking framework that positions cash as a resilient, inclusive and interoperable instrument within a modern, hybrid payments economy.

The strategic pillars of the Cash Smart Strategy are illustrated in Figure 2.

**Figure 2: Summary of the Cash Smart Strategy pillars and proposed actions<sup>11</sup>**



<sup>11</sup> SARB, ‘Cash Smart Strategy’, Presentation delivered at the Payments Ecosystem Management (PEM) Industry Dialogue, 2 December 2025. Available at: <https://www.resbank.co.za/en/home/what-we-do/payments-and-settlements/pem>

## 4.1. Affordable cash

**Objective:** Reduce the cost of managing, distributing and accessing cash for consumers and businesses.

The SARB's Cost of Cash Study – concluded in November 2025 – provides a comprehensive assessment of the economic, operational and social costs associated with cash usage in South Africa. The study reveals that the annual cost of cash amounts to approximately R90 billion, a burden ultimately borne by end-users (consumers), rather than businesses or banks alone. This figure encapsulates both direct and indirect costs, which are almost equally split: direct costs account for R43.5 billion (49%), while indirect costs total about R46.1 billion (51%).

For consumers, the main cost drivers are withdrawal and deposit fees, travel and queuing time, crime and cash losses, opportunity costs, and retailer pass-through costs.

Suppliers of cash incur an aggregate R27.1 billion, which is incorporated into the R90 billion borne by the consumers as shown in FigureFigure 3 below. The cost structure for the supply of cash is distributed across three main tiers in the cash value chain (see Annexure 1). Tier 1, representing essential industry services, incurs costs of R1.2 billion, driven primarily by storage, handling, security and logistics.<sup>12</sup> Tier 2, which encompasses essential banking services, is responsible for R21 billion in costs, largely attributed to the management of ATM and branch networks, CIT operations and the processing of banknotes and coins.<sup>13</sup> Tier 3, comprising retailers and small, medium and micro enterprises (SMMEs), accounts for R4.3 billion in costs, with formal retailers incurring significant expenses for cash-back services and routine operations, while SMMEs remain highly reliant on cash and face substantial costs through daily business activities.<sup>14</sup>

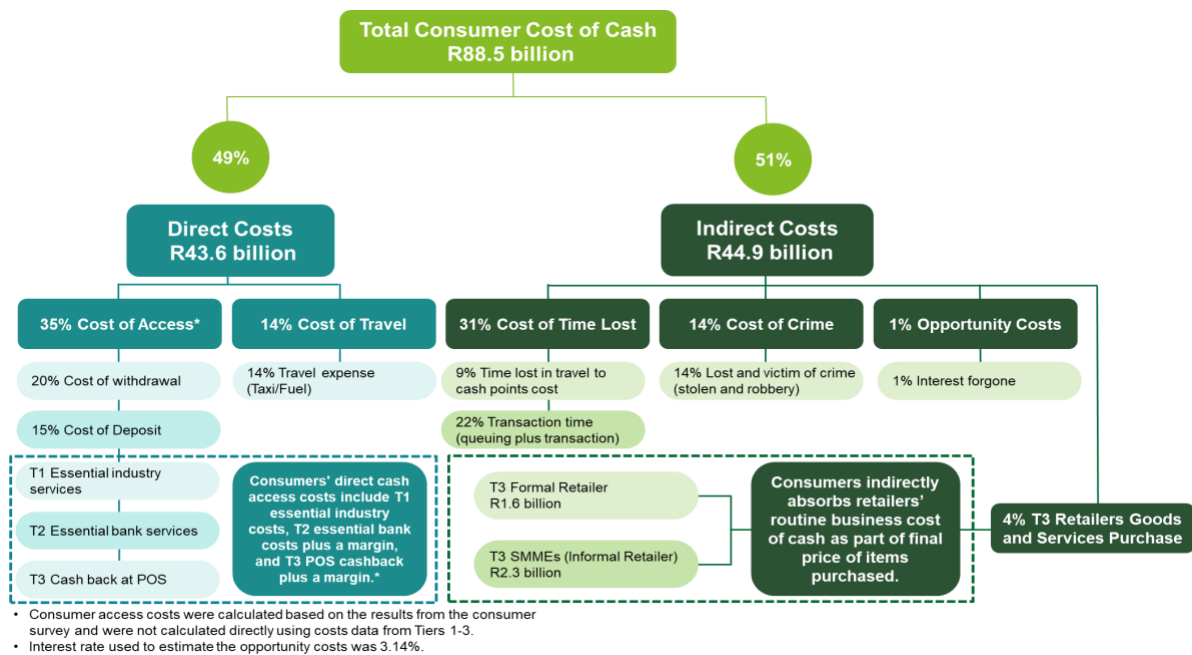
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<sup>12</sup>Tier 1 is the essential industry services tier involving the movement and storage of bulk cash between the SARB and commercial bank-hosted cash centres (Tier 1 cash centres are outsourced to CIT entities) as well as host-to-host movements. This includes bulk storage, insurance and operational risk services at SARB vaults located at authorised host cash centres, which serve the greater good without providing competitive advantages. Industry CIT and support vehicles facilitate bulk cash movements, while notes held to order (NHTO) vaults and hosted general ledger (GL) vaults handle storage.

<sup>13</sup> Tier 2 of the cash supply chain is the domain of commercial banks responsible for the wholesale distribution and recirculation of cash. These institutions ensure industry-wide access to physical currency, including ATM networks, branch infrastructure and retailers using settlement mechanisms. Encompassing the operations of commercial banks, this tier is critical in the wholesale distribution and recirculation of cash. Commercial banks perform a variety of functions to maintain cash availability, including the processing of branch and cash centre note clearances and orders. They ensure the collection and delivery of wholesale cash – encompassing banknotes, coins and foreign currency – through both branches and cash centres operated by banks, third parties and CIT services. For the purposes of this position paper and the SARB Cost of Cash Study referenced, ATM services also fall under this tier, involving ATM replenishment, deposit-clearing services, ATM balancing and first-line maintenance, to ensure ATMs are operational and stocked with cash. The delivery and collection of ATM cash for replenishments and managing deposits are vital to keeping the ATM network functional and reliable.

<sup>14</sup> For the purpose of this position paper, Tier 3 comprises retailers and SMMEs that play a central role in the day-to-day circulation of cash between consumers and the formal financial system. This tier includes both formal and informal businesses – such as supermarkets, spaza shops, street vendors

**Figure 3: Cost of cash for consumers is composed of direct costs and indirect costs<sup>15</sup>**



The strategic response proposed by the Cash Smart Strategy to the portion of costs borne by suppliers as discussed above is to establish a cash utility to expand access to wholesale cash and to lower the costs of cash. This includes consolidating and optimising wholesale cash infrastructure across Tier 1 and Tier 2 institutions – particularly cash centres and associated fixed-cost assets – thereby reducing excess capacity that embeds high fixed costs in the system, while also enabling more efficient routing, handling and inventory management across the supply chain. The intended outcome is a reconfigured cash infrastructure platform that aligns with strategic objectives. In addition, the cash utility will create value by reducing inventories that are carried throughout the supply chain by many participants. Over and above this, the SARB proposes to consolidate cash management systems used through much of the wholesale portion of the supply chain to achieve efficiencies that provide greater transparency and lower long-term cash management costs.

and the taxi industry – which collectively handle substantial volumes of cash as part of ordinary commercial activity. While Tier 3 entities are not primarily designed as cash distribution infrastructure, they are responsible for the acceptance, storage, utilisation, re-circulation and safeguarding of cash through routine trade, including providing change, and managing cash floats and depositing takings via banks or CIT providers. Businesses in this tier increasingly operate in a multi-payment environment, accepting cash alongside cards, digital wallets and electronic transfers to ensure customer convenience and operational efficiency. The tier also encompasses the informal economy, where cash remains dominant and where extensive evidence points to the recycling of banknotes and coin among consumers and businesses outside the banking system.

<sup>15</sup> Consumers' direct cash access costs incorporate Tier 1 essential industry costs, Tier 2 essential bank costs plus a margin, and Tier 3 point-of-sale cash back plus a margin - SARB, Currency Management Department, Cost of Cash Study, Unpublished internal report, November 2025.

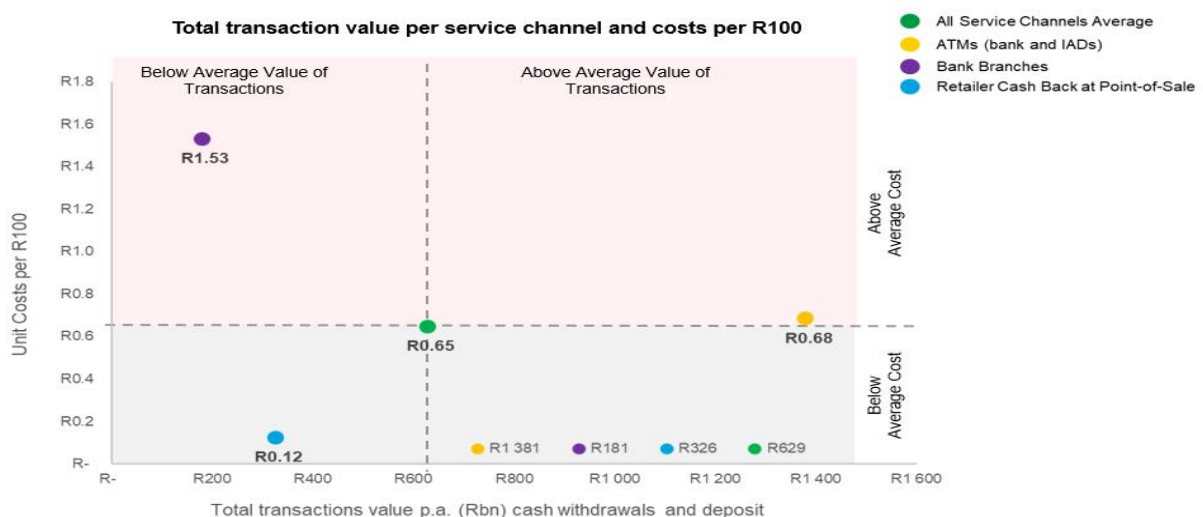
## 4.2. Accessible cash

**Objective:** Guarantee broad, equitable access to wholesale cash services as well as within the front end of the supply chain across urban and rural areas, ensuring that all South Africans can obtain and use cash without undue barriers.

Although digital payments are rising, cash remains essential for over two-thirds of transactions, particularly in rural areas, informal markets and lower-income households. Figure 3 highlights that approximately half of the total cost of cash is carried by consumers – not only through explicit fees (35%), but also through travelling costs incurred to access cash (14%), the time spent travelling to access cash (31%), opportunity costs of holding cash (3%), losses that include crime (13%) as well as the sourcing of cash from retailers (4%).

Figure 4 illustrates the costs associated with different cash access channels – bank branches, independent ATM deployers (IADs) and bank ATMs, and retailer cash back at point-of-sale – expressed as the notional cost per R100 of cash dispensed. The y-axis presents these costs relative to the total value of transactions that take place through each channel, shown on the x-axis. This analysis indicates that retailer cash back at point-of-sale is the most efficient way for consumers to access cash due to this channel leveraging existing retail infrastructure and high transaction volumes. Beyond the inherent advantages of the retail model, it is also noteworthy that the higher the transaction volume (as seen with ATMs), the lower the unit cost. While bank branches are essential for high-value transactions and deposits, they are less efficient for withdrawals compared to ATMs. ATMs, especially those operated by banks, are a more cost-effective channel for cash transactions, as opposed to bank branches.

**Figure 4: Cost efficiency across cash access channels**



The Cash Smart Strategy responds by broadly ‘expanding cash accessibility’ through measures such as establishing a regulatory framework for the expansion of white-label ATMs across the industry through a national cash utility, licensing non-banks to

enhance the accessibility of wholesale cash, and reviewing the notes held to order (NTHO) facilities that the SARB makes available to the financial industry with the aim of enhancing their effectiveness.<sup>16</sup> White-label ATMs (WLAs) are recognised under the Cash Smart Strategy as an important access mechanism for sustaining cash availability, particularly as traditional bank-owned ATM infrastructure is rationalised. WLAs are envisaged as part of a utility-coordinated access layer that facilitates geographic rebalancing, improves reach in underserved areas and reduces the time and travel costs borne by cash-reliant users. Detailed deployment, funding and operational arrangements will be addressed through the regulatory framework and supporting instruments.

These measures will have an impact on the indirect cost of time and the direct cost of travel for consumers, which together make up about half of the overall cost of cash.

### 4.3. Ethical cash

**Objective:** *Ensure that cash is handled under fair, transparent and accountable conditions that protect consumers and the financial system.*

Ethical cash recognises that physical currency is a **public good**. Managing it ethically requires clear rules, oversight and equal treatment of all participants. In this pillar, the SARB seeks to use its regulatory authority to embed fairness and transparency. The pillar prioritises actions to:

- i. enhance the quality and integrity of cash in circulation through a regulatory framework (see Section 5 and Annexure 2);
- ii. explore banknote enhancements to improve traceability for system-level circulation insights at strategic interception points – not necessarily to track individual banknotes; and
- iii. review the policy on interchange-setting, aligned to the access objectives for white-label ATMs under Pillar 2 (Accessible cash).

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<sup>16</sup> NHTO is a SARB-delegated arrangement that allows approved cash operators to hold and process banknotes in designated vaults on behalf of the central bank, with ownership remaining with the SARB. The mechanism reduces physical cash movements and provides short-term balance-sheet and liquidity relief, while remaining subject to daily reporting, settlement and audit requirements.

## 5. A regulatory framework for cash

South Africa's cash system remains a cornerstone of economic inclusion and day-to-day commerce, despite the growth of digital payment methods. Cash is uniquely positioned as:

- a **universal** means of payment (widely understood and accessible with limited onboarding hurdles);
- a **resilience tool** (operational when digital rails are disrupted); and
- a **public good** (anchoring trust in the monetary system, safeguarding choice, and supporting vulnerable groups).

At the same time, structural shifts in payment behaviour are changing the economics of cash. As formal cash channels evolve, distribution footprints are increasingly rationalised through individual commercial strategies, which may improve firm-level outcomes but risk fragmenting the cash ecosystem rather than delivering system-wide efficiencies.

There is a need for a regulatory framework for cash anchored around 'public perimeter' – the societal conditions necessary for cash to function effectively. The conditions necessary for a modern physical currency system include:

- **accessibility**, ensuring users can reach cash services;
- **availability**, guaranteeing cash is present when needed;
- **acceptance**, ensuring cash remains a valid tender for essential transactions;
- **affordability**, preventing cost barriers for the end-user;
- **authenticity**, encompassing both the security of the supply chain and the physical quality of the currency; and
- **resilience**, ensuring the system can withstand systemic shocks.

To embed these constructs in a future South African cash ecosystem, they must be given legal effect through regulation to ensure consistent and practical implementation. The proposed Cash Ecosystem Regulations, covering the above-mentioned five 'A's and resilience, will be augmented by at least two facets, namely activity-based licensing and a technical rulebook. In addition, the regulations will incorporate universal service obligations to mitigate the emergence of 'cash deserts' and ensure equitable access in underserved areas.

The activity-based licensing will be a comprehensive, risk-proportionate licensing framework for all entities undertaking significant cash-related activities, including CIT, processing, vaulting, ATM deployment, and related access services. Obligations will be adjusted based on the systemic importance and scale of each participant, thereby reducing fragmentation while promoting resilience and integrity across the ecosystem.

The framework will introduce common security and operational standards, mandate adherence to SARB-approved quality and authentication protocols and safeguard the integrity of banknotes by addressing risks such as inadequate fitness sorting and counterfeit detection. These objectives will be operationalised through a structured set of licensable categories – ranging from systemic cash infrastructure services, critical cash access and distribution services, cash logistics, custody and cross-border services, and specialised cash–digital interface services – with the SARB retaining the ability to designate providers as ‘critical’ where scale, concentration or dependency thresholds are exceeded, triggering enhanced obligations.

Complementing these regulations is the Industry Cash Rulebook, which translates high-level policy into detailed operational standards. The Rulebook will govern the relationship between a national cash utility and its customers, covering technicalities of cash ordering, packaging, fitness sorting and incident reporting. By standardising these procedures, the Rulebook will eliminate the operational inconsistencies between banks, CIT firms and retailers that often lead to reconciliation errors and security vulnerabilities. It also mandates uniform data taxonomies, providing the SARB with a ‘cash dashboard’ for system-wide visibility. In the event of a crisis, such as a CIT strike or a major security breach, the Rulebook’s mandatory, time-bound reporting protocols will ensure a coordinated and effective national response.

## **6. Conclusion**

Cash remains a foundational pillar of South Africa's payment system and a critical instrument of economic inclusion, resilience and public trust. While digital payments are expanding rapidly and will continue to transform how South Africans transact, the evidence presented in this position paper demonstrates that cash is not an obsolete instrument, but an enduring component of a modern, hybrid payments economy. For millions of South Africans – particularly those in rural areas, informal markets and lower-income households – cash is the most accessible, trusted and practical means of payment. It also serves as an essential national fall-back during power outages, network failures and other systemic disruptions when digital systems are unavailable.

Yet the cash ecosystem is under growing strain. Fragmentation, duplication, rising costs, uneven service standards, market failure risks and limited regulatory oversight are undermining the affordability, accessibility and integrity of cash services. Left unaddressed, these dynamics risk creating a system in which cash becomes increasingly expensive and inaccessible for those who depend on it most, while commercial incentives alone prove insufficient to sustain universal access or resilience. The SARB's Cost of Cash Study (2025) underscores the urgency of reform: at nearly R90 billion annually, the cost of cash is substantial, inequitably distributed, and largely borne by end-users through both direct fees and indirect burdens such as travel time, opportunity costs and exposure to crime.

The **Cash Smart Strategy**, developed in alignment with Strategic Focus Area 3 of the SARB's Strategy 2030, is the policy response to these challenges. It positions cash as critical public infrastructure that must be actively stewarded to remain affordable, accessible and ethically governed, even as the economy shifts towards digitalisation. The strategy is anchored in three mutually reinforcing pillars: **affordable cash**, which addresses structural inefficiencies and cost escalation through consolidation and shared infrastructure; **accessible cash**, which expands geographic and service coverage to ensure equitable availability; and **ethical cash**, which embeds fairness, transparency and accountability into the handling and regulation of physical currency.

To give effect to this vision, the SARB proposes an integrated, ecosystem-wide regulatory framework that establishes clear, enforceable obligations for all participants who materially influence cash outcomes. The framework sets proportionate licensing requirements, minimum standards and supervisory expectations that preserve core public attributes, including accessibility, availability, acceptance, affordability, authenticity and resilience.

Embedded within the framework are strong safeguards to manage risk and ensure continuity. Through licensing oversight, enforceable standards, delegation arrangements and a comprehensive industry rulebook, the SARB retains the authority and tools to intervene where risks materialise – ranging from remedial directives and licensing actions, to targeted restrictions on activities where necessary. These mechanisms are integral to the design of the Cash Smart Strategy and ensure its robustness under both normal operating conditions and periods of systemic stress.

This position paper does not constitute binding regulation. Rather, it sets out the policy rationale, structural logic and strategic intent that will guide the development of detailed regulations, licensing requirements, delegation agreements and operational standards through formal consultation processes. It establishes a shared reference point for engagement with industry, government and other stakeholders, and signals the SARB's commitment to treating cash as a system-wide public good governed through a coherent, forward-looking framework.

As South Africa's payments landscape continues to evolve, the SARB is committed to ensuring that cash remains a trusted, accessible and resilient component of the national payment system. The Cash Smart Strategy reflects this commitment – not by resisting digitalisation, but by actively reconfiguring the cash ecosystem to serve the public interest in a changing world. Through coordinated regulatory action, transparent governance and inclusive stakeholder engagement, the SARB will ensure that cash continues to fulfil its unique role as a universal payment instrument, a tool of inclusion, and a pillar of national economic resilience.

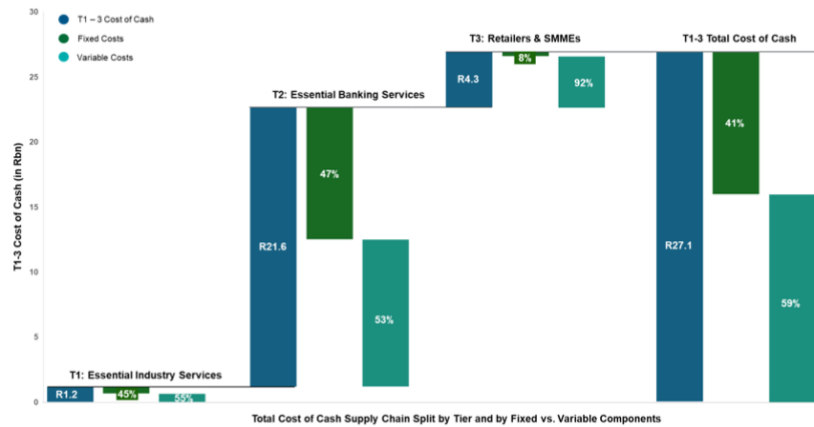
## Abbreviations

ATM	automated teller machine
CIT	cash-in-transit
IAD	independent automated teller machine deployer
NTHO	notes held to order
PEM	Payments Ecosystem Modernisation
R	rand (South African currency)
SARB	South African Reserve Bank
SFA	strategic focus area
SMME	small, medium and micro enterprises
USO	universal service obligation
WLA	white-label ATM

# Annexure 1: Costs of cash across the cash supply chain

## The Total Cost of Cash Across the T1-3 Supply Chain

The total cash cost across the T1-3 supply chain was R27.1 billion, broken down by tier and further divided into fixed and variable components within each tier.



Tier 1 (T1): Expenses incurred by essential industry services of R1.2 billion. This segment costs only 4% of the total T1-3 costs.

Tier 2 (T2): Costs of essential banking services of R21.6 billion, included cost of accessing cash through multiple channels, including automated teller machines (ATMs) and bank branches. This segment costs 80% of the total T1-3 with nearly half of T2 cost fixed, our economy pays substantial amount to keep cash accessible to the public.

Tier 3 (T3): Costs of cash in the retail sector (both large and SMME's non-VAT registered) including cash-back at point of sale (POS) totalling R4.3 billion. Formal retailers have some fixed costs, but informal SMMEs typically operate without fixed costs.

## Annexure 2: Key aspects of the proposed physical currency regulations

### Regulations governing the physical currency ecosystem (ecosystem mandates)

#### Policy objective

The regulations establish ‘rules of the road’ for all participants who materially influence the cash system. It recognises that cash is sustained not only by an operator, but by the collective behaviour of:

- banks and other deposit takers;
- cash-in-transit (CIT) and processing providers;
- automated teller machine (ATM) operators and cash terminal operators;
- retailers and essential service merchants;
- closed-loop cash-to-digital and cash-out networks (to the extent that they operate cash-in/cash-out perimeters); and
- other service providers that handle, transport, recycle, authenticate, store or distribute cash.

The regulations are intended to preserve six ecosystem outcomes:

#### 1. **Accessibility and availability** of cash services<sup>17</sup>

Current international trends focus on geographic mandates to ensure citizens are within a specific distance of cash points. **In the UK**, the Financial Services and Markets Act 2023 obliges HM Treasury to issue a policy statement regarding access to cash. The current policy statement asserts that while digital payments are increasing, cash remains essential for many. It establishes a policy to maintain ‘reasonable access’ to deposit and withdrawal services, specifically targeting a 1-mile radius for urban residents and a 3-mile radius for rural residents to ensure no one is left behind.

#### 2. **Acceptance** for essential in-person transactions<sup>18</sup>

**In the European Union (eurozone)**, the European Commission proposed regulations mandating acceptance of euro cash, with narrow exceptions (e.g. no change available). France, Denmark, Norway and Spain have national mandates making it illegal for retailers to refuse cash for everyday purchases. **France’s penal code** makes it illegal to refuse banknotes or coin that are legal tender. Retailers can be fined up to **€150** per refusal, with some exceptions. **Denmark’s Payment**

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<sup>17</sup> See Footnote 4 in the body of this paper.

<sup>18</sup> **European Union (eurozone)**: [https://economy-finance.ec.europa.eu/system/files/2023-06/COM\\_2023\\_364\\_1\\_EN\\_ACT\\_part1\\_v6.pdf](https://economy-finance.ec.europa.eu/system/files/2023-06/COM_2023_364_1_EN_ACT_part1_v6.pdf);

**France**: Légifrance (2024) Code pénal: Article R642-3. Available at: [https://www.legifrance.gouv.fr/codes/article\\_lc/LEGIARTI000006419523/](https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000006419523/);

**Denmark**: Danish Payment Services Act 2017, section 81. Available at: <https://www.retsinformation.dk/eli/ta/2017/652>;

**Norway**: See Footnote 8 in the body of this paper.

**Spain**: General Law for the Protection of Consumers and Users 2007 (BOE-A-2007-20555), article 47. Available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2007-20555>

**Services Act** mandates that physical retailers accept cash between 06:00 and 22:00. However, businesses in high-risk areas may transition to cashless operations from 20:00 to enhance staff safety against potential robberies. **Norway's Financial Contracts Act** grants consumers the right to pay cash up to **NOK 20 000** at staffed physical points of sale. This 2024 amendment protects vulnerable groups, though it excludes unstaffed kiosks and vending machines. **Spanish law** mandates cash acceptance as a fundamental consumer right, labelling refusals as illegal 'harmful practices'. To prevent money laundering, cash transactions involving professional entities are legally capped at **€1 000** per payment.

### 3. **Affordability** (preventing cash access costs from becoming exclusionary)<sup>19</sup>

**The UK's** Financial Services and Markets Act 2023 prioritises affordability by legally distinguishing between paid and **free cash access services**. It mandates that the Financial Conduct Authority ensure personal account holders can withdraw and deposit cash without incurring fees. By excluding 'pay-to-use' points from 'reasonable provision' quotas, the law prevents the financial burden of cash usage from falling on the most vulnerable.

**Brazil** enforces affordability through central bank regulations that guarantee every individual a minimum of **four free monthly withdrawals** at ATMs. To further eliminate 'accessibility taxes', the Pix Saque and Pix Troco initiatives allow fee-free cash withdrawals at retail stores. This model ensures that accessing physical currency remains a no-cost utility, even as the payments landscape digitalises.

**In Australia**, affordability is addressed through targeted industry agreements that provide **fee-free ATM services** specifically for remote and indigenous communities. While the broader market relies on commercial models, these interventions prevent geographic isolation from creating prohibitive 'withdrawal taxes'. Additionally, the 'Bank@Post' network offers a subsidised, low-cost alternative to traditional bank branches for basic cash transactions nationwide.

### 4. **Security** across the full chain<sup>20</sup>

The Financial Services and Markets Act 2023 grants the Bank of England enhanced statutory oversight of the **wholesale cash infrastructure**. This ensures that the 'plumbing' of the cash system – including processing centres and secure distribution networks – remains resilient. By regulating critical third parties and wholesale operators, the Act secures the end-to-end supply chain against systemic failures or security breaches.

### 5. **Trust and quality** (authenticity and fitness)

Historically, the SARB's fitness mandates focused on commercial banks, even as retailers have become significant participants in cash recycling. As part of the cash ecosystem regulations, there

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<sup>19</sup> **UK:** See Footnote 4 in the body of this paper; **Brazil:** Banco Central do Brasil, [BCB Resolution No. 103](#), June 2021; **Australia:** A Faferko, G Rylah and F Wang '[Access to cash in Australia](#)', *Reserve Bank of Australia Bulletin*, January 2025.

<sup>20</sup> **UK:** See Footnote 4 in the body of this paper; **Sweden:** Sveriges Riksbank, RBFS 2025:1: Regulations on the reporting of data for the oversight of the payment system, 2025. **European Union:** Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA), OJ L 333/1.

could be a requirement that anyone who recycles cash is to use certified equipment. The regulation could extend what has historically been bank-level authentication standards to other major cash recyclers, preventing a two-tier cash system in which poor-quality or counterfeit banknotes circulate outside the formal banking sector.

## **6. Contingency readiness as a national fall-back**

Cash serves as the ultimate national fall-back during systemic digital failures or cyber warfare. International trends, particularly in Scandinavia, integrate cash into 'total defence' strategies.<sup>21</sup> Legislation such as the Digital Operational Resilience Act (DORA) increasingly requires financial institutions to maintain operational resilience, ensuring economic continuity and household stability when electronic infrastructures fail.<sup>22</sup>

## **Broad principles supporting the regulations**

### **1. Cash as a public good: Inclusion, choice, dignity**

Regulation must preserve practical access for all, including vulnerable and cash-reliant communities, and prevent financial exclusion through the 'quiet withdrawal' of cash infrastructure.

### **2. Outcomes-based universal service obligation**

Cash access should be anchored in measurable national targets (e.g. travel time, distance, population density, socio-economic indicators) and not left solely to commercial optimisation. The universal service obligation (USO) enables policy-led planning of access points.

### **3. Protected acceptance for essential transactions**

Cash must remain practically usable for essential goods and services. Regulation can require acceptance in designated essential sectors, with narrow and justified exemptions (e.g. unmanned environments, demonstrable safety risks).

### **4. Affordability and sustainability as cash volumes evolve**

As usage patterns shift, the framework must prevent escalating cost burdens being passed to consumers, especially for basic withdrawals and deposits. Mechanisms may include regulated pricing principles for designated services and participation in interoperable schemes.

### **5. Licensing perimeter and level playing field**

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<sup>21</sup> Myndigheten för samhällsskydd och beredskap (MSB). 2024. In case of crisis or war: Important information to all residents of Sweden. Publ.nr MSB2400 (November 2024). Karlstad: Swedish Civil Contingencies Agency (MSB). Available at: MSB RIB PDF repository

<sup>22</sup> European Parliament and Council of the European Union. 2022. Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (Text with EEA relevance). Official Journal of the European Union, L 333, 27 December.

All persons who provide material cash services should be licensed in appropriate categories. This expands oversight beyond banks to include non-bank participants that shape security, access and resilience outcomes.

## **6. Minimum sector obligations for security and resilience**

High-risk services (such as CIT, vaulting, cross-border transport, high-volume cash handling and cash-out networks) require baseline mandatory standards – covering equipment, tracking, incident reporting, vetting and continuity capabilities – so weaknesses in one node do not compromise the system.

## **7. Trust through quality, authentication and controlled destruction**

Cash recycling and re-entry into circulation should meet standards for authentication and fitness sorting, while destruction of unfit currency remains strictly controlled (SARB or delegated under stringent conditions). This protects confidence in the currency.

## **8. Contingency embedded as a national capability**

Cash must be formally treated as a resilience layer. The regulations should require designated participants to maintain contingency arrangements and participate in readiness exercises.



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