

Cash is safe says RBA, no need for digital currency

“Massive vote of confidence in cash”

The Reserve Bank of Australia's latest Quarterly Bulletin has rejected a digital currency and issued a firm vote of confidence in the future of cash in our economy.

“At present there does not seem to be a strong public policy case for issuance [of a central bank digital currency] in Australia” said the RBA.

“Australian banknotes, which are a liability of the Reserve Bank, are a safe, accessible and widely accepted method of payment.

“Even though the use of cash for transactions is declining, cash is still widely available and accepted as a means of payment,” said the RBA Bulletin.

A record high amount of cash (as a ratio to GDP) is now in circulation. The RBA also reports that:

“The total value of banknotes and coins in circulation is currently around \$89 billion; as a ratio to annualised GDP, currency on issue in the June quarter was at the highest level seen in the period since the introduction of decimal currency in 1966.”

A surge in ATM withdrawals, but not a spike in the average value of transactions, in the three months to July shows a strong vote of confidence by Aussies in cash as a payment tool.

“The RBA has rejected a central bank digital currency because consumers love and trust cash,” said Tim Wildash, CEO of Next Payments, Australia and New Zealand's biggest independent ATM network.

“This is a massive vote of confidence in the future of the cash economy.

“All those people predicting the death of cash can take a deep breath and realise that cash will be forever.

“Nevertheless, our right to use and access cash is under threat. I'm supporting the Cash Welcome campaign getting behind retailers who accept cash.

“The ATM industry has called for government to protect cash and we are backing that position.”

What is a central bank digital currency?

An eA\$ or an online dollar, is a digital replacement for a physical banknote and carries the same value. At the moment, consumers can deposit their cash in a bank account or hold e-Money like PayPal and cryptocurrencies like Bitcoin but none of that is real money issued by a central bank, therefore it all holds (a probably very small) risk. A central bank issued digital currency could be spent or saved and would presumably be relatively stable in value (unlike cryptocurrencies) therefore, like banknotes, could be popular with consumers and hoarders alike. A digital currency could take the form of an online verified token system or an account system, or a hybrid of both.

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