

Winding down Australia's cheques system

Consultation paper – December 2023

Computershare Response

Director
Payments Strategy and Policy Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

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Dear Director,

Computershare's Response to the 'Winding down Australia's cheques system' consultation paper (Consultation Paper)

Thank you for the opportunity to comment on the Consultation Paper 'Winding down Australia's cheques system'. Computershare is supportive of the proposed removal of cheques from the Australian Financial System. In our experience there has been a steady but noticeable decline in investors' use of cheques. With changes made in other jurisdictions, namely New Zealand and Papua New Guinea, the consultation is both timely and comprehensive to ensure all aspects are fully considered.

Computershare (ASX: CPU) is a global market leader in transfer agency (share registry services) and share registration, employee equity plan administration, proxy solicitation and stakeholder communication.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers. Computershare is represented in all major financial markets and has over 25,000 clients and 14,000 employees worldwide. For more information, visit www.computershare.com

In Australia, Computershare act as Share Registry for over 650 listed companies, including over 50% of the ASX Top 200 and service circa 13 million shareholdings. Every year we manage 850 dividend payments totalling on average \$120 billion annually. In addition, we manage circa 500 corporate actions, including capital raisings which involve inbound receipt or outbound delivery of a payment.

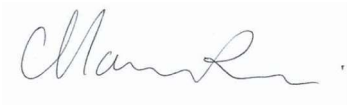
In providing our services globally, we have led our industry through the digitisation of both inbound and outbound payments. The majority of our Australian clients have implemented mandatory direct credit dividend policies over the last twelve years. This means that an investor's dividend is not issued until they provide bank account details. Despite some early resistance, more than 75% of outbound payments we manage are now digital, with 99% of inbound payments received digitally for corporate payments.

Payments still issued or received by cheque is driven by our client's desire to continue to send or accept cheques. In the case of off-market takeovers, there are challenges presented to the bidders' agent (registry) due to the Corporations Act 2001 not providing for provision of bank accounts to the bidder when the register is served (explained further in our responses).

We have provided responses to each of the consultation questions, or 'NA' where we don't believe the consultation question is relevant to Computershare, our clients or their shareholders.

We would welcome the opportunity to meet and discuss our responses and any other related matters.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Marnie Reid', is enclosed in a light grey rectangular box.

Marnie Reid
CEO Issuer Services Australia and New Zealand

2 February 2024

Consultation Questions and Responses

Topic: Introduction

Q #	Question	Response
1	Are the conditions to enable a smooth transition, as outlined above, appropriate? Are there any other principles not outlined above that should be prioritised in the transition?	Computershare has also experienced a decline in both the issuance and receipt of cheques payments and has taken the view that the 6 conditions to enable a smooth transition, outlined in the Consultation Paper, are sufficient and appropriate.
2	Is the sequencing of the transition appropriate? Is there an alternate manner of transition that would better enable a smooth transition? If so, please explain.	Noting Securityholders will be impacted by the ceasing of issuance of cheques in 2026 and the cessation of acceptance of cheques in 2028, as it relates to payments made by registrars on behalf of clients, Computershare is comfortable with the sequencing of the transition.
3	Is the timing of the sequencing appropriate? Is there an alternate timing of the sequencing that would better enable a smooth transition? If so, please explain.	As immediately above
4	What are the roles of government and industry in ensuring a smooth transition?	<p>Supporting the provision of low-cost alternatives for receipt of payments via cheque will be key to ensuring a smooth transition.</p> <p>Clear communication, education, and support for existing users of cheques will be vital in minimising negative impacts during and post transition, particularly for sectors of the community who may currently rely on more manual methods of payment.</p>
5	What are the barriers banks and other participants face in ensuring their customers have a smooth transition away from cheque use?	<p>It's not uncommon for listed companies to have foreign holders on the register. Where there are foreign holders, and where a bank account is not held on file, payments in the form of cheque, in local currency, are typically made.</p> <p>Payment to foreign holders on a register is already a pain-point for registrars, their clients and shareholders, particularly where a company in a domestic market is subject to a takeover, or merges with a foreign entity. Where this occurs, foreign holders have little choice in the currency or method of payment.</p>

		<p>A potential challenge created through the removal of cheques, is the ability to tap into low cost solutions to receive payments electronically.</p> <p>For Example: If the foreign shareholder does not have a bank account within the domestic market financial system, the only means to pay the holder is via a wire payment (international transfer), which is likely to incur lifting fees. This is, and will continue to be, particularly problematic where payments are of low value.</p> <p>We see the above situation very common in both the Australian and Overseas markets.</p>
6	<p>Will the system and its users be ready to transition earlier than the intended end-date of 2030, noting the principles outlined above?</p>	<p>Whilst we cannot comment on the broader system and user readiness, we can confirm sufficient time has been provided for our readiness, subject to the few areas we believe support or focus are needed. It is possible that we will be ready to transition sooner, however further detailed analysis is required with respect to our own transition approach and payment options needed for our clients and their shareholders.</p>

Chapter 1: Overview of the Cheques System

Q #	Question	Response
7	What are your views on the sponsorship arrangements between cheque processing banks and the other ADIs in the cheques framework? How will a withdrawal of these sponsorship arrangements impact your ability to bank or process a cheque?	NA
8	What are your views on the role Bank@Post could play in the cheques transition?	NA
9	Is there value in retaining some or all of the processes and obligations in the Cheques Act 1986? If so, for how long? Note that some relevant provisions of the Act are provided in Annexure 3.	Computershare is of the view that there is no value in retaining processes and obligations in the Cheques Act 1986.
10	At what volumes of cheque use would the shared service arrangements no longer be cost effective?	NA
11	How should foreign cheques be serviced? What is required to switch receipt of foreign cheques to alternate payment methods?	<p>Whilst Computershare does not generally receive payment by way of foreign cheque, as a global provider of registry services, across major financial markets, we will issue cheques to Australian Investors on behalf of Issuers listed on other global stock exchanges. Some markets, for example the US, are large issuers of cheques.</p> <p>To your commentary in the Foreign Cheques section of the consultation paper, on page 12, and our commentary in response to question 5 above, careful consideration will be required to ensure that Australians, be they shareholders or not, are not prejudiced and prevented from receiving their rightly entitled monies.</p>

Chapter 2: Personal Use of Cheques

Q #	Question	Response
12	Are there any other drivers for the current use of personal cheques in Australia?	Not within our industry and role as registrar. We can adapt our processes to remove the use of inbound personal cheques.
13	Are the alternative payment methods put forward by the banks acceptable? Do they address the limitations around digital inclusion and distrust?	NA
14	Do the proposed solutions adequately support those without a bank account? If not, please elaborate with reference to potential solutions.	NA
15	Are there any other use cases without adequate solutions? If so, please specify.	NA
16	When is an appropriate time for current users of personal cheques to identify and safely transition to alternatives?	NA
17	Is internet and mobile access still a substantial hurdle to winding down the cheques system? Are there any other substantial barriers for consumers to transition from cheques?	NA
18	Do the Government and industry initiatives listed in Annexure 3 provide adequate support to the community to successfully transition away from cheques? If not, what other kinds of support would be required?	NA

Chapter 3: Commercial Use of Cheques

Q #	Question	Response
19	Are there other reasons why cheques are being used in an institutional or commercial setting? If so, please provide more detail.	<p>Cash consideration resultant from an Off-market takeover of an ASX listed company is commonly paid via cheque. There are a number of contributing factors for this, as follows:</p> <ul style="list-style-type: none"> a) When a bidder requests a copy of the target register under the Corporations Act 2001, there is no requirement for the provision of bank account details by the target registry to the bidder registry. We note registrars will hold bank accounts on file for purpose of paying shareholder dividends and could provide if a legislative change was made to the Corporations Act 2001. b) Whilst an amendment to the Corporations Act 2001 will assist greatly, there may still be a need to collect electronic payment instructions, where bank account details are not available on the target register. This is an area Computershare are already focussed on and working towards.
20	How significant are the barriers to reducing commercial uses of cheques? What timeframes, support or legislative change is required for businesses transitioning away from cheque use?	<ol style="list-style-type: none"> 1. Expanding the information required to be disclosed to the bidder, under section 641 of the Corporations Act 2001, to include provision of current bank account details as held on the target register will assist greatly in our industry for this segment of payments. 2. Company constitutions may currently include clauses that stipulate how payments can be made or received. For example, some companies may have a mandatory direct policy stated, where-as others may support both cheque and direct credit payment. Where this is the case, support and legislative change to reduce impediments to converting to electronic payments may be required.

Chapter 4: Government Use of Cheques

Q #	Question	Response
21	How significant are the barriers to reducing government use of cheques? What timeframes, support or legislative changes are required for agencies transitioning away from cheque use?	NA
22	What coordination is required between the Commonwealth, State and Territory governments to coordinate a transition away from cheques?	As the consultation paper has outlined, where changes in legislation may be beneficial or required to affect change to electronic payment, a coordinated and consistent approach across Commonwealth, State and Territory Governments will be important.