



Winding down Australia's cheques system

Consultation paper

December 2023

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In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

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Consultation process

Request for feedback and comments

The purpose of this consultation paper is to seek comments on the Government’s intention to wind down the cheques system in Australia. Interested parties are invited to provide responses to one or more of the consultation questions outlined in this paper and comment on implementation considerations more generally.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted. All information (including name and address details) contained in submissions may be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails are not sufficient for this purpose. If you would like only part of your submission to remain confidential, please provide this information clearly marked as such in a separate attachment.

Closing date for submissions: 02 February 2024

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The principles outlined in this paper have not received Government approval and are not yet law. As a consequence, this paper is merely a guide as to how the principles might operate.

Foreword

The Albanese Government is ensuring we have a modern, competitive, and efficient financial system that delivers good outcomes for the Australian people and the economy. The Government's vision is for a world-class payments system that is safe, trusted, and accessible, and enables greater competition, innovation, and productivity across the economy.

The digital revolution has transformed the way Australians make payments. Increasingly, transactions are shifting from in-person to online methods of payment. There is an increasing demand for more efficient and convenient forms of payment as reliance on traditional payment methods, such as cheques, continue to decline.

There has been an almost 90 per cent decline in the use of cheques in the past 10 years, as people and businesses have swapped to more convenient and faster ways to make payments. As cheque use declines, the cost of processing a cheque will continue to increase.

In responding to customers' preferences and the economics of cheque use, many financial institutions have started reducing or withdrawing their cheque offerings. At the same time, many retailers and service providers are no longer accepting cheques.

The Government's Strategic Plan for Australia's Payments System, released earlier this year, signalled the Government's intention to wind down the cheques system by no later than 2030.

Modernising Australia's payments infrastructure will help achieve greater efficiency and contribute to a more productive economy. The benefits of these reforms will be spread across the economy, providing a productivity benefit, and ultimately reducing the cost of goods and services. However, like many productivity-boosting reforms, the costs are likely to be felt more acutely by small segments of the population who continue to rely on cheques.

The Government understands that cash and cheque payments are still important to some communities, and that the change in payment methods that is already underway is difficult for some people, including older Australians, and some small businesses. The Government is committed to reducing adverse impacts as much as possible. The Government also remains committed to maintaining access to cash throughout Australia.

The Government expects industry to play a leadership role in ensuring the transition away from cheques is smooth and that Australians are adequately supported. A hasty or disorderly exit that leaves vulnerable cohorts of the community behind is in no one's interest.

This consultation paper will help the Government understand the opportunities and challenges in transitioning away from the cheques system. Feedback will help determine the best path forward so that adverse impacts to consumers and businesses are minimised and Australians reap the benefits of a more efficient and safe payments system.



The Hon Jim Chalmers MP
Treasurer



The Hon Stephen Jones
Assistant Treasurer
Minister for Financial Services

Winding down Australia's cheques system

Introduction

New digital products and services are transforming the way that Australians make and receive payments. Australians are continuing to shift from using in-person to online forms of payment, a trend that has accelerated since the COVID-19 pandemic.

The Government's Strategic Plan for Australia's Payments System (the Strategic Plan) announced the Government's intention to wind down the cheques system by no later than 2030, with government use of cheques to be phased out by the end of 2028.¹ The Government is committed to ensuring that the transition is orderly, users are adequately supported, and adverse impacts are minimised. In the Strategic Plan, the Government committed to 4 key workstreams to support the transition away from cheques. These workstreams will be further guided by the outcomes of this consultation.

1. Reduce Commonwealth usage of cheques by working with agencies and departments with high cheque usage to develop a transition plan away from reliance on cheques.
2. Support industry in promoting the use of, and removing barriers to, the adoption of alternatives to cheque products.
3. Change Commonwealth legislation that entrench the use and acceptance of cheques with a view to amending legislation.
4. Work with state and territory counterparts to encourage a coordinated approach to transitioning away from the cheques system.

This paper outlines the opportunities and explores the challenges in transitioning away from the cheques system. It also proposes some options for enabling a smooth transition and ensuring that all users are appropriately supported.

Proposals for enabling a smooth transition

The Government has committed to a smooth phase-out of the cheques system, where a coordinated, whole-of-economy approach with adequate communication, education and support are provided to all affected users. An uncoordinated withdrawal of cheques by financial institutions at different times could create frustration and confusion for segments of the community who still rely on cheques. Initial engagement with stakeholders has shown a preference for a staged transition, with clear communication from industry and government regarding timeframes. To achieve a smooth transition away from cheques, the Government proposes 6 key conditions to be upheld:

- Sufficient grace period for consumers and businesses to make necessary adjustments to transition to alternate payment methods.
- Education and support for cheque users by financial institutions, industry associations and consumer groups.
- Reasonable access to bank branches or participating Bank@Post outlets during the transition period to assist with education.
- Appropriate alternatives for all existing uses of cheques.

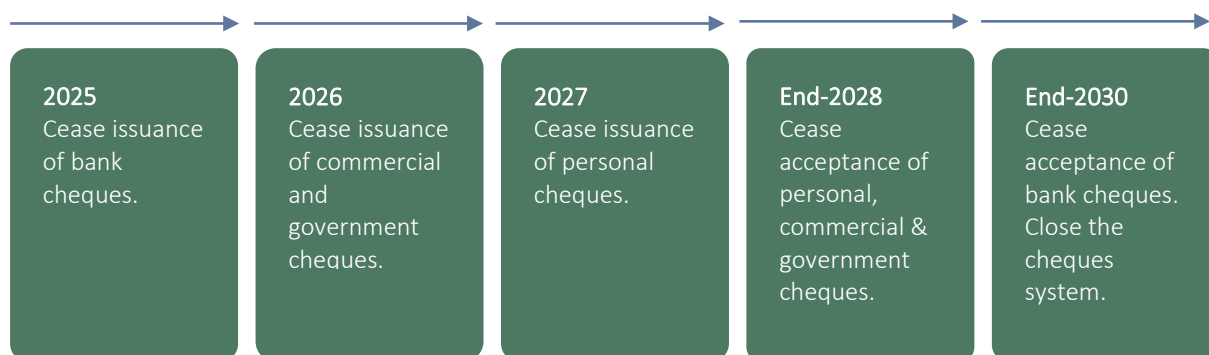
1 Treasury, A Strategic Plan for Australia's Payment System (2023), Treasury website.

- Governments eliminating key legislative barriers.
- Governments ending their own cheque issuance.

The Government recognises that to adhere to these principles, and provide certainty to customers, there may need to be agreements or coordination between banks, critical suppliers, and vendors. The Government also expects the larger banks to support existing partners who wish to continue providing cheque services to their customers in this transition phase. The Government expects to work with industry to settle on a transition plan that considers the above conditions by mid-2024.

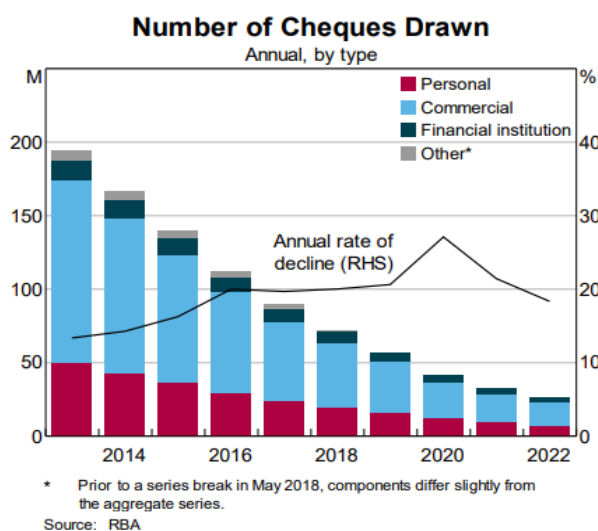
The Government’s proposed staged transition is set out in Figure 1. It is sequenced in a manner that allows those sectors better primed for the transition, or with the resources to find solutions quicker, to transition first. The proposed timeline starts with ceasing issuance of bank cheques, followed by issuance of commercial cheques by businesses, and government issuance of cheques. This could be followed by ending issuance of personal cheques, then ceasing acceptance of personal, commercial and government cheques from consumers. The final steps would be to cease acceptance of bank cheques, remove the cheques infrastructure and repeal the *Cheques Act 1986*.

Figure 1: Potential staged transition plan



The decline of cheque use in Australia

Historically, cheques have been an important feature of Australia’s payments landscape. At their peak in the 1980s, cheque use accounted for approximately 85 per cent of all non-cash payments and almost all their value.²



Cheque use has declined drastically in recent decades as more digital and real-time payment methods have become available. With its long processing time and manual effort, consumers are increasingly opting for more efficient, cheaper, and convenient means of payment. In 2022/23, cheque payments accounted for just 0.05 per cent of the value of all retail payments and less than 0.1 per cent of total volume of retail payments in Australia.³ In 2022, there were nearly 27 million cheques transacted (down by 18.2 per cent from 2021) with a value of \$317 billion (down by 14.5 per cent from 2021).⁴ As the volume of cheques has declined, the per-transaction cost

of processing a cheque has increased, with the average cost of processing a cheque now exceeding \$5.⁵ The rapid decline is consistent with the global trend toward digitisation, with some countries successfully managing the complete closure of their cheques system, such as Belgium, Denmark, Finland, Ireland, Kenya, Malta, Netherlands, New Zealand, Poland, and South Africa.

Cheque fraud also continues to be prevalent. Common examples of cheque fraud include instances of counterfeit cheques (false copies of cheques previously issued), materially altered cheques (where the payee or amount has been altered) and lost or stolen cheques (where a cheque or chequebook has been stolen). As cheques provide limited points of verification, apart from the name and signature, it can be difficult to determine whether a cheque is fraudulent. Cheque fraud totalled \$2.44 million in 2022, with over 400 cheque transactions affected.⁶

The decline in cheques has been driven by the growing availability of card and electronic payments and consumer preferences for faster, more efficient, and secure digital payments. This decline has been most significant for the number of commercial and personal cheques. The number of financial institution cheques (or ‘bank cheques’) has also declined, albeit at a slower rate. However, the value of financial institution cheques has increased, likely reflecting the use of bank cheques for large value transactions, including the purchase of property in some states. The government sector also remains a large user of the cheques system.

² Reserve Bank of Australia (RBA), The ongoing decline of the cheque system (2017), RBA website.

³ Reserve Bank of Australia (RBA), Payments System Board Annual Report (2023), RBA website.

⁴ Australian Payments Network (AusPayNet) Fraud Report 2023 (2023), AusPayNet website.

⁵ The cost of cheques reflects the costs to produce them, the bulk of which is largely incurred by financial institutions, and the cost of acceptance, which for merchants is significantly more expensive and time consuming than other payment methods. RBA, The Evolution of Payment Costs in Australia (2014), RBA website.

⁶ Australian Payments Network (AusPayNet) Fraud Report 2023 (2023), AusPayNet website.

Development and consultation process

This paper is structured to enable stakeholders to understand the current state of the cheques system and the market dynamics of its participants, as well as to understand the fundamental reasons for its continued use by the different cohorts of the economy. This paper contains 4 chapters:

- *Chapter 1:* Overview of the cheques system explores how a cheque payment is made, as well as the current market dynamics of the system. It also discusses how a smooth transition may be best achieved.
- *Chapter 2:* Personal use of cheques explores how personal preference and individual capability drive the continued use of cheques by consumers.
- *Chapter 3:* Commercial use of cheques explores how entrenched practices in business and mandated legislation encourage the continued use of cheques in some sectors.
- *Chapter 4:* Government use of cheques explores how legislation mandating the issuance or receipt of payment through cheques, as well as entrenched practices, have encouraged continued government use of cheques.

Consultation questions are provided at the end of each chapter. Feedback will help Government determine the most orderly transition pathway.

Consultation Questions

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?
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.
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.
4. What are the roles of government and industry in ensuring a smooth transition?
5. What are the barriers banks and other participants face in ensuring their customers have a smooth transition away from cheque use?
6. Will the system and its users be ready to transition earlier than the intended end-date of 2030, noting the principles outlined above?

Chapter 1: Overview of the cheques system

Understanding the cheques system

An ordinary cheque is a written, unconditional order issued by an account holder (or ‘drawer’) to their bank or financial institution instructing them to pay a specified sum of money to a designated recipient (or ‘payee’). Typically, a cheque will contain the name of the payee in full, the specific amount to be paid (both written and numerical), the date and the signature of the drawer. A bank cheque is a cheque that is issued by the bank itself, with funds taken from the bank’s account on presentment rather than the customer’s account. Cheques possess certain attributes that may be attractive to some, including:⁷

- Allowing for physical transfer of money, especially convenient for transfers of high value such as property and car sale deposits, where cash can be impractical.
- Allowing for payment to be made with limited information as to the recipient.
- Allowing for payment to be made offline and remotely, without the need for digital banking products or financial services, or access to a mobile phone, computer, or cash.

However, there are some disadvantages with using cheques and some important benefits to be gained from transitioning to alternate methods of payment. For example:

- Recipients of cheque payments must typically present the cheque to their financial institution and wait until the cheque is cleared (typically 3 business days) before funds are made available in their accounts.
- Cheques are subject to the risk that the drawer has insufficient funds in their account.
- Instances of cheque fraud, including stolen cheques, fake cheques, or fraudulently cashing out cheques made to another person, remain prevalent and are difficult to reimburse or recover.
- Cheques are becoming increasingly costly to process, with costs continuing to increase as use declines further.

7 Reserve Bank of Australia (RBA), The ongoing decline of the cheque system (2017), RBA website.

Figure 2: End-to-end cheque processing, clearing, and settling

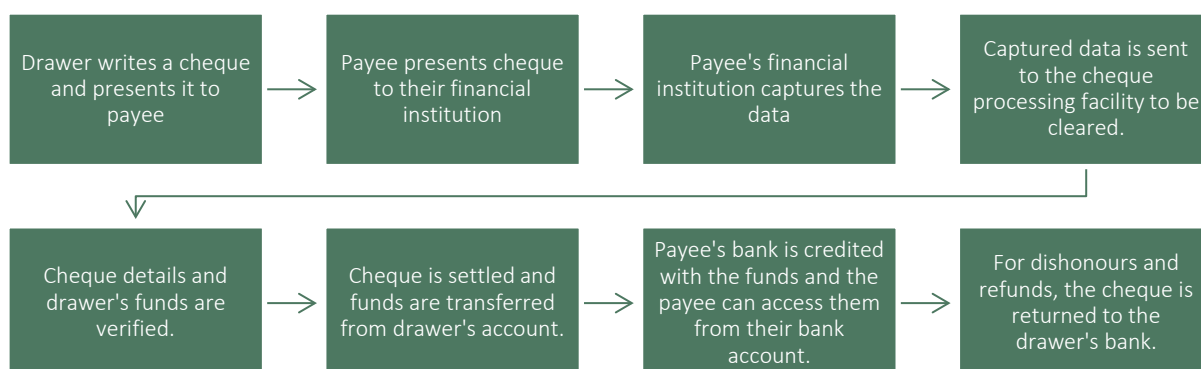


Figure 2 above demonstrates the end-to-end flow of the cheque from writing to depositing. For a more detailed explanation, refer to *End-to-end cheque processing, clearing, and settling* in *Annexure 3: The cheques system*.

In Australia, the use of cheques is regulated by the *Cheques Act 1986*, which provides a legal framework to govern the use of cheques and resolve disputes related to cheque transactions. For further information on the Act and its relevant provisions, see *Understanding obligations under the Cheques Act 1986* in *Annexure 3: The cheques system*. The following participants play a key role in the governance of the cheques system:

- The Reserve Bank of Australia (RBA) is the primary regulator of the payments system (which includes all payment instruments such as cheques) and is responsible for the overall financial stability, efficiency, and competition of the payments system.
- AusPayNet, the self-regulatory body for the Australian payments industry, administers the Australian Paper Clearing System (APCS) for cheques, which facilitates the exchange and settlement of cheques between member participants. Financial institutions must be a member of the APCS to provide cheque processing services to their customers. Financial institutions can either be APCS members in their own right or through an agency agreement. There are 3 classes of members: Tier 1A, Tier 1B and Tier 2 members. See further details in the Market dynamics of participants section below.

Current state of the industry

Due to the increasing cost of processing cheques, some banks have already taken steps to reduce cheque-related products and services. For example, in June 2023, Commonwealth Bank of Australia (CBA) announced that it would no longer make cheque facilities available for new accounts, including any new accounts for existing retail customers. CBA and Bendigo Bank have also announced that they will stop automatically issuing replacement cheque books for existing retail accounts with a cheque facility.^{8,9} Additionally, some banks impose additional fees for some cheque services, including the use of bank cheques or cashing a cheque at a local bank branch. Several Authorised Deposit-taking

8 Commonwealth Bank, *Changes to cheques (2023)*, Commonwealth Bank website.

9 Bendigo Bank, *Cheques are on their way out (2023)*, Bendigo Bank website.

Institutions (ADIs) in recent months have signalled their intention to withdraw from cheque services as early as next year.¹⁰⁻¹¹⁻¹²

There have been concerns expressed by some end-users and financial sector participants that banks and other ADIs will transition well before the Government's announced end-date. Once one of the major banks stops processing cheques, other banks may also withdraw their chequing services to avoid being the last ADI processing cheques and forced to bear the cost of processing and related infrastructure for the entire cheques system. This happened in New Zealand, where all major banks announced a withdrawal within 6 months of the first bank's announcement (for more, see *Box 2: New Zealand's cheque experience*).

Market dynamics of participants

There are currently 5 commercial banks in Australia who can clear directly with one another and settle their resulting obligations across their Exchange Settlement (ES) accounts with the RBA.¹³⁻¹⁴ These are:

- Commonwealth Bank of Australia (CBA)
- Westpac
- National Australia Bank (NAB)
- Australia and New Zealand Bank (ANZ)
- Bank of Queensland (BoQ)

The RBA is also a provider of banking and payment services to many Commonwealth Government agencies, including clearing and settling cheques on behalf of these agencies and Australia Post. The remaining ADIs are reliant on third-party arrangements from the 5 banks above to be able to process cheques for their customers.

Banks' premature withdrawal of cheque processing sponsorship is a risk to achieving a smooth transition. While some smaller ADIs have already withdrawn from the cheques system, others may wish to remain in the system until closure. The withdrawal of sponsorship arrangements could be seen as a 'forced withdrawal' and if not properly coordinated, may result in some undesirable outcomes, such as end-users having to open additional accounts or move banks to be able to continue to provide cheque-related services until the system's closure.

10 Community First Bank, *Time to cheque out (2023)*, Community First Bank website.

11 Macquarie Bank, *Cheque and cash changes (2023)*, Macquarie Bank website.

12 Cuscal, *Does Cuscal offer Cheque Services (2023)*, Cuscal website.

13 Under the APCS framework, there are three classes of participants, each with their own set of obligations: Tier 1A members, Tier 1B members and Tier 2 members. Tier 1A members clear directly with one another and settle their resulting obligations across ES Accounts at the RBA. Tier 1B members appoint Tier 1A members to clear on their behalf but retain responsibility for their own settlement obligations and can act as intermediaries between the Tier 1A participants and Tier 2 participants. Tier 2 members appoint Tier 1A members as their agents to both clear and settle on their behalf.

14 Bank of International Settlements (BIS), *Payment, clearing and settlement systems in Australia (2011)*, Bank of International Settlements website.

Box 1: Bank@Post

As banks and financial institutions reduce their physical branch presence, Australia Post's network of physical locations are increasingly relied on to provide financial and banking services through the 'Bank@Post' services.

Over 80 of the 122 banks and financial institutions operating in Australia participate in the program, including 3 of the major banks.¹⁵ These institutions partnered with Australia Post to provide basic banking services including cash withdrawals, deposits of cash or cheques and make balance enquiries in several Australia Post locations including more than 1,800 in regional and remote areas. Participating banks and financial institutions must be a member of the APCS for their customers to be able to present cheques for processing through Bank@Post.

Bank@Post will likely play an important role in managing the transition away from cheques and access to alternative services. However, consideration needs to be given as to the level of financial services provided by Australia Post, the training and skills uplift required for employees to provide these services and the potential infrastructure upgrade that will be required to facilitate these service provisions.

Foreign cheques

Some Australian individuals, businesses and government entities are still receiving cheques from foreign jurisdictions, either on a recurring basis for things such as military pension payments from a foreign country or as one-off payments for a dividend, refund, or insurance pay-out. Foreign cheques are processed in a different manner to domestic cheques and are subject to separate rules than those in the APCS framework. These cheques are often from countries like the United States of America (US) or the United Kingdom, where cheques are still commonly used. For example, the US Treasury, which is one of the largest issuers of cheques by volume to Australian residents, does not offer international money transfer (IMT) services for certain types of payments to individuals living outside the US without an existing US bank account. However, some countries such as Germany have started moving Australian customers receiving German pensions by cheque to direct deposit in anticipation of Australia's intention to move away from cheques.

While there are a small number of financial institutions in Australia that still accept foreign cheque deposits, Australia's major banks no longer offer this service. This has forced some individuals to open new bank accounts with other financial institutions or open bank accounts in foreign jurisdictions to process these cheques, creating additional burden and delays.

Australian banks' strategy to phase out these services differs from other jurisdictions who have phased out cheques domestically, but still process foreign cheques (for a fee). For example, Danske Bank in Denmark charges DK200 (approximately AUD 45) for foreign cheques issued or accepted in Denmark. In New Zealand, while most banks still accept foreign cheques, there are some banks that have announced that this service will cease within the next 12-18 months. For example, ANZ New Zealand has announced that it will no longer process foreign cheques of any currency from 1 March 2024.

15 Australian Prudential Regulation Authority (APRA), List of authorised deposit-taking institutions covered under the Financial Claims Scheme (2023), APRA website.

Box 2: New Zealand's cheque experience

New Zealand completed their transition away from cheques in 2021 through an industry-led approach.

Following a market study conducted in 2012 by Payments NZ, the self-governing industry body in New Zealand, it was deemed that the industry body could not coordinate an orderly transition away from the cheques system due to competition law constraints. Banks therefore made their own decisions to exit.

Kiwibank, New Zealand's largest state-owned bank, was the first bank to exit. Following its announcement on May 2019, Kiwibank stopped issuing and accepting domestic cheques in February 2020. Other participating banks made similar announcements to their customers within months of Kiwibank's announcement, with the last bank withdrawing from cheques in July 2021. Payments NZ decommissioned its paper clearing system on 31 August 2021.¹⁶

There are some important geographic, regulatory, and practical characteristics of New Zealand's experience that contrast with Australia's planned transition. New Zealand did not have legislative barriers that restricted payment through cheques the way that Australia does and does not have separate Commonwealth and state and territory legislative requirements.

Nevertheless, New Zealand's cheque volume was at a higher level than Australia's currently – New Zealand's per capita cheque use at system closure was 0.14 cheques per month, while Australia's is currently at 0.08 per month. Conversely, New Zealand's cheque value per capita were more than 3 times lower than Australia's currently.¹⁷

16 Payments NZ, Payments NZ Company Updates December 2021 (2021), Payments NZ website.

17 For the purposes of this analysis, system closure for New Zealand is taken to be March 2019, which is just prior to the Kiwibank announcement. This has been compared to Australia's March 2023 data, which is just prior to the release of the Strategic Plan.

Consultation questions

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?
8. What are your views on the role Bank@Post could play in the cheques transition?
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.
10. At what volumes of cheque use would the shared service arrangements no longer be cost effective?
11. How should foreign cheques be serviced? What is required to switch receipt of foreign cheques to alternate payment methods?

Chapter 2: Personal use of cheques

Although cheques are no longer widely used, there are some cohorts of the community who continue to rely heavily on them. These cohorts, which include older and more vulnerable Australians, those living in areas with unreliable digital connectivity, or with limited digital proficiency or trust, may have a strong personal preference or need to use paper-based methods of payment.

This chapter explores the primary reasons for the current use of personal cheques, that is, any cheques written by individuals. It also discusses related challenges including distrust in digital forms of payment and lack of appropriate access to digital payment solutions.

Personal preference and individual capability

Cheque use has become increasingly concentrated among older Australians, with 80 per cent of personal cheques being written by those over the age of 65. Personal cheques are often used for recurrent household expenditures, such as household bills and utility services. Personal cheques are also used for high-value payments, one-off purchases such as motor vehicles, for personal gift-giving and charity donations.

Personal Preference/Habit

Cheques can provide financial independence to access funds and make payments from home, without needing to navigate the internet or rely on others for assistance. A significant portion of cheque payments are being made by those who continue to rely on cheques for the bulk of their day-to-day transactions, those who do not own debit or credit cards, or do not use the internet on a regular basis.¹⁸ This group may be less likely to seek alternate payment methods, and they are increasingly finding that businesses are ceasing to accept cheques and some retail outlets are also going cashless, further exacerbating the lack of financial independence of these individuals. The Government understands that cash is an important payment method for some members of the community and the vital role it plays in the Australian economy, particularly as a means of transacting where digital forms of payment cannot be used. The Government is committed to maintaining access to cash in Australia.¹⁹


One key area of personal cheque use driven by personal preference and habit is the sending of donations to charities and other not-for-profit organisations, some of which receive a significant proportion of their revenue from cheque donations. Donor retention is important to these organisations and migrating their donors to different payment methods may require significant effort.

Digital Inclusion

Another driver of current cheque use is the level of digital inclusion throughout Australia. Digital inclusion includes affordability of devices and internet, access to a good internet connection and ability to use the devices required to engage with online systems. Cheques and cash are the most common “offline” methods of payments in the economy today, allowing for transactions to occur in areas where there is a lack of digital connectivity or for individuals with limited digital ability. While mobile phone services currently reach 99 per cent of the Australian population, there are still significant gaps in internet coverage, particularly in rural and remote Australia, where internet access

18 RBA, How Australians Pay: Evidence from the 2016 Consumer Payments Survey (2017), RBA website.

19 Treasury, A Strategic Plan for Australia’s Payment System (2023), Treasury website.



is significantly below the national average.²⁰ In these areas, individuals and businesses may not always be able to engage in digital transactions due to a lack of internet connection. Even in areas with good coverage, individuals may still be limited by a lack of affordability or digital capability. For further information regarding digital inclusion and some initiatives that industry and governments are actively engaging in, refer to *Annexure 4: Digital Inclusion*.

Digital Distrust

Another cohort that continues to use cheques are those with a lack of trust in digital alternatives. This cohort may be able to use technology but be unwilling to use it due to a perceived lack of security or privacy in digital solutions. This could include those that are unwilling to share more information than necessary with a payer. There are some individuals who remain wary of digital payment methods, particularly when transactions are of high value, for example, when purchasing vehicles or property. The increased incidence of cybercrimes, scams and fraud has also eroded some public confidence in digital alternatives. In response to this, the Government established the National Anti-Scams Centre as part of the 2023–24 Budget, to disrupt and deter scammers by taking a whole-of-economy, cross-industry approach to scams and fraud.²¹

There is also a perception of further erosion of payment choice for these cohorts, with many concerned about regional bank branch closures, diminishing access to in-person financial services, and some retailers no longer accepting cash and other paper-based products as a form of payment.²²

20 Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRCA) Mobile services and coverage, (2023) DITRCA website.

21 Treasury Ministers, Fighting back against scammer scourge – Government announces new anti-scams centre (2023), Ministers Treasury portfolio website.

22 RBA's phone survey in June 2022 indicated that 94 per cent of businesses surveyed accepted cash for payments, down from 99 per cent just prior to the pandemic. RBA, The Cash-use Cycle in Australia (2022), RBA website.

Box 3: Alternate payment methods – personal cheque use

Most activities that consumers commonly use cheques for already have alternative payment methods that are reliable, faster and more cost-effective. However, it is important to note that many of these alternatives are digital or require access to the internet.

Activity	Alternative payment methods
Pay a bill	BPAY, Debit/Credit card via in store EFTPOS terminals or online/over the phone, Electronic Funds Transfer (EFT), Fast payment using New Payments Platform (NPP), Money order.
Donating to charities	Payment methods vary between organisations but most offer options such as EFT, Direct debit, Cash, Debit/Credit card online, via tap-and-go, or over the phone, Money order.
Pay a friend/send a gift	Fast payment using NPP, EFT, Gift Card, Cash, Money order.
Send money overseas	International Money Transfer (IMT), Travel Card.
Pay in instalments	Direct debit agreements, scheduled payments, Buy Now Pay Later (BNPL), PayTo.
Make a payment at auction or private sale	Pre-approved transfer (can be subjected to first time hold/daily withdrawal limit), Cash (noting security risk of holding large quantities), Fast Payment using NPP (for private sale) and Money order.

Consultation questions

12. Are there any other drivers for the current use of personal cheques in Australia?
13. Are the alternative payment methods put forward by the banks acceptable? Do they address the limitations around digital inclusion and distrust?
14. Do the proposed solutions adequately support those without a bank account? If not, please elaborate with reference to potential solutions.
15. Are there any other use cases without adequate solutions? If so, please specify.
16. When is an appropriate time for current users of personal cheques to identify and safely transition to alternatives?
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?
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?

Chapter 3: Commercial use of cheques

Cheques are used in facilitating institutional and commercial payments for businesses, particularly in industries such as property and real estate, agriculture, finance and business services. Cheques allow for a payment to be made, particularly those of larger denominations, where the recipient's bank details are unknown. Cheques also allow for greater financial control where, for example, dual signature authority is required to allow outbound payments to be processed. Many digital alternatives can now be set up with similar controls.²³

The long-term decline in the use of cheques for commercial and institutional purposes reflects both the fall in business banking accounts that facilitate cheque payments, as well as the increasing adoption of internet banking by businesses as a more efficient means of payment.

This chapter explores the use of commercial cheques (any cheques written or accepted by business customers) through 2 broad categories: use of cheques as mandated by legislation or regulation, and the entrenched use of cheques by businesses to fulfill obligations.

Legislated obligations

One of the most persistent reasons for continued cheque use by businesses is due to legislation prescribing payment by (or acceptance of) cheque. In recent decades, governments and industry have reduced the need for cheques by reforming legislation and utilising new and more efficient payment systems. This includes updating land title legislation to allow for electronic property settlements. Nevertheless, there remain some instances where cheques are still mandated. The section below explores how these legislative requirements work in the property and gambling sectors.

E-conveyancing and property settlement in Australia

One of the most common uses of bank cheques is for the settlement of property transactions. This is due to both legislation and entrenched practices. However, most states including Victoria, New South Wales, Western Australia, and more recently Queensland, have introduced mandatory electronic conveyancing for property transactions. Electronic conveyancing is also available in Australian Capital Territory; however, its use is not yet mandated.

The electronic lodgement platforms used to conduct e-conveyancing in Australia are Property Exchange Australia (PEXA) and Sympli. At least one of these operators is available in all states and territories except the Northern Territory and Tasmania where legislative barriers have persisted.

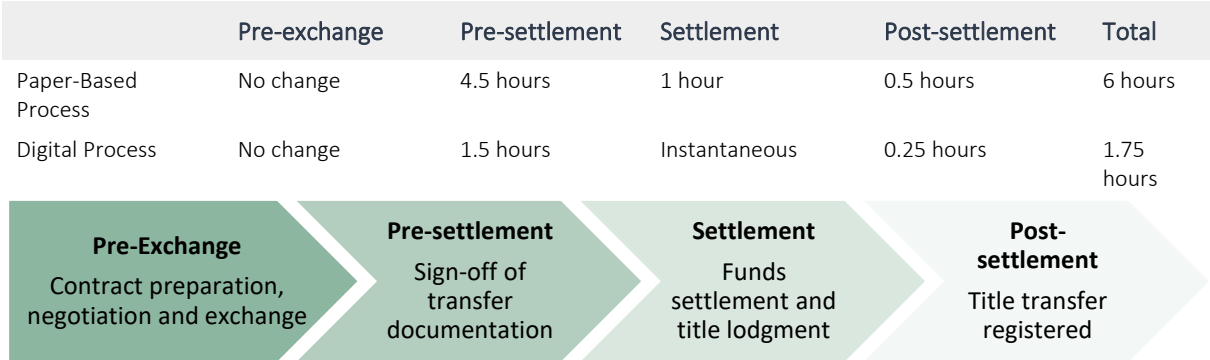
Both Northern Territory and Tasmania have recently amended legislation to allow for e-conveyancing. In Tasmania the *Land Titles Amendment Act 2023* which came into effect in June 2023, redefined the term 'lodgement' so that it includes both paper and electronic preparation and lodgement. In Northern Territory, the *Land Legislation Amendment Act 2023* passed parliament in March 2023 and similarly changed the definition of 'approved form' (of lodgement) to include an electronic conveyancing document. This legislation will come into effect on 2 January 2024. It is important to note that there are challenges to achieving 100 per cent e-conveyancing across the country.

There still exist use cases for which the electronic platform does not currently function, and exemptions are applied. One of these exemptions in the Queensland legislation is if, when the e-conveyancing lodgement was attempted, circumstances beyond the lodger's control prevented the lodgement from proceeding. For example, where the lodger experiences internet access issues for the entire day, or the Electronic Lodgement Network was unavailable for use that day. These fringe cases

23 Reserve Bank of Australia (RBA), The ongoing decline of the cheque system (2017), RBA website.

and gaps will need to be addressed in the transitional process to ensure a smooth exit from cheques.²⁴ Cheques are also commonly used at property auctions and private sales, where a deposit is required at or following an auction. While there are some alternatives that allow for electronic transfers at auctions, such as DEFT Auction Pay, further industry solutions are required to address this gap.²⁵

Figure 3 and Table 1: The efficiency gains of moving conveyancing from a paper to a digital system by comparing the time spent on each step of the settlement process²⁶



Gambling

Some state legislation mandates winnings from gaming and gambling be paid through cheques. While the rules between states vary, there is a common industry standard to provide a cheque to either:

- The amount exceeding a cash threshold (e.g. \$5000 in New South Wales²⁷ or \$1000 in Victoria²⁸) or,
- The total amount at the individual’s request.

The objective for payment of winnings through cheques includes curbing excessive gambling and preventing theft. Payment through a cheque introduces friction into the process by deliberately delaying the deposit of winnings into an individual’s account so they cannot be immediately used to make more risky bets. Paying winnings by cheques, rather than cash, may also reduce the likelihood the individual is robbed of their winnings.

However, the use of cheques to prevent excessive gambling and gaming is not always effective. In 2023, the Victorian Government’s Royal Commission into the Casino Operator and Licence revealed that gamblers would use blank bank cheques made out to themselves as a form of credit to obtain gambling chips before the cheque had been settled.²⁹

24 Titles Queensland, eConveyancing Mandate (2023), Titles Queensland website.
 25 Macquarie Bank, What’s DEFT Auction Pay and how it works, Macquarie Bank website.
 26 RBA, Property Settlement in RITS (2021), RBA website.
 27 Gaming Machines Regulation 2019, section 26 (2).
 28 Gambling Regulation Act 2003, section 8.4.7A.
 29 Victorian Government Royal Commission into the Casino Operator and License, Royal Commission into the Casino Operator and Licence (2021), Royal Commission into the Casino Operator and License website.

Entrenched practice to fulfill obligations

There are also instances of institutional and commercial use of cheques due to entrenched practices. These practices often rest on obligations to pay funds to a customer in the absence of relevant recipient information for electronic/preferred payment methods. For example, institutions are obligated to discharge cheques for monies left in the banks accounts of customers that have since closed them. The cost of upgrading software in businesses to support digital solutions or using cheques as a means of managing cashflows by taking advantage of the slower processing times may also slow the uptake of digital alternatives. This is particularly the case for small businesses who may find it more difficult to justify investing in system upgrades or developing new practices.

The section below explores some entrenched uses of cheques in the institutional and commercial space, including in the insurance sector, deceased estates, and the payment of corporate dividends.

Insurance

While insurance companies have largely moved away from cheque use for insurance claims, there are certain instances where payments are still made by cheque. Insurance is often purchased through third party intermediaries. In these circumstances, the intermediary will retain the relationship with the customer and hold any personal information or bank account details that are not required to establish the policy. General insurers are not required to obtain, and may not have access to, a customer's current payment details and, as a result, cheques are sometimes used to make payments including refunds.

ASIC's recent regulatory guidance for customer remediation (refunds) RG177,³⁰ suggests that 'Cheques should not be the default form of payment (unless specifically requested by the consumer).' However, if a customer's payment details are outdated at the time of a remediation, cheques are often the only practical manner to remediate customers.³¹

Deceased estates

The legal sector has also traditionally been a large issuer of cheques, such as for the facilitation of its trust account or deceased estate services. In deceased estate circumstances, the monies of the deceased individual will need to be combined into an 'estate of' trust account before distributions are made to the beneficiaries of a will. This is because the executor or administrator is the only person with the legal right to act for the deceased and therefore is the only person to whom funds can be released. Financial institutions in Australia have different policies regarding how this transfer is made, with some allowing either an EFT or bank cheque made payable to the estate, regardless of which bank the estate's account is with. Other banks require funds to the estate to be paid via bank cheque only if the estate's account is not with the same bank. There is no legislative basis for this, and it is a practice that will need to cease as cheques are phased out.

Corporate dividends

Corporate dividends in Australia are usually paid to shareholders through digital payment methods. However, there remains a small proportion of dividends that are paid via cheques. The legislation governing dividend payouts stipulates that if payable, the company's directors can choose the method

30 Australian Securities & Investments Commission (ASIC), Regulatory Guide RG 277 Consumer remediation (2022), ASIC website.

31 Insurance Council of Australia ICA submission to ASIC consultation paper 250 Consumer remediation: further consultation (2022), ICA website.

of dividend payment, which includes EFT, cheques, issues of shares and more.³² While it is not mandated, there are a small number of Australian companies that still send dividend cheques if requested. For example, BHP Group Limited, one of the ASX’s biggest companies, states that while direct crediting is encouraged, those who choose may be paid via cheque.³³

More commonly companies send dividends via cheques when shareholders reside outside of Australia and New Zealand. For Australian resident shareholders, some companies hold the dividend amounts until electronic payment details are provided or alternate arrangements are made, e.g., the shareholder elects to participate in a dividend reinvestment plan.³⁴

For all use cases outlined above, a cheque does not provide the most efficient or effective way of making payments. Delays, processing and handling costs, and risks of fraud associated with cheque payment can be reduced by using digital alternatives. Alternative payment methods for some common business activities are outlined in *Box 4: Alternate payment methods – Commercial use cases* below.

Many of the remaining use cases relate to unclaimed monies from deceased estates, share dividends, salaries and wages, cheques, trust money, over-payments and proceeds of sale, and more. Each state and territory government have ‘unclaimed money’ legislation, which may need to be reviewed as part of the winding down process.

Box 4: Alternate payment methods – Commercial use cases

Commercial activity	Alternative payment methods
Pay a customer that does not wish to provide bank account details to payer	PayID – Bank account can be linked to a phone number, email or ABN
Settle a property purchase	Property Exchange Australia (PEXA) or Sympli
Large-value real-time payments – including auction deposits, vehicle purchases and contract payments	Using online banking, a payer can authorise a higher payment limit before the payment occurs
Payments requiring dual authorisation – including for charities and NFP societies	Dual authorisation can be set up via online banking
Pay international customers	International Money Transfer (IMT)

Consultation questions

- 19. Are there other reasons why cheques are being used in an institutional or commercial setting? If so, please provide more detail.
- 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?

32 Corporations Act (2001) Sect 254U.
 33 BHP, Shareholder FAQs | BHP (2022), BHP website.
 34 Westpac, Dividend Payment Information, (2023), Westpac website.

Chapter 4: Government use of cheques

The Government sector remains a significant user of the cheques system. At the Commonwealth level the Department of Health and Aged Care, Services Australia, and the Australian Taxation Office (ATO) account for over 98 per cent of cheque issuances. State government departments and agencies are also large users of the cheques system, with the highest usage in New South Wales and Victoria due to their larger populations.

Substantial progress has been made over the past decade to transition government payments to digital alternatives. For example, the Department of Social Services moved from issuing cheques to the real-time payment platform for welfare payments in 2018 (see Box 5: Migrating disaster payments from cheques to the real-time payments platform). While Commonwealth agencies that bank with the RBA issued approximately 1.3 million cheques during the year to June 2022, these agencies only accounted for 5 per cent of all cheques drawn in Australia in 2023. Some state governments are conscious of reducing their reliance on cheques. For example, New South Wales has committed to ceasing all cheque use by June 2024. Other states remain highly dependent on cheques, primarily because of their high reliance on legacy processing systems.

This Chapter explores the current uses of government cheques, that is those cheques that are written or accepted by government departments and agencies. It also explores the 2 significant barriers to winding down government cheque use; legislation that mandates payment by cheques, as well as entrenched government practices.

Box 5: Migrating disaster payments from cheques to the real-time payments platform

During 2021–2022, there was a significant increase in payment volumes from the RBA on behalf of the Australian Government relating to the Emergency Welfare Payments (mostly related to the COVID-19 pandemic) and Disaster Recovery Payments. 96 per cent of these payments were made using the New Payments Platform (NPP) which allowed eligible individuals to receive their support almost instantaneously.³⁵

In contrast, of the 16.7 million stimulus payments the Government, through the RBA, distributed in 2009 in response to the Global Financial Crisis (GFC), 4.3 million were paid via cheque due to the absence of bank account information in the ATO's systems. These individuals waited an average of 9 days from issuance of the cheque to the funds being available to use.³⁶

Since the GFC, the RBA has invested heavily in banking system upgrade programs that have enhanced its systems used to process government payments and receipts. The RBA worked with their government agency customers to reduce their usage of cheques, substituting more efficient and cost-effective means of payment. Services Australia worked to implement NPP capability in 2018 which proved critical in allowing the Government to make bushfire relief payments to affected individuals in real time, including weekends, public holidays and after hours. As agencies work towards a 2028 end-date for government cheques, the volume of cheque issuance will continue to fall.

³⁵ Reserve Bank of Australia (RBA), [Annual report 2022 - banking and payment services](#) (2022), RBA website.

³⁶ Reserve Bank of Australia (RBA), [COVID-19 Stimulus Payments and the Reserve Bank's Transactional Banking Services](#) (2021), RBA website.

Legislated obligations

One of the reasons governments, both Commonwealth and state, still use cheques is that there is legislation that mandates the use and acceptance of cheques. There are currently more than 80 pieces of Commonwealth legislation, in addition to the *Cheques Act 1986*, that reference payment through cheques (refer to Annexure 2 for a comprehensive list). However, only 4 pieces of Commonwealth legislation currently mandate payment through cheques exclusively. There are an additional 5 Acts that permit alternate payment methods to be used but require payment by cheque if requested.

At the Commonwealth level, recent legislative updates have allowed payments to be made through methods other than cheques. For example, a legislative provision that required certain entities to make a payment to the ATO using a cheque was repealed by the *Treasury Laws Amendment (Modernising Business Communications and Other Measures) Act 2023*.³⁷ The below section explores Commonwealth, state and territory use of cheques required by the law.

Commonwealth government usage

Health benefit payments

Pay Doctor Via Claimant (PDVC) arrangements from the Department of Health and Aged Care represented around 75 per cent of the volume of Commonwealth cheques during the year to June 2022. The PDVC arrangements, administered through the *Health Insurance Act 1973*, are a claiming and payment method under the Medicare Benefits program to support patients who cannot afford the full cost of doctors who do not bulk bill. Under this scheme, the patient only pays the out-of-pocket expense to the practitioner. Once a claim for the Medicare benefit is submitted, Services Australia then mails a cheque for the Medicare benefit to the patient for payment to the practitioner. If the cheque is not banked within 90 days, Services Australia cancels the cheque and pays the practitioner via EFT.

Payments made to dental providers under the *Dental Benefits Act 2008* operate similarly. The Department of Health and Aged Care is investigating alternatives to cheque payments. The Government will liaise with medical, consumer and industry peak organisations, about any proposed changes to Medicare billing options.

State government usage

Examples of state and territory legislation that mandates cheque payment are below. Work has commenced in most states to review legislation that mandates cheque use to make them payment neutral.

³⁷ Section 32(2) of the Small Superannuation Accounts Act 1995 (SSAA) requires certain payments to the Commissioner in respect of Superannuation Holding Accounts to be made via non-electronic forms, including cheques.

Table 2: List of example state and territory legislation with legislative obligations to use cheques

Activity	Jurisdiction	Instrument	Summary
Property and land	Northern Territory	<i>Agents Licensing Act 1979</i>	s52 Operation of a trust account (3) A licensed agent shall not pay money out of a trust account maintained by him or her except by means of a cheque made payable to a specified person, being a cheque that is crossed and marked “not negotiable”.
Gifts and miscellaneous	New South Wales	<i>Independent Commission Against Corruption Regulation 2017</i>	Appendix 18 – Gifts presented to the Minister as an act of goodwill If a New South Wales Minister chooses to retain a gift as set out in the section, they must pay to the State by way of cheque the difference between \$500 and the value of the gift (provided the gift has a market value above \$500).
Payroll	Victoria	<i>Accident Compensation Act 1985</i>	s 92C Payment of weekly pensions (4) A payment of a weekly pension may be made by post by properly addressing, prepaying and posting to the person entitled to the weekly pension a letter containing a cheque for the amount.
Payroll	South Australia	<i>Long Service Leave Act 1987</i>	s 8 Payment in respect of long service leave (2) Payment for a period of long service leave must be made in one of the following ways – (b) on the same days as payment of wages would have been made if the worker remained at work At the written request of the worker, be made by cheque posted to an address specified by the worker.

Entrenched practice to fulfill obligations

Governments also issue and accept cheque payments where there is a need to fulfil obligations (usually related to a specific timeframe) and payment through alternate methods cannot be made.

Commonwealth government usage

Tax refunds

The ATO currently has a general obligation to process an individual’s tax refund within 30 days,³⁸ unless there is a need to retain the refund for verification purposes.³⁹ In the situation where the ATO does not have the individual’s financial institution account details in the system and are unable to obtain them before the 30th day, they pay the refund via a cheque to the individual.

This presents a significant administrative cost to the ATO (estimated at around \$6 per cheque) as well as to the recipient. The ATO often makes refunds or payments via cheque for minimal amounts, which can be outweighed by the cost of issuing the cheque. Further, there are cases where the cheques can go uncashed and may need to be re-issued by the ATO. In 2021/22 the ATO issued over 300,000 outbound cheques, of which around 260,000 were for income tax purposes.

38 The legal basis for this is the obligation to pay interest on income tax refunds that are not paid within 30 days an income tax return is lodged and an obligation to pay refunds within a reasonable time in the circumstances (see, for example, Commissioner of Taxation v Multiflex [2011] FCAFC 142 at [40]).

39 See section 8AAZLGA of the Taxation Administration Act 1953.

There is also a cost for the recipient in the processing time of the cheque, which is usually around 3 business days, compared to a shorter processing time for an EFT payment, as well as the inconvenience of going to a bank branch – particularly in the case of low-value refunds and in regional/remote areas. The costs associated with overseas cheque presentment are even higher, with the processing time often weeks, as the cheque must be mailed back to Australia for processing.

In the 2022–23 Budget, the Government committed to lower the tax-related administrative burden for small businesses and reforms to reduce the issuance of cheque refunds by giving the ATO up to 90 days to obtain bank account details.

Child support and Centrelink payments

Services Australia has an obligation to issue Child Support payments, even in situations where the recipient's bank details may not be known. Regulation 26 of the *Child Support (Registration and Collection) Regulations 2018* provides that child support payments may be made by cheque, money order or electronic means.

Payments can be made domestically and internationally, and recipients may not always have access to an Australian bank account to receive payment electronically. They may also be unable to open an account in the country they are in, for example, they do not have the required residence status or have a fraudulent history and are denied access. In such instances, child support payments may be made by cheque. In the 12 months to February 2023, more than 35,000 cheques were issued for child support payments, representing 2.8 per cent of total Commonwealth issued cheques.

Payments for Australia's Financial Claims Scheme (FCS)

Cheques are also currently one of the default payment mechanisms for Australia's Financial Claims Scheme (FCS). The FCS provides protection to deposit-holders with Australian incorporated banks, and general insurance policyholders and claimants, in the unlikely event that one of these financial institutions fails. Alternate ways to reimburse or provide access to deposits under the FCS are being considered separately.

State government usage

Workers' compensation payments

All state and territory governments have a workers' compensation scheme to compensate individuals injured at work. The way the various states facilitate their schemes and pay the claimant vary, with some states having more digital methods than others. For example, WorkSafe Victoria will issue a cheque unless a direct entry application is submitted, whereas WorkSafe Queensland, requires claimants to provide bank details and makes an electronic payment.^{40,41} In some of the states that allow for a cheque payment, such as New South Wales, the volumes of cheques for this purpose are quite high, and one of the most significant use cases for state governments issuing cheques.

Payments to incarcerated individuals

A common use case for the acceptance of cheques in some state governments is the payment for incarcerated individuals. Each state has strict rules concerning payment to prisoners and their accounts, with limits imposed on the amount and method of payment. While most include the option

40 Worksafe Victoria, Claims Manual (2023), WorkSafe VIC website

41 Worksafe QLD, Payments and support – weekly compensation (2023), Worksafe Queensland website

for electronic transfer of payments, sending money through cheques and money orders is still common practice in some states.

In Victoria and Tasmania, prisoners may receive money from friends and family by a cheque or money order through the mail.^{42,43} In South Australia, funds can be deposited into a prisoner's account through a bank cheque or money order from Australia Post.⁴⁴ In Western Australia, some correction facilities still accept cheque as a means of payment to prisoners. Contrastingly, cheques are not accepted in correction facilities in New South Wales or the Australian Capital Territory.

Cheque payments are also used for other legal services. For example, New South Wales continues to use cheques to refund money which has been seized by police from persons believed to be engaged in criminal activity until after the court verdict.

Consultation questions

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?
22. What coordination is required between the Commonwealth, State and Territory governments to coordinate a transition away from cheques?

42 Corrections Victoria, Corrections, Prisons & Parole – Money (2023), Corrections Victoria website

43 Service Tasmania, Deposit money into a prisoner's account (2023), Service Tasmania

44 South Australian Government SA prisons – Transferring money to a prisoner (2023), South Australian Government website

Annexure 1: List of consultation questions

Introduction


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?
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.
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.
4. What are the roles of government and industry in ensuring a smooth transition?
5. What are the barriers banks and other participants face in ensuring their customers have a smooth transition away from cheque use?
6. Will the system and its users be ready to transition earlier than the intended end-date of 2030, noting the principles outlined above?

Overview of the cheques system

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?
8. What are your views on the role Bank@Post could play in the cheques transition?
9. Is there value in retaining some or all of the processes and obligations in the *Cheques Act 1986*? If so, for how long?
10. At what volumes would cheque use need to decline to for the shared service arrangements to no longer be cost effective?
11. How should foreign cheques be serviced? What is required to switch receipt of foreign cheques to alternate payment methods?

Personal use of cheques

12. Are there any other drivers for the continued use of personal cheques in Australia?
13. Are the alternative payment methods put forward by the banks acceptable? Do they address the limitations in digital inclusion and distrust outlined above?
14. Do the proposed solutions adequately support those without a bank account? If not, please elaborate with reference to potential solutions.
15. Are there any other use cases without solutions? If so, please specify.
16. When is an appropriate time for current users of personal uses to identify and safely transition to alternatives?
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?

- 
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?

Commercial use of cheques

19. Are there other reasons why cheques are being used in an institutional or commercial setting? If so, please provide more detail.
20. How significant are the barriers to reducing institutional use of cheques? What timeframes, support or legislative change are required for businesses transitioning away from cheque use?

Government use of cheques

21. How significant are the barriers to reducing government use of cheques? What timeframes or support are required for agencies transitioning away from cheque use?
22. What coordination is required between the Commonwealth, State and Territory governments to coordinate a transition away from cheques?

Annexure 2: List of legislation that references the word 'cheque'

Commonwealth legislation

List of legislation that mandate payment through cheques exclusively

Defence Service Homes Act 1918

Dental Benefits Act 2008

Health Insurance Act 1973

Health Insurance Regulations 2018

List of legislation where either:

- a) alternate payment methods are available, but cheque payments must be made if required or requested, or
- b) removing references to cheques have further consequences that need to be considered

Bankruptcy Act 1966

Bankruptcy Regulations 2021

Customs Act 1901

Superannuation (Government Co-contribution for Low Income Earners) Act 2003

Superannuation Act 1976

List of legislation where:

- a) reference to the word 'cheque' can be easily replaced with a more payment neutral term or,
- b) without reference to the word 'cheque', provision would become redundant.

A New Tax System (Family Assistance) (Administration) Act 1999

A New Tax System (Goods and Services Tax) Regulations 2019

A New Tax System (Wine Equalisation Tax) Regulations 2019

Airports (Building Control) Regulations 1996

Airports (Environment Protection) Regulations 1997

Anti-Money Laundering and Counter-Terrorism Financing Act 2006

Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)

ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813

ASIC Corporations (Disclosure of fees and costs) Instrument 2019/1070

ASIC Corporations (Time-sharing Schemes) Instrument 2017/272

Australian Defence Force Cover Act 2015

Banking Regulations 2016
Bills of Exchange Act 1909
Business Names Registration Act 2011
Cheques Regulations 2018
Child Support (Registration and Collection) Regulations 2018
Civil Aviation Act 1988
Commonwealth Electoral Act 1918
Commonwealth Vehicles (Registration and Exemption from Taxation) Act 1997
Competition and Consumer (Consumer Data Right) Rules 2020
Corporations (Aboriginal and Torres Strait Islander) Act 2006
Corporations Act 2001
Corporations Regulations
Currency Act 1965
A New Tax System (Family Assistance) (Administration) Act 1999
A New Tax System (Goods and Services Tax) Regulations 2019
A New Tax System (Wine Equalisation Tax) Regulations 2019
Airports (Building Control) Regulations 1996
Airports (Environment Protection) Regulations 1997
Anti-Money Laundering and Counter-Terrorism Financing Act 2006
Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)
ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813
ASIC Corporations (Disclosure of fees and costs) Instrument 2019/1070
ASIC Corporations (Time-sharing Schemes) Instrument 2017/272
Australian Defence Force Cover Act 2015
Banking Regulations 2016
Bills of Exchange Act 1909
Business Names Registration Act 2011
Cheques Regulations 2018
Child Support (Registration and Collection) Regulations 2018
Civil Aviation Act 1988
Commonwealth Electoral Act 1918
Commonwealth Vehicles (Registration and Exemption from Taxation) Act 1997
Competition and Consumer (Consumer Data Right) Rules 2020
Corporations (Aboriginal and Torres Strait Islander) Act 2006
Corporations Act 2001

Corporations Regulations
Currency Act 1965
Customs Tariff Act 1995
Defence Force Retirement and Death Benefits Act 1973
Environment Protection and Biodiversity Conservation Regulations 2000
Fair Work Act 2009
Fair Work Regulations 2009
Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2016 – Reporting standard ARS 796.0 – Points of Presence
Financial Sector (Collection of Data) (reporting standard) determination No. 26 of 2019
Financial Sector (Collection of Data) (reporting standard) determination No. 27 of 2019
Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2022
Financial Sector (Collection of Data) (reporting standard) determination No. 44 of 2015 – SRS 722.0
Financial Sector (Collection of Data) (reporting standard) determination No. 11 of 2017
Financial Sector (Collection of Data) (reporting standard) determination No. 43 of 2015
Financial Sector (Collection of Data) (reporting standard) determination No. 40 of 2018
Financial Transaction Reports Act 1988
Fuel Quality Standards Regulations 2019
Governor General Act 1974
Interactive Gambling Act 2001
Judges’ Pensions Act 1968
Maritime Transport and Offshore Facilities Security Regulations 2003
Migration Agents Regulations 1998
Migration Regulations 1994
Military Superannuation and Benefits Act 1991
National Consumer Credit Protection Act 2009
National Consumer Credit Protection Regulations 2010
National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015
Paid Parental Leave Act 2010
Papua New Guinea (Staffing Assistance) Act 1973
Papua New Guinea (Transfer of Banking Business) Act 1973
Parliamentary Contributory Superannuation Act 1948
Payment Systems and Netting Regulations 2001
Payment Times Reporting Act 2020
Personal Property Securities Act 2009

Protection of the Sea (1992 Fund) Regulations 1994
Protection of the Sea (Supplementary Fund) Regulations 2009
Public Governance, Performance and Accountability Act 2013
Radiocommunications (Spectrum Licence Allocation – 1800 MHz Band) Determination 2015
Radiocommunications (Spectrum Licence Allocation – 26 GHz Band) Determination 2020
Radiocommunications (Spectrum Licence Allocation – 3.6 GHz Band) Determination 2018
Radiocommunications (Spectrum Licence Allocation – 700 MHz Band) Determination 2016
Radiocommunications (Spectrum Licence Allocation – 850/900 MHz Band) Determination 2021
Remuneration Tribunal Act 1973
Renewable Energy (Electricity) Regulations 2001
Seafarers Rehabilitation and Compensation Levy Collection Regulations 2018
Small Superannuation Accounts Act 1995
Social Security Act 1991
Social Security Administration Act 1999
Superannuation (Government Co-contribution for Low Income Earners) Act 2003
Superannuation Act 1976
Superannuation Act 1990
Superannuation Contributions Tax (Assessment and Collection) Act 1997
Taxation Administration Act 1953
Tobacco Advertising Prohibition Act 1992
Torres Strait Fisheries Act 1984
Tradex Scheme Act 1999

Annexure 3: The cheques system

End-to-end cheque processing, clearing and settling


23. The drawer writes a cheque, including all relevant details and signs it before presenting it to the payee.
24. The payee deposits the cheque into their bank account by visiting a branch or participating Australia Post outlet, using an ATM or using a mobile feature. The payee's account is provisionally credited but the funds are generally not available until the cheque is cleared.
25. The payee's bank (or the cheque processing facility used by that bank) captures the cheque details (which includes the drawer's BSB and account number, the cheque amount and cheque number) and an image of the cheque.
26. The payee's bank (or the cheque processing facility it uses) then clears the cheque through the APCS.
27. The funds are settled between the drawer's bank and the payee's bank through RITS, the RBA's interbank settlement system.
28. The drawer's bank verifies the cheque details and captured image to ensure the validity of the cheque and that the drawer's account has sufficient funds.
29. Once the dishonour period has passed, the payee is able to access the funds in their account, subject to any timeframes specified by the bank.
30. For any dishonours or refunds, the payee bank is advised electronically with the provisional credit to the payee reversed.

Understanding obligations under the *Cheques Act 1986*

The *Cheques Act 1986* (the Act) primarily governs the use and regulation of cheques as a means of payment in Australia. The Act defines the characteristics of a valid cheque, establishes the rules of transfer and endorsement of cheques, sets the rights and responsibilities of each party involved in the transaction, and defines the liability of the banks involved in processing the cheques.

Relevant provisions of the Act include:

- s66 – Deposit institution to present cheques promptly: This section imposes an obligation where the holder of the cheque deposits the cheque with the financial institution (the deposit institution). This obligation is to **duly present the cheque for payment itself** or ensure that the cheque is duly presented for payment on its behalf, **as soon as is reasonably practicable**.
- s67 – Drawee institution to pay or dishonour promptly: This section requires a financial institution (the drawee institution) to **pay or dishonour** a cheque as soon as is reasonably practicable.
- s89 – Stale cheques: This section provides that a drawee institution **may refuse payment of a stale cheque**. A stale cheque is defined by s3 of the Act as when a cheque appears to have been drawn more than 15 months before the time of presentment.

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- s5 – Financial institution cheques: This section defines what a financial institution cheque is, detailing which sections do or do not apply to these cheques. s5 includes an **exception to s89**, which specifies the timeframe for a stale cheque.

The Act is unique as there is no other payment instrument in Australia that has dedicated legislation to its governance.

Annexure 4: Digital inclusion

Digital inclusion goes beyond access to service and includes affordability and digital ability. *'The 2023 Australian Digital Inclusion Index (ADII) report'* by RMIT University measured these 3 metrics across different groups in Australia,⁴⁵ based on data from the Australian Internet Usage Survey collected between June and December 2022 with a total of 5,132 respondents. The report uses an ADII score out of 100 (100 being perfectly inclusive) to rate the level of digital inclusion in different segments of Australia. The findings of the report are below.

Access

In some parts of rural and remote Australia, access to reliable internet connection is substantially lower than in metro areas. Remote and very remote areas often lack the infrastructure and services required to achieve a quality and reliable connection, and cheques are a convenient and offline payment method that allow consumers to perform high-value transactions. For example, the ADII access score for people in very remote areas is 16.9 points below the national average of 72.0.

Affordability

Affordability of digital services across Australia is quite good and improving, with an ADII national affordability score of 95, up from 93.1 in 2021. Further, there is only a minute discrepancy (0.4) between rural and metro respondents. However, vulnerable groups such as those with disabilities, first nations people, the unemployed and those relying on mobile-only access in very remote areas have lower affordability outcomes than the rest of Australia.

Ability

Digital ability in Australia overall has increased moderately since 2021 but remains a significant barrier to higher levels of digital inclusion, with Australia's national average ADII score of 64.4. Groups such as those in the lowest income quartile (<\$33,800), older Australians (75+) and the unemployed, have seen a reduction in digital ability between 2020 and 2023. Further, there is a significant rural vs metro split in this metric, with a gap of 22.7 between remote Australia and the national average.

Initiatives for greater digital inclusion

In recognition of the difficulties that some groups in Australia are facing in accessing digital methods of payment, both Government and industry are already engaging in education, infrastructure, and outreach programs to enhance the digital capabilities of Australians.

Government

- The Australian Government's Be Connected program aims to support all people aged over 50 in Australia to keep safe online and navigate evolving technology.

⁴⁵ [Australian Digital Inclusion Index 2023](#)

- The Government's Information, Linkages and Capacity Building Program includes a focus on building the capacity of individuals to engage in community life, communicate their preferences and to make informed and independent decisions.
- Over 5 years to 2026/27, the Better Connectivity Plan is putting more than \$1.1 billion of telecommunications infrastructure into regional and remote communities. This is providing infrastructure to help rural Australians realise the opportunities and meet the challenges presented by the digital economy revolution.
- The Better Connectivity Plan also funds the Regional Tech Hub which assists people in regional and rural areas get connected and stay connected. Older people living in regional Australia may benefit from the Regional Tech Hub's online information or contacting their helpdesk if they are having difficulty with connectivity.
- The First Nations Digital Inclusion Advisory Group (Advisory Group) was established in 2018 to provide advice to the Minister for Communications on practical measures to support progress towards a 2026 target of equal levels of digital inclusion for Aboriginal and Torres Strait Islander peoples.

Industry

- Most of the major banks have provided resources on their websites detailing common uses for cheques and what digital alternatives they offer that could be used for the same purpose.
- As banks have reduced their physical branch counts, Australia Post, with its Bank@Post initiative has helped communities in regional and remote areas access basic banking and financial services through over 3800 post offices, including over 1800 in regional and remote areas.
- Technological developments such as Star Link's Low Earth Orbit Satellites are showing potential to improve levels of mobile service in regional and remote Australia. Currently this is a private solution and requires individuals to pay for access to the satellite, but there are considerations underway for Low Earth Orbit Satellites to be part of the Federal Government's solution to enhancing access to internet in regional and remote areas.