

09 February 2024

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

Dear Ms Etherington

Consultation paper: Winding down Australia's cheques system

The Australian Banking Association (ABA) welcomes the opportunity to provide a submission to the consultation, *Winding Down Australia's Cheques System*. ABA strongly supports the Government's proposal to wind down Australia's cheques system for the reasons set out in the Government's Strategic Plan for the Payments System and subsequent consultations. The ABA also welcomes the Government's engagement with the banking industry and the broader community on this plan.

ABA broadly supports the proposed sequence of steps to wind down the cheques system, and considers sequencing can be further simplified to assist cheques users with the transition. ABA stands ready to work with Government, industry and customers on this important initiative. ABA provides the following recommendations that can help to refine these proposals.

Proposed key conditions

ABA agrees with the proposal to identify principles and conditions that would support an orderly and coordinated approach to winding down the cheques system. In addition to the issues identified in the proposed key conditions, ABA proposes that Treasury consider:

- proactive and aligned messaging from Government to key user groups, in addition to communications from industry and consumer groups;
- undertaking supporting initiatives for cheques users to facilitate take up of alternatives to cheques and reducing cheques volume; and
- providing payment neutrality by prioritising the amendment of legislation that require use of cheques.

Industry initiatives and coordination

ABA agrees that the banking and payments industry have a lead role to communicate with, and provide information or support for customers during the transition. Government also has an important role in communicating with all parts of the economy. The banking industry will continue to work with government, businesses and retail customers as part of this process.

ABA notes there may be a case for a level of industry coordination to provide consistent information to cheques users about the transition, noting information that may be relevant for particular groups of users may differ. In limited cases, such as where industry practices have been

developed for asset financing and sales based on the use of bank cheques, there may also be a case for banks and the legal profession to consider changes to industry practices.

Key dates

ABA generally supports the proposed sequencing of initiatives and actions, but asks Treasury to consider two changes to the proposed timeline.

1. Align the dates for ceasing to issue cheques

Consider aligning the date for ceasing to issue bank cheques with the dates for commercial and government cheques, and potentially personal cheques. Doing so would simplify communications and education for cheque users. Changing the date for ceasing to issue bank cheques would also help to ensure that financial institutions' customers and the legal profession have sufficient time to make changes to process, legal documentation and potentially financing arrangements for asset sales.

2. Cease acceptance of bank cheques earlier than 2030

Adopting relevant supporting initiatives can allow bank cheque acceptance to be retired earlier than 2030 in an orderly and coordinated manner.

As such, ABA also asks Treasury to consult with industry on ways to cease acceptance of bank cheques earlier than 2030. This could include supporting initiatives such as a process enabling negotiation of a bank cheque after the bank that issued it has ceased electronic presentment of cheques, making state and territories unclaimed money regimes easier to access, improving alternatives for where a bank cheque is issued because payee account details are unknown, and helping users to adopt alternative ways to pay.

Government communications and initiatives

In addition to industry's role, above, ABA also sees an important role for governments in this process. ABA agrees with the government-led initiatives set out in the consultation paper, and also proposes the following initiatives for Treasury's consideration:

- The consultation paper recognises that governments are major users of cheques, and will have work to do to cease issuing or accepting cheques. As part of these changes, governments or government agencies will have opportunities to raise awareness, communicate, educate and support their users. Doing so will help to raise awareness of pending changes, and build familiarity with alternative payment methods and products.
- In addition to amending legislation to remove references to payment by cheque, remove legislative or practical barriers in specific sectors. E-conveyancing is not available for all types of property transactions across all states and territories. Increasing the use of e-conveyancing will also help to migrate payments associated with these transactions to digital payments.
- Where unclaimed money regimes can be an alternative to some cheque use cases, governments to amend legislation to allow certain payments to be paid into these funds.
- Governments may have a role to play to work with overseas jurisdictions that send cheques to Australian residents.
- Other areas of government policy can help to enhance digital access and internet connectivity, which have broader benefit for remote and regional communities. It would also



help to make forms of digital payments more convenient for residents of these communities.

Clarity on mechanism and requirement

ABA asks Treasury to consider and clarify what proposed key dates for 'cease to issue' and 'cease to process' mean. A number of banks have ceased opening new cheque accounts, some have advised customers to cease issuing cheques, and others are only issuing cheque books to retail and business customers on request. These decisions reflect factors including changing payment preferences and continued falling demand for cheques.

An orderly winding down of the cheques system is better able to be achieved if Government, banks and other cheque users take meaningful steps to reduce cheques volumes in the lead up to and well ahead of a final date(s). Importantly, doing so helps to ensure cheque users are supported to adopt alternatives to cheques and consider the conduct of transactions that may currently use a cheque. Where the objective of an orderly transition can be achieved, individual financial institutions could have the flexibility to cease certain activities sooner than a key date where doing so would not detrimentally affect their customers or undermine the orderliness of the overall transition.

In light of this suggested framework approach, ABA also asks Treasury to clarify how the proposed key dates would be implemented. ABA notes legislated deadlines may lack desired flexibility.

ABA looks forward to working with Treasury on future stages of this initiative. If you have any questions about this submission, please contact me at [REDACTED] or [REDACTED].

Yours sincerely

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Policy Director