



6 February 2024

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

Submission by email to: paymentsconsultation@treasury.gov.au

To Whom it May Concern,

Please find attached the submission of the Emerging Payments Association Asia (EPA Asia) to the *“Winding down Australia’s cheques system” Consultation paper* (“the Cheques Consultation Paper”) released by the Australian Commonwealth Treasury in December 2023.

EPA Asia’s goal is to unify the payments agenda in the region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments organisations whose goal is to strengthen and expand the payments industry for the benefit of all stakeholders. More information about EPA Asia can be found on our website www.emergingpaymentsasia.org.

Please note, that while we have consulted within our membership, any views expressed in this submission are solely the views of EPA Asia and do not necessarily represent the views of individual contributors, EPA Asia Ambassadors or EPA Asia Members.

EPA Asia has been supportive of the Government’s payments reform agenda. Declining cheque usage is something which we believe should be actively managed by industry and Government. It is only through active management that we will avoid a situation where there is a tiny rump of cheques used by a very small portion of the population that requires the cheque infrastructure to be maintained. Furthermore, phasing out cheques in an orderly and planned fashion, provides clarity for end users and industry for planning and investment purposes.

In addition to the phasing out of cheques in a number of similar jurisdictions, such as New Zealand and South Africa, Australia also has domestic experiences such as the closure of the analogue television, that can be referred to.

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?

We believe that a mix of public and private activities will be needed to ensure a smooth transition. Information will be critical and ideally there should information available through a wide range of channels. This will need to include non-online channels (such as print, outdoor advertising, radio etc) so that everyone and in particular those who have used or have relied on cheques understand what is happening and the timetables involved.

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.

The key conditions for Government and the sequencing of ending cheque issuance first followed by a closure of cheque acceptance is broadly acceptable.

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.

While the timing is broadly appropriate, the use of bank cheques may be very low by the end of the 2020s, possibly warranting bringing forward the proposed 2030 closure.

4. What are the roles of government and industry in ensuring a smooth transition?

While recognising that industry and government have different responsibilities, we believe there should be a collaborative approach that is based on strong and open communication as to plans, timelines and progress.

5. What are the barriers banks and other participants face in ensuring their customers have a smooth transition away from cheque use?

There remains a generational challenge for industry concerning those who have historically relied on cheques, such as older Australians and those who live in rural and regional Australia. Often this is linked to access to and / or comfort with mobile phone and other digital technologies. There is also a related business challenge where particular business processes have relied on cheques due to legacy systems and the lack of cost-efficient alternatives.

Mobile and online offerings continue to provide the best opportunities and, as such, we would encourage Government to continue its support of promoting a vibrant and robust payment and fintech ecosystem for Australia. Conversely, we would not recommend more investment in the cheques system beyond what is absolutely required.

6. Will the system and its users be ready to transition earlier than the intended end-date of 2030, noting the principles outlined above?

We believe that those institutions directly involved in the cheques systems are best placed to comment on the system.

In respect to users, we believe there are two broad challenges.

The challenge with personal use depends on the ability and willingness of older Australians and those who live in rural and regional Australia to be able to move across to alternatives. This depends on not just their attitudes and perception but also the availability, usability and suitability of those alternatives.

For business users, the challenge goes to the legacy processes and systems they have relied upon and the ability to identify and use alternatives.

We believe that there may be a natural abandonment of cheques well before the 2030 but this needs to be closely monitored.

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?

We believe that those institutions directly involved in the cheques systems are best placed to comment on the system.

Personal use of cheques

12. Are there any other drivers for the continued use of personal cheques in Australia?

The Treasury consultation paper has done a good job summarising the drivers for continued cheque use, though broad consultation with those representing end-user interests and close examination of the overseas experiences in cheque phase outs will be beneficial in understanding the drivers in more detail.

13. Are the alternative payment methods put forward by the banks acceptable? Do they address the limitations in digital inclusion and distrust outlined above?

We believe that banks in Australia have demonstrated a strong interest and ability to deliver alternative payment methods, for example the New Payments Platform and PayTo.

However, banks will not necessarily solve these issues alone and will often need to partner with system operators, service providers and fintechs to be able to meet end-user needs. The Australian ecosystem should remain an attractive place for a wide range of payment players to invest and operate in.

14. Do the proposed solutions adequately support those without a bank account? If not, please elaborate with reference to potential solutions.

Australia has a very high proportion of banked. Our unbanked population often have to deal with other forms of economic or social exclusion that are well beyond the scope of this consultation. We would note that mobile money and other forms of stored value may offer alternatives to those unable or unwilling to open an ADI account.

- 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?**

As the consultation paper notes, improving internet and mobile access in rural and regional Australia remains an essential enabler to phasing out cheques in Australia.

- 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?**

As the Government and industry work through the planning for the phase out of cheques, it would be good to better understand the impact of such initiatives and to what degree they can be added to or enhanced to enable a smooth transition.

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.**

Often the barriers to abandoning cheques in a commercial environment relates to the absence of a cost-effective alternative and / or the use of legacy processes, systems, and technology (including ERPs) are used within particular industry segments.

- 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?**

We believe that those institutions directly involved in the cheques systems are best placed to comment on the system.

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?**

As with business payments, cheque use continues do to the lack of cost-effective alternatives and / or the persistence of legacy processes, systems, and technologies.

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

Ideally, the Commonwealth will work with both industry and community stakeholders, as well State and Territory governments as part of a transition plan. A high level of engagement, transparency and commitment will be key for a successful transition away from cheques in Australia.

We are more than happy to expand further on the items raised in this submission or to provide further information. If you do have any comments or questions, please feel free to contact EPA Asia's Policy Lead Dr Brad Pragnell at [REDACTED] .

Kind regards,

Camilla Bullock

CEO, Emerging Payments Association Asia