

EXTINCTION

THE FUTURE FOR PAPER CHEQUES

LIKE THE DODO
AND THE DINOSAUR,
CHEQUES IN AUSTRALIA
ARE SET TO DIE OUT.
THEY ARE NO LONGER
AN EFFECTIVE WORKING
CAPITAL STRATEGY.

THE WORLD HAS GONE DIGITAL

Today, consumers expect online and mobile solutions to meet their transactional needs, while businesses are increasingly reliant on paperless processes. In this environment it is surprising that cheques are still relied upon. In fact, paper cheques are a throwback to the past and are no longer an effective working capital strategy for companies.

The statistics are compelling. In Australia, monthly cheque volumes have dropped over 70% between 2002 and 2014¹ and continue to decline at an alarming rate year on year. This is due to the availability of a range of electronic payment alternatives.

With the continued decline of cheques in Australia, the Australian Payments Council, recognising the need to offer future sustainable payment options with a transition path for cheques, has established an industry working group to prepare a payments roadmap. ANZ is part of this working group which aims to deliver this roadmap by 2018.

CHEQUES, SIMPLY PUT, ARE A SLOW AND INEFFICIENT
PAYMENT METHOD FOR ANY ORGANISATION TO TRACK
AND SEEK VALUE IN THE 21ST CENTURY

RICHARD HAIGH

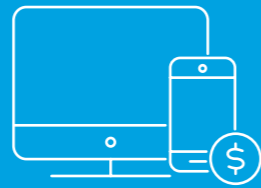
Head of Australia Payments and Cash Management Products, Transaction Banking, ANZ

¹ Source: APCA Towards the digital economy: Milestones Report, February 2015

AT A GLANCE

A blue circle containing a white icon of a downward-pointing arrow next to the text '70%'.

In Australia, monthly cheque volumes have dropped over 70% between 2002 and 2014¹.



Adoption of new digital payment options will differentiate the efficient from the more inefficient cheque utilising companies.



It is only a matter of time before paper cheques are obsolete and are replaced by electronic payment options.



Cheques are prone to fraud and are difficult to manage, track and reconcile.

THE DAYS OF CHEQUES ARE NUMBERED

Over the last 10 years, cheque usage has declined significantly in Australia and continues to decline at a steady annual rate. Cheques now account for less than 5% of all non-cash payments made by consumers and businesses each day².

The key reason for the decline in cheque usage is the availability of electronic payment channels (such as Electronic Funds Transfer (EFT), BPAY[®], direct debit and direct credit) which all provide more convenient, secure, efficient and cheaper ways of transacting.

Cheques are also prone to fraud and are difficult payment instruments to manage; whereas using electronic channels allow for more effective payment processing and enhanced cash management visibility.

USE OF ELECTRONIC PAYMENTS IS CONTINUING TO GROW STRONGLY, WHILE USE OF THE TRADITIONAL PAPER-BASED PAYMENTS IS FALLING.³

GLENN STEVENS
Governor, The Reserve Bank of Australia (RBA)

¹ Registered to BPAY Pty Ltd ABN 69 137 518

² Source: APCA, "Australian payments fraud details and data", 2014

³ Source: RBA, "Remarks prior to the Annual General Meeting of the Australian Payments Clearing Association Sydney", 23 October 2014

INCREASING SOPHISTICATION OF DIGITAL PAYMENT ALTERNATIVES

Electronic payment methods will continue to replace paper-based payments over time. Cheques no longer meet the needs of customers who, in a rapidly growing real-time payment environment, can easily access online channels, digital wallets and mobile payment technologies.

With the planned introduction of the New Payments Platform⁴, there will be a new faster, flexible and more convenient 24 x 7 electronic payment service to make and receive payments in Australia. This will further hasten the decline of cheque usage.

Cheques will still be around for the time being but it will become harder and harder to use them, with many businesses, going forward, no longer accepting cheques as a form of payment.

This should be seen as an opportunity to review your business and prepare for the rapid growth of digital economies. ANZ can work with you to minimise any impact and support the development of tailored digital payment strategies to meet your requirements.

<5%

Cheques now account for less than 5% of all non-cash payments made each day¹.

24/7

Fast, flexible and convenient service with the New Payments Platform⁴.

⁴ The New Payments Platform, due to be released in Australia late 2017, is an industry wide initiative to deliver a new infrastructure for Australia's low value payments and provide Australian businesses and consumers with a fast, versatile, data-rich payments system for making their everyday payments.

SUPERCHOICE

A CASE STUDY

SuperChoice is a Superannuation and Pensions e-Commerce company. It is the leading provider to employers of cloud-based superannuation management and clearinghouse Software-as-a-Service. SuperChoice's software is typically white-labelled by superannuation funds, payroll companies, banks and Australia Post to enable approximately 100,000 employers to enrol their employees and remit contributions to their chosen superannuation fund. This service now processes around 23 million contribution payments for up to 2.5 million employees in Australia and the UK. SuperChoice's e-Commerce platform also offers superannuation funds a Rollover and Contribution

data and payments gateway service enabling them to be SuperStream⁵ compliant. SuperChoice's vision is to completely automate superannuation transaction and information processing by establishing an exchange which will deliver over \$1 billion per annum of industry cost savings and customer service enhancements. As a result of their business growth, SuperChoice needed to evaluate the available payment options for employers and their members. Whilst all payment products were utilised, SuperChoice's primary objective was to increase adoption of electronic payments to reduce costs and errors, and also provide enhanced service to their customers.

CHALLENGES



LOST CHEQUES

As SuperChoice aggregated cheques from a large number of employers to a super fund, lost cheques could impact hundreds or thousands of employers and members. The process of cancelling and re-submitting cheque payments was protracted, costly and painful.



DELAYS

Processing times of funds located across Australia were ambiguous and allocation of funds to accounts was frequently delayed. Employees would often contact their employers during the intervening period questioning whether their superannuation had actually been paid, giving rise to regular service issues.



TRANSPARENCY

With their previous solution, payment history detail was not provided. The absence of this detail created employer and employee anxiety and made subsequent query handling very expensive and time consuming.

SOLUTION



In conjunction with SuperChoice, ANZ designed an industry leading, end-to-end solution which provided a range of electronic payment options including EFT's and Off-System BSB's (Branch Identification Solution).

Aside from the increased efficiencies gained from electronic payment

processing, the solution addressed SuperChoice's requirements for full transparency and traceability over all payments. This also allowed SuperChoice to match payments to specific beneficiaries which in turn assisted them in maintaining stringent audit trails.

⁵ For more information on SuperStream compliance, please visit <https://www.ato.gov.au/Super/SuperStream/>

WE NEEDED TO WORK VERY QUICKLY AND COLLABORATIVELY WITH ANZ TO DELIVER ON THE SIGNIFICANT IMPROVEMENTS TO EMPLOYER EXPERIENCE AND EFFICIENCY THAT WE'D TARGETED.

ANZ DELIVERED ON THIS PARTNERING APPROACH AND DIRECTLY CONTRIBUTED TO SUCCESSFULLY REALISING THE BENEFITS WE'D SET OUT TO ACHIEVE.

STUART KORCHINSKI
CEO AND DIRECTOR, SUPERCHOICE



WORKING WITH ANZ

ANZ understands that companies may use cheques due to the limited options to attach additional payment reference and invoice data, or simply because cheques have been a tried and tested payment method. Resources involved in the day to day production and distribution of cheques could be better utilised across your business to focus on value added activities. This could drive revenue to your bottom line, providing efficiencies and cost savings to your business.

ANZ can work with you to devise a strategy to reduce your reliance on cheques and help you understand the mix of payment types used by your business.

This will further identify opportunities to improve your cash flow. ANZ can then seamlessly migrate you and your clients to any identified alternate electronic payments.

For more information on how we can assist, please contact your ANZ representative.

Important Information

This Opinion Piece is distributed in Australia by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ"). Nothing in this Opinion Piece constitutes a recommendation, solicitation or offer by ANZ to you to acquire a product or service, or an offer by ANZ to provide you with other products or services. All information contained in this Opinion Piece is based on information available at the time of publication. While the Opinion Piece has been prepared in good faith, no representation, warranty, assurance or undertaking is or will be made, and no responsibility or liability is or will be accepted by ANZ in relation to the accuracy or completeness of this Opinion Piece or the use of information contained in this Opinion Piece. ANZ does not provide any financial, investment, legal or taxation advice in connection with any product or service. ANZ recommends you read the terms and conditions which are available from your ANZ Manager and obtain independent professional advice before deciding whether to acquire or hold any product or service. The products and services described in this Opinion Piece may not be available in all countries. This Opinion Piece may not be reproduced, distributed or published by any recipient for any purpose.

All opinions and estimates in this Opinion Piece reflect the author's judgement on the date of this Opinion Piece (unless otherwise specified) and are subject to change without notice. You should seek independent financial, legal, tax and other relevant advice and should independently verify the accuracy of the information contained in this Opinion Piece.

© Australia and New Zealand Banking Group Limited ABN 11 005 357 522

