

Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600



22 June 2018

To whom it may concern

Australian Payments Network (AusPayNet) welcomes the opportunity to respond to the Treasury consultation paper, *Introducing an Economy-Wide Cash Payment Limit*.

AusPayNet has previously made a submission to the Black Economy Taskforce (BETF) in August 2017 and participated in discussions with the BETF during the formulation of the report. We have therefore focused this submission to three specific questions raised in the consultation paper.

Question 3: Are there specific types of business-to-business transactions that the \$10,000 cash limit shouldn't apply to?

In our August 2017 submission, AusPayNet noted that several of the draft recommendations and policy ideas may have implications for cash distribution between financial institutions. Through the Australian Cash Distribution and Exchange System (ACDES), AusPayNet manages the exchange and distribution of bulk cash between the four banks that supply cash to the community. The ACDES rules cover:¹

...the buying, selling and packaging of notes and coins, audit requirements and cash movements. The major banks own and manage their own cash reserves and make cash available to the rest of the community. Together, and working closely with the Reserve Bank of Australia (RBA) and the Royal Australian Mint, they supply the notes and coins needed for Australia's daily economic activity.

We note that the consultation paper states that the proposed measure will not apply to financial institutions:²

There will be no impediment on the ability of individuals, businesses or other entities to deposit large amounts of cash with their bank or to deposit cash in paying off loans with a financial institution cash deposits in financial institutions.

We fully support this exemption. To avoid misinterpretation, we suggest this should be clarified to apply to all cash transactions undertaken by a financial institution, not only deposits by individuals and banks. In particular, as noted above, cash trading between financial institutions (which is necessary to ensure the distribution of cash throughout the economy) would be significantly impaired by the imposition of a \$10,000 limit. This is consistent with the view expressed in the BETF Final Report, which stated that 'it would be undesirable for a limit to interfere with the distribution of cash and foreign exchange processes'.³

¹ AusPayNet, *Cash*, <https://www.auspaynet.com.au/network/cash>

² Treasury Consultation Paper, *Introducing an Economy-Wide Cash Payment Limit*, p7

³ BETF, *Final Report*, p56

Question 5: Do affected entities anticipate any increases in transaction costs (both cash and electronic banking) resulting from the cash limit?

The consultation paper suggests that transactions in excess of the proposed limit ‘would need to be made using the electronic payment system or by cheque’.⁴ If the proposed cash limit results in an increase in cheque usage, then this may result in a broad increase in transaction costs across the economy.

Whilst some electronic transactions may result in fees on both the payer and payee for initiating/receiving electronic transactions, cheques are costlier, less efficient, more fraud-prone and significantly more time-consuming than digital alternatives. Merchants and financial institutions face higher resource costs, while consumers face higher time costs. A 2014 paper by the RBA found that the average direct resource cost per cheque payment was slightly over \$5.00, significantly higher than other options such as eftpos, BPay and direct debit (all of which were under 60c).⁵ An increase in cheque usage would raise transaction costs for merchants and individuals, as well as financial institutions, and make it more time consuming for merchants to handle. We therefore suggest that any final recommendation be amended so that transactions in excess of the proposed limit should ‘be made using an electronic payment system’ and not by cheque.

Finally, the consultation paper cites international examples of cash limits. This includes France, which imposes reporting requirements for cash withdrawals and deposits that exceed EUR10,000 over the course of a single month and Italy, where banks are required to report any transactions in excess of EUR1,000. As the consultation paper notes, there may be legitimate reasons for cash transactions of that value. While the consultation paper does not explicitly propose amendments to the current reporting framework, it is important that, if any changes are proposed at a later date, these measures should be subject to a separate consultation.

Question 15: Are there examples of current large cash payments made by people living in remote areas or senior citizens that cannot easily be made through electronic payment systems?

The last decade has seen a strong and continuing trend towards digital payments, alongside the decline in both cash and cheques as a payment method. This trend has been led by Australian consumers, and businesses have embraced new technology. The move towards digital payments was highlighted by the BETF in its March 2017 interim report.⁶ Additionally, all Australian residents who receive payments from Medicare or Centrelink require regular access to their bank accounts – including older Australians and Australians living in remote areas.

The payments industry, through the Australian Payments Council (APC) has progressed wide-ranging research into the changing payments mix. This includes discussions with consumers, stakeholders, industry and consumer groups, to understand their payment habits, and their views on the changing payments mix. AusPayNet’s June 2018 *Digital Economy Report*⁷ highlighted ABS research that indicated that internet usage amongst older Australians had increased from 51% in 2015 to 55% in 2017. Likewise, smartphone ownership amongst Australians aged over 65 increased from 77% in 2016 to 82% in 2017. Research by Roy Morgan in

⁴ Treasury Consultation Paper, *Introducing an Economy-Wide Cash Payment Limit*, p4-6

⁵ Reserve Bank of Australia, *Research Discussion Paper: The Evolution of Payment Costs in Australia*, p3

⁶ BETF, *Interim Report*, p20

⁷ Australian Payments Network, *The Digital Economy – Milestones Report June 2018*, <https://www.auspaynet.com.au/insights/Digital-Economy/milestones-June-2018> p6

August 2017 identified that the number of Australians using mobile banking had increased by 71.8% in four years.⁸

As the economy and payment options become more digital, it is appropriate to ensure that all Australians continue to have access to appropriate payment methods. Both industry and Government have a role to play in facilitating this transition. The proposed cash payment limit provides another opportunity for Government to work with industry to help ensure that all Australians have the confidence and skills to transition to digital payments. There are a range of digital payment options available, including BPay, direct entry, cards and the NPP.

The payments community would welcome the opportunity to participate in this important educational work.

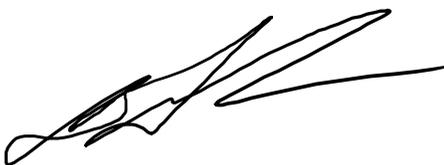
In AusPayNet's November 2017 submission to the consultation paper, *The Digital Economy: Opening up the Conversation*, we stated that we would welcome further collaboration with the Government to ensure that all Australians are comfortable with using digital payments. This includes in areas such as:

- **Education and Accessibility.** Older Australians who are confident in using the internet are more likely to use digital payments. AusPayNet believes that online payment safety should be included in digital education programs, such as *Be Connected*.⁹
- **Closing the Digital Divide.** The *Australian Digital Inclusion Index*¹⁰ measures Australia's digital divide. The Index paints an overall reasonably positive view of digital inclusion in Australia but notes that more could be done. In particular, older Australians, Australians in rural and regional areas, and Australians on lower incomes have lower levels of digital inclusion. Urban and rural communities need connectivity speeds that meet the needs of emerging technologies and digital payments systems.
- **Ensuring Payment Neutrality in Legislation.** Australian governments should identify and remove any legislative requirements for payment by cheque.

By ensuring that all Australians have the appropriate skillsets and confidence to transition to digital payments, we will ensure the ongoing accessibility and efficiency of the Australian payment system and ensure that all Australians are able to access payment methods that meet their needs.

AusPayNet would be happy to engage further on any of the issues raised in this submission, or more broadly on the role of cash in the Australian economy. Please do not hesitate to contact us if you have any further questions.

Yours sincerely



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⁸ Roy Morgan, *Nearly three and a half million increase in mobile bank users since 2013*, <http://www.roymorgan.com/findings/7311-mobile-banking-channels-june-2017-201708211041>

⁹ Be Connected, www.beconnected.esafety.gov.au

¹⁰ Australian Digital Inclusion Index, www.digitalinclusionindex.org.au