

MEMBER COMMUNIQUE

Issued May 2020 – Updated June 2020

MANDATORY USE OF CHEQUES – CORPORATE ACTIONS

Executive Summary

The mandated use of cheques (to the exclusion of electronic payment alternatives) creates inefficiency and risk for institutional investors and their administration service partners (including custodians and registries). Risks and time delays have been amplified by COVID-19 related impacts to the operating environment.

This communique is intended as a general reference and to assist in communicating to clients, listed companies and their corporate advisers on the down-stream implications to investors of mandating the use of cheques to the exclusion of electronic alternatives.

ACSA encourages listed companies to work with their corporate advisers and share registries to offer electronic payment and receipt mechanisms for all corporate event types and avoid the mandated use of cheques.

Note that ACSA is not advocating eliminating¹ cheques for retail and other investors where bank account details may not be readily and/or securely provided, but in all instances providing and encouraging electronic payment alternatives.

Background

On occasion listed companies require the issue or receipt of physical cheques as the only payment option offered (to the exclusion of electronic alternatives) in dealing with corporate events such as the receipt of proceeds from Takeovers or Schemes of Arrangement consideration, payment to participate in Initial Public Offerings or Capital Raisings and other event types.

Although the instance of “cheque only” is relatively uncommon, the requirement to physically bank or issue cheques (with no option to utilise electronic payment alternatives) has adverse impacts to investors and their service providers, including:

- Cheques require a physical presence at mail centres (primary and/or business continuity sites), to support workflow (physical mail handling, categorisation, scanning, archiving), and to physically bank or issue cheques.
- Apart from the inherent inefficiency of paper handling, COVID-19 containment measures have impacted movement for all staff, and high levels of “working from home” meaning there are fewer or no workers available to process paper through the service chain. There are significant logistical and security concerns with redirecting business documents and cheques to employee’s private address.
- Investors may experience inconsistency and delays in delivery due to postal or courier services applying their own COVID-19 measures or other service interruptions.
- Investors may have delayed or no ability to bank cheques and thereby access liquidity, or experience uncertainty on the status of the take-up of offers where receipt of the funds by cheque is a pre-condition.
- Re-work for share registries, custodians and investors in cases where cheques must be cancelled/re-issued.
- Aside from operational impacts, any measures that can be taken to reduce reliance on physical paper (documents and cheques) also reduces the movement of people at multiple points in the supply chain thereby supporting even greater potential for working from home and social distancing.

¹ Greater use of e-commerce is a longer term consideration for the benefit of all investors, but is not for immediate focus while COVID-19 impacts remain a priority.

Action

1. Industry and bilateral discussion will continue between participants (custodians, share registries) to seek out practical operational solutions where necessary.
2. Communicate to listed companies and their advisers on the down-stream implications of mandating the use of cheques to the exclusion of electronic alternatives, and seek cooperation in providing solutions. In support, ACSA has invited dialogue with the ASX and ASIC.
3. ACSA members are asked to flag any future instances of mandated requirements for cheques to the Operations Working Group and Chief Executive Officer.

Update (June 2020)

ASX communication to Issuers in the Listed@ASX Compliance Update June Edition (17 June), Section 6.

[ASX Compliance Update](#)

6. The mandatory use of cheques to the exclusion of electronic payment/receipt mechanisms

In May 2020, the Australian Custodial Services Association (ACSA) highlighted that requiring payments to or from investors to be by way of cheque rather than using electronic payment alternatives can have adverse impacts on investors and their custodians and other service providers and that the inherent risks and time delays associated with a requirement to process and physically bank or issue cheques have been amplified by COVID-19 containment measures. ASX supports ACSA's call for listed entities to work with their advisers and share registries to offer electronic payment and receipt mechanisms for all corporate actions and to avoid the use of cheques wherever reasonably practicable. For further information, please refer to the ACSA member communique on ACSA's website entitled 'Mandatory Use of Cheques – Corporate Actions'.

ASIC public communication in Corporate Finance Update (Issue 1, June 2020). The section 'Electronic options to pay and receive money' contains a link to the 'Mandatory Use of Cheques' news item on the ACSA website.

[ASIC Corporate Finance Update](#)

Electronic options to pay and receive money

In May 2020, the Australian Custodial Service Association (ACSA) warned of the inefficiencies and risks to investors, custodians and registries of the use of cheques to make and receive payments, particularly during the COVID-19 pandemic.

While uncommon, listed companies have been known to mandate the use of cheques only (to the exclusion of electronic payment alternatives) for corporate events, such as the receipt of takeover/scheme of arrangement proceeds or payments for capital raising proceeds.

Because cheques require manual processing and delivery, the challenges of their use are particularly heightened in the current COVID-19 environment.

We support ACSA's position and encourage listed companies to work with their corporate advisers and share registries to offer electronic payment and receipt options for all corporate events.

About the Australian Custodial Services Association (ACSA): The Australian Custodial Services Association (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients and the market. ACSA works with peer associations, governments, regulators and other market participants on a pre-competitive basis to encourage standards, process consistency, market reform and operating efficiency. Established in 1994, ACSA members currently hold assets in excess of \$4 trillion in custody and under administration for Australian institutions.

Important Note: The views expressed in this communique have been prepared by ACSA for the purposes of general information to Members. The comments in this letter do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.