

Treasury Management in Australia

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Australia Overview

Australia is a large, sparsely populated country located in the South Pacific.

The unit of currency is the Australian dollar (AUD). It is divided into 100 cents and commonly referred to as the A, or Aussie dollar. The Australian dollar is freely traded on the foreign exchange market.

The Reserve Bank of Australia (RBA) is the central bank and regulates all financial institutions in the country. Central bank reporting requirements have minimal impact on cash management activity and the regulatory environment is open.

There are four clearing systems in Australia that relate to cash and treasury management.

1. The High-Value Clearing System (HVCS) is a Real Time Gross Settlement System (RTGS) operated by the Australian Payments Clearing Association (APCA) on behalf of the RBA. Instructions are sent through SWIFT and settled irrevocably through participant accounts with the RBA. There is no minimum or maximum transaction size in the HVCS.
2. The Reserve Bank Information and Transfer System (RITS) is a Real Time Delivery Versus Payment settlement system. It was the exclusive high value system prior to the introduction of HVCS and is now used for security settlements along with the FINTRACS system from Austraclear.
3. The Bulk Electronic Clearing System (BECS) is a batch process system functionally similar to an ACH. Also managed by the APCA it is designed for large volumes of small value payments and EDI settlements. Unlike a traditional ACH, the message portion of transactions is transmitted using standard formats through bilateral arrangements between participating banks. Settlement obligations of BECS participants are reported to the RBA on a daily basis and settled on a net multilateral basis on the next day through participant accounts with the RBA. There are two classes of participation in BECS with Tier 1 participants clearing and settling the transactions of Tier 2 participants.
4. The Australian Paper Clearing System (APCS) is used for checks, payment orders, and other paper instruments. Management of the APCS is handled by the APCA. Checks are consolidated by APCS Tier 1A members who sort the checks and clear them through an APCS clearing center or directly with another Tier 1A member. The relatively small number of Tier 1A participants and the efficiency of air and road networks keeps float to a minimum. Checks are given ledger credit on the date of deposit with value provided to customers according to individual bank policy.

A company is considered to be resident in Australia if it is incorporated in Australia, if management and control are exercised in Australia, or if voting power is controlled by Australian residents. Australian corporations are

Weblinks

Background information from the [US CIA](#), the [US State Department](#), and the [US Department of Commerce](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT World Tax](#)

News and policies of the [Reserve Bank of Australia](#)

Association websites of the [Australian Association of Permanent Building Societies](#), [Australian Bankers' Association](#), [Australian Credit Union Network](#), [Australian Payments Clearing Association](#), [Austraclear](#), and the [Finance and Treasury Association](#)

Commercial banking websites of

taxed on their worldwide income. Non resident corporations are subject to tax only on Australian-source income. Non residents corporations who do not operate through a permanent establishment are generally taxed only on Australian-source passive income. The tax rate for resident and non resident corporations is 36% although this varies for non resident companies subject to withholding tax or protected by tax treaties.

Treasury Management

Australia has not typically been considered as an Australasian treasury center in line with Hong Kong, Singapore, and Tokyo. However, closer integration with Asia through APEC participation and greater openness of the financial system are beginning to allow the natural advantages of time zone and language to become more apparent. Domestic cash management in Australia is simplified by developed payment systems and efficient banks and complicated by federal and state imposed taxes that have a significant impact on the practice of treasury management.

Australia taxes account turnover in two ways. Payments by bank customers are taxed by the federal government through the bank account debits tax (B.A.D.). B.A.D. is assessed at a sliding scale on all debits to bank accounts with a maximum of AUD 4.00 on an AUD 10,000 payment. Receipts are taxed by state governments through the financial institutions duty (F.I.D.). F.I.D. is assessed on incoming funds at rates which vary by state with a maximum of AUD 1,200. The state of Queensland does not assess F.I.D. and this accounts for much of the treasury management activity in Brisbane.

All common treasury management techniques are permitted in Australia including leading/lagging, re-invoicing, sweeping, and cash concentration. Multilateral netting is permitted without restriction. Pooling of Australian dollars is permitted as is the pooling of other currencies.

The Australian dollar is not a major trade currency like the US dollar, the Euro, and the Japanese Yen. The resulting need to hedge A dollar payables and receivables has led to an active foreign exchange market which is a major revenue source for foreign and domestic banks.

Multiple AUD accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted.

Accounts

The basic AUD operating account is referred to as a current account and may be held by resident or non-resident corporations. Interest can be paid on current accounts and overdrafts are permitted.

Resident and non-resident corporations may hold accounts in Australia denominated in A dollars, US dollars, and other currencies.

In addition to interest on current accounts other short term investment options include bank term deposits with tenors from seven days to ten years, investment bills, and promissory notes.

Overdrafts are permitted, with the amount and rate determined by each bank. They are a major source of short term financing. In general, bank finance continues to be a major source of funding.

[Commonwealth Bank of Australia](#), [National Australia Bank](#), and [Westpac](#)

Online editions of the [Australian Financial Review](#), [Corporate Risk](#), the [Canberra Times](#), the [Sydney Morning Herald](#), the [Herald Sun](#), and [The Courier Mail](#)

Contact [Global Cash Management Ltd](#)

Payments and Receipts

Checks are the predominant payment instrument but are diminishing in importance relative to BECS (similar to an ACH) which can process debit and credit transactions to and from customer bank accounts. Companies request payment by check because consolidation of several checks into a single deposit minimizes F.I.D. Large payments can be effected on a same day basis through the HVCS.

Lockbox type arrangements are permitted but not always advisable given the F.I.D. Functional alternatives to lockboxes include mail intercepts and national AUD pooling.

Controlled disbursement is not possible because there is no time between check clearing and HVCS cutoffs. This does not present problems to corporate customers who can earn interest on idle funds and pool AUD for efficient liquidity management.

Technology and Marketplace

Australia has a modern telecommunications system including fiber optic cable and digital switches. Bandwidth is reasonably priced and readily available. In addition to an excellent infrastructure, Australia also has a number of value added networks (VANs) that enable efficient domestic electronic commerce.

Australia is a heavily banked country with strong local banks, credit unions, and building societies (similar to a savings and loan). Westpac, Commonwealth Bank, National Australia Bank, and ANZ have substantial branch networks and ANZ has a significant international presence, particularly in India. Australia has been a traditional stronghold for Chase which has good market share in the domestic cash management market. Other international banks including Citibank, Bank of America, Deutsche Bank, HSBC, ABN-AMRO, and Standard Chartered are also present in Australia.

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