

# LandExchange EC News

Electronic Conveyancing

December 2005

## Support for Electronic Conveyancing strengthens



**E**lectronic conveyancing is poised to take Victoria into a new era - one that further strengthens the security and certainty of property transactions and makes the process easier for buyers and sellers no matter where they are.

2006 is shaping up to be an exciting year in the development of electronic conveyancing.

Our ground-breaking work in Victoria will provide a model for a national approach and with the ANZ and CBA joining Westpac, St George and Suncorp in formally committing to next year's pilot, we are well on the way to building and testing the new electronic conveyancing system.

I was pleased to join the Electronic Conveyancing (EC) Project Control Board in July, which has been charged with the task of delivering electronic conveyancing in Victoria and for development of the National Electronic Conveyancing System (NECS).

Electronic conveyancing has the full support of the Victorian Government. Last month, Planning Minister Rob Hulls called on other states and territories to adopt Victoria's online property settlement model to create paperless conveyancing practices across Australia.

In a presentation to the Standing Committee of Attorneys-General in Sydney, Mr Hulls said Victoria had laid the groundwork for a national system, and a pilot of e-conveyancing would begin next year.

We are working hard to ensure the development of electronic conveyancing moves along swiftly. Consultation with the banks is now underway, with the first Financial Institutions Project Workshop held in October and well attended by all four major banks and key regional banks. The next meeting is scheduled for this month.

Another of our key partners, SFE Austraclear, has started developing the Financial Settlement Manager, a main component of the electronic conveyancing system.

One of this year's major achievements was the establishment of the National Electronic Conveyancing Office (NECO), and the appointment of Simon Libbis as Executive Director. Simon has a long association with the EC project, and we are working closely with his office to progress the national e-conveyancing initiative.

As we approach the end of the year, I would like to extend my thanks to you, our stakeholders, for your continued commitment and support.

I look forward to your input in 2006 as we get closer to realising the vision for an electronic conveyancing system in Victoria. My best wishes for a safe and happy festive season.

### **Genevieve Overell**

Chair Electronic Conveyancing Project Control Board  
Deputy Secretary Built Environment  
Department of Sustainability and Environment

# Building an online property settlement system



*SFE Austraclear General Manager Clearing Business Development, Martin Stockley-Smith.*

Providing a secure network for processing property settlements is crucial to the success of electronic conveyancing.

SFE Austraclear is the financial settlement manager for Victoria's new electronic conveyancing system.

Since coming on board in 2004, SFE Austraclear has worked with the Electronic Conveyancing Project team to develop a system that will enable online financial property settlement.

The company's General Manager Clearing Business Development, Martin Stockley-Smith, said improved security and greater transparency were expected to be the key benefits of electronic conveyancing.

He said that as the FSM, SFE Austraclear was the central settlement facilitator between the Land Exchange, Reserve Bank of Australia (RBA) and financial institutions.

"SFE Austraclear receives the financial settlement data related to each Electronic Lodgement File (ELF) marked as ready for settlement. This is sent in batches by the Land Exchange," Martin said.

"After validating each file (including the sender, file contents and associated digital certificates), we repackage it and calculate the aggregate position of each financial institution involved in the batch.

"Once this is complete, we send the financial details of each financial institution's aggregate position to the bank responsible for the ultimate settlement. Simultaneously we send the aggregate position batch of all financial institutions to the RBA for processing through its Information and Transfer System and settlement over the bank's Exchange Settlement Accounts (ESA) in Real Time Gross Settlement (RTGS) funds.

"The bank responsible for the ESA authorises settlement and immediately following confirmation from the RBA that the RTGS batch has settled, SFE Austraclear advises the Land Exchange that final and irrevocable settlement of the ELF's contained in the batch has been achieved and that title transfers can occur.

"At this point or as the RBA confirms the RTGS batch has settled, the banks are able to post the cleared funds across their various customer and internal settlement bank accounts."

Martin said the conveyancing industry could potentially gain enormous benefits from the new system.

"The process improvement opportunities appear to be substantial. The ability to settle property transactions online with electronic data not only provides the option to significantly reduce the settlement period but also reduces the costs involved with document storage and settlement meetings."

SFE Austraclear has almost completed design of the financial settlement system and expects it will be eight months before it is built and ready for testing.

And the biggest challenge so far?

"Ensuring the interface, file specifications and timings meet the diverse and sometimes conflicting needs of the various stakeholders," Martin said.

## EC key milestones

July - November 2005

**July:** new Project Sponsor, Genevieve Overell, announced.

**August:** ANZ formally commits to EC Pilot.

**October:** planning workshop for Stage 1 of the EC Pilot held with banks including Westpac, ANZ, CBA, NAB, Bendigo, Macquarie, Suncorp. EC Financial Institutions Operations Group formed.

**November:** planning workshop for Financial Settlement Manager with SFE Austraclear. Inaugural National Electronic Conveyancing System Steering Committee meeting held. CBA formally commits to EC pilot.

## EC key dates

December 2005 - June 2007

**December 2005:** EC Financial Institutions Operations Group meeting incorporating SFE Austraclear. EC Financial Services Advisory Group meeting. Financial Settlement Manager planning workshop with SFE Austraclear and financial institutions.

**February 2006:** strategy for EC Pilot Stage 1 finalised.

**Second quarter 2006:** planning starts with solicitors and conveyancers for Stage 2 of EC Pilot.

**Third quarter 2006:** EC Pilot Stage 1 begins. Testing of Financial Settlement Manager begins.

**Second quarter 2007:** EC Pilot Stage 2 begins.

# Westpac predicts benefits for banks and customers



*Team leader in Westpac's Operations Transformation division  
Bruce Treloar.*

Greater transparency, efficiency and lower costs are among the benefits Westpac's Bruce Treloar sees for customers when electronic conveyancing is in full swing.

Westpac has been involved with the EC project since 1997.

Bruce is a team leader in the bank's Operations Transformation division and became involved in the project in March 2004.

He has worked extensively with Westpac's mortgage processing and payment areas to understand their current needs and what they require to ensure a smooth transition to the pilot of electronic conveyancing and beyond.

He also works closely with the Bank Working Group (comprising representatives from the major banks and the Australian Bankers' Association) to identify and articulate the issues and requirements of banks in relation to electronic conveyancing.

One of the primary objectives of the group is to ensure the needs of members are clearly conveyed to Land Victoria through a single voice.

Bruce is optimistic about the benefits electronic conveyancing is likely to bring.

"I see the main benefits for the bank being the removal of settlement agent's fees and a more efficient and user-friendly way of dealing with conveyancing transactions," Bruce said.

"Customers will also benefit in a number of ways. Initially they will see a lower cost from electing to deal electronically, as the Land Victoria model has the electronic conveyancing transaction being cheaper than the existing manual process.

"Also the trauma of a delayed settlement will no longer leave vendors with questions about when they will receive their funds. Vendors will not have to wait for cheques to clear because transactions will be posted directly to their accounts overnight.

"In the same manner, purchasers will be able to book their

move into their new home with certainty as soon as the Electronic Lodgement Form (ELF) has been approved for payment. Using the ELF, both parties will be able to see what stage their transaction is at providing a transparency not available with the manual process."

As with any new system, Bruce admits there will be some challenges during the implementation of electronic conveyancing.

"We need to modify our systems to accommodate both electronic conveyancing and the existing manual process," Bruce said.

"Westpac has completed the preliminary steps to prepare for the EC pilot. We have identified the key internal systems that require modification or development to accommodate electronic conveyancing."

"We are also working closely with our third party mortgage-processing partner, EDS Credit Services, to ensure they will be ready to participate in the pilot at the same time as us. We want to develop an automated process to use during the pilot."

Electronic conveyancing is a ground-breaking system that will require Westpac to change some of its day-to-day processes.

"EC will allow the bank to move towards a straight-through processing environment. Transactions in real property will be physically handled only up to the point of entry into the Land Exchange application," Bruce said.

"From there all processing will be performed automatically, significantly reducing the likelihood of delays and errors in processing. This will provide a better customer experience."

Bruce said a national approach to electronic conveyancing was also important. He said a single system would be more efficient.

"Maintenance of a single model will ensure that sufficient financial capital is available to maintain the application as the market and technology evolve," he said.

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