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Modernising Business Registers Program

The Australian Institute of Credit Management (AICM) strongly supports the modernisation of ASIC and ABR records which it sees as fundamental to ensuring fully informed decision making, reducing the prevalence and cost associated with Phoenix activity and other issues such as the black economy.

The AICM's members rely very heavily on public information and registers to assess, monitor and mitigate risks associated with the provision of credit.

The AICM has been a long-time supporter and advocate for the introduction of a Director Identification Number, the AICM's deliberations on this commenced at a time when it was relevant to reflect that there was more identification requirements to hire a Video or DVD than become a director.

While the implementation of Director Identification Number is justified by the disruption it will cause to illegal phoenix operations alone, we emphasise that the benefits it will extend to credit providers are at least equal to this through:

- Better quality credit decisions
- Less errors that impact payment times
- Less errors that affect enforceability of credit arrangements
- Better detection of credit risks
- More credit to be provided through better understanding of group structures

A brief word about the AICM

The AICM's membership is primarily credit professionals working in organisations providing trade credit. These organisations are identified in the PricewaterhouseCoopers (PwC) report released by the Phoenix Taskforce that found the direct impact of illegal phoenix activity to trade creditors is between \$1.16 and \$3.17 billion annually.

The Australian Institute of Credit Management (AICM) is Australia's leading professional member body for credit management professionals across all industries and sectors, and the only credit industry specific Registered Training Organisation in Australia.

The AICM represents, develops and recognises the experience of over 2,500 individual members working in over 1,350 companies including 34 of the ASX 100 and global organisations in all industries and sectors.

Our members are credit professionals in roles relating to consumer and commercial credit including the obtaining or providing credit, collecting debts, financing invoices, enforcement of payment obligations, credit scoring and managing security interests.

More about the AICM is available [here](#)



Australian Institute of
CREDIT MANAGEMENT

We thank you for the opportunity to provide our member's feedback which is contained in the attached appendix.

Yours Faithfully

Nick Pilavidis
Chief Executive Officer
Australian Institute of Credit Management



Modernising Business Registers Program – Appendix

1. The AICM supports the objectives of the program, specifically the following:

1.1. Increase reliability and trust in business registry services.

This is vital to our members as many rely solely on the public information about their customers, therefore any lack of reliability means they are not able to make accurate decisions.

1.2. Increase access to data availability to facilitate greater use and innovation.

Improving the access to information including via integration with software and technology providers is vital for the ability of trade credit to support businesses of all sizes.

1.3. Deliver benefits to government by reducing the long-term costs of business registry services.

We note that an indirect benefit of a modern registry that provides high quality information and aids credit providers to effectively assess manage and mitigate their credit exposures, also enables them to support the growth and restructure of businesses through higher credit limits and better credit terms leading to greater government revenues.

1.4. Provide greater flexibility to respond to policy issues such as the black economy and phoenix activity

With better identification of directors linked to prior companies with insolvencies and adverse information, credit professionals can better identify actual or potential Phoenix operations and take action, such as advising the phoenix taskforce and withholding credit.

1.5. Foster economic activity and mitigate economic losses for businesses by minimising instances of fraud and business misconduct.

We strongly agree that accurate registries will empower businesses to reduce economic losses from fraud and business misconduct as well as the costs associated with incorrect entity identification on invoices and contracts.

2. Comments and feedback to questions in the discussion paper

2.1. What flexibility would you like to see introduced into the relevant legislation?

The ability to add and expand the data collected is strongly supported, the legislation should allow for additional information that aids better quality decisions to be made and is in line with the objectives of this modernisation program.

Additionally, the legislation should prevent the reduction of information collected. The elements of the current registries are valuable to many parties, reduction of these elements should not be possible solely at a registrar's discretion.

While this consultation is not considering additional registers, the AICM would support legislation that provides a framework for additional registers to be created. Of specific interest to our members would be a register of the trustees of trusts and a small business register.

2.2. What modern services should be provided for Australia's business registers?



A modernised registry service should provide automatic links where relevant between the various registers e.g. a standard company search should indicate that there are relevant details held in relation to other registrations such as Australian Credit Licensees.

Services for registered parties to check and update registration details is essential to ensuring the currency of data.

- 2.3. What services should be provided to allow direct connection from business systems to the registers?

The AICM supports all channels being available to business systems and technology providers to ensure these systems support effective assessment and identification of risks. For example, including the ability to check entity details such as company name, ABN and or ACN is likely to reduce invoicing errors that lead to poor payment times and problems in debt collection, especially for small businesses.

- 2.4. What interactions with the Registers should be considered to improve the quality of the registry data?

The registers should be linked with other government sources specifically to validate and update information effectively. For example, linkages to state entities issuing drivers licences could be used to validate director details such as address and date of birth.

As directors update their address details for their drivers licence this could automatically update registry information or at a minimum flag that there is an inconsistency for action by the registrar.

- 2.5. What interactions should be considered to ensure the registry data remains up to date?

See response to question 4.

- 2.6. How do you consider registration, annual review and renewal processes could be improved?

Without a thorough understanding of the current processes we suggest:

- Using other data sources (government and non-government sources) it may be possible to pro-actively identify and deregister inactive entities.
- The renewal process should be used to ensure accuracy of data by focusing on the requirement to maintain up to date records and the benefits of this to the broader community.
- The review process could benefit from identifying potential inaccuracies in registration data by comparison to other data sources and registered parties requested to accept a suggested update or explain the inaccuracy.

- 2.7. How do you consider search functions within the Registers could be improved?

As mentioned earlier, searches on one register should indicate or provide information relevant but held on other registers.

The search function should support users of the register to locate the correct entities when the information to hand is not correct. This is extremely important to credit providers who may not be provided accurate entity information from their customer but also to the many other classes of users of the registrar.

This will require the ability to return results that don't exactly match the search request and provide some information to validate the correct entity has been located such as location details, trading names or legal names of entities

- 2.8. What types of API users (e.g. registrants, intermediaries, data consumers) could the Charging Framework appropriately apply to?

The charging framework should not apply in a way that will result in fees or barriers to updating information especially in a timely manner. Updates should be encouraged, and fees would create barriers.

The incremental cost to data consumers for accessing the registers via third parties should be minimised to ensure the data is used for better decision making of all parties. This includes small and micro businesses who could benefit by their business systems automatically flagging incorrect customer details that may otherwise make invoices and contracts invalid.

We refer to the [ASBFEO Payment times inquiry](#) which highlighted that slow payments is a significant restraint on the success of small business and invoice inaccuracies (such as incorrect names and ABNs) was the number one reason for large companies to cause payment delays.

- 2.9. What fee structures should be considered if the Charging Framework was applied? For example, should data users be charged a "per transaction" fee or an "annual subscription fee".'

As mentioned above encouraging the access of data provides benefits to society of significant proportions, the charging framework should encourage access to data for individuals, small business and big business.

Annual subscription fees may be relevant to provide discounts to regular and heavy users but would restrict access for once off users.

Transaction fees are also a barrier to informed credit decisions for entities of all sizes. As registry information is seen as fundamental and is relatively low value adding to the decision process any transaction fee limits the use of this information.

The AICM does not support the charging for access of registry information and supports the approaches taken in countries such as New Zealand and the United Kingdom.

Considering the registered parties are receiving benefits because of the registration such as a corporate structure or a licence to operate a service or provide a product it is appropriate that these parties bear the burden of any cost recovery of the register.

- 2.10. What access rules should be placed on API users to facilitate innovative use of registry data?

We encourage stringent controls around the validation of API users with requirements for them to maintain high standards of data quality and security.

- 2.11. What level of identity verification should be required to obtain a DIN? Is it appropriate to use a digital identity to verify the identity of the company director? If not digital, what other identity verification means should be used and why?



The ability of individuals to operate businesses with the benefit of a corporate entity provides numerous benefits to these individuals and significant risks to the individuals and businesses that interact with these corporate identities.

The individuals benefiting from the corporate structure are primarily the business owners/shareholders. Directors are in a position of significant trust as they carry the responsibility managing the corporate identity, additionally shareholders benefit from limited liability in the event of insolvency.

On the other side, those interacting with the corporate entity are exposed to significant risks which are directly impacted by the actions of the controllers of the entity, the directors.

Therefore, the ability to accurately and efficiently identify these directors is fundamental to the operation of a modern business environment.

The AICM believes that a high level of identify verification should be required to obtain a DIN. This should include as a minimum an identity verification process in line with obtaining a passport.

Specifically, the verification of identity be conducted via face to face verification with an individual practiced and regulated to perform this process.

As this level of verification is at the opposite end of the spectrum from what exists today it is relevant to note the AICM's experience in registering new directors. The AICM operates under an incorporated entity and has a board of directors, regularly first-time directors are shocked that a more stringent verification process is not required to take on a position with such importance to the organisation and the Australian community in general.

- 2.12. Ensuring that all directors consent to their role as a company director will be an important part of forming a company and maintaining its registration. What is the most appropriate and efficient manner of gaining a director's consent before issuing a DIN?

As a minimum, directors should be required to sign or acknowledge they have read and understood (or had explained) a document detailing the directors duties.

We would further expect a modern service to identify a Director that has previously been bankrupt, a director of a liquidated entity and especially if previously banned from holding a directorship and require them to undertake formal training in the duties of a director either via institutions such as the Australian Institute of Company Directors or an online training module established by the registrar.

Further we recommend the registrar offering an online training module free of charge to all first-time directors and would not oppose this as a requirement as it would lead to better governance behaviours of directors of many organisations from the not for profit and community sectors through to businesses of all sizes.

- 2.13. Should the law allow authorised agents to apply for a DIN on behalf of their client? If so, how does this fit in the consent framework?

No, the director needs to undertake the process personally.

The first time a person takes on a directorship is likely to be the best and potentially only time to instil the importance and duties of this role. The simple fact of requiring them to



personally attend to the verification process will ensure this opportunity is maximised in a way that is in line with the general expectations.

- 2.14. What DIN related data should be made publicly and privately available (that is, only available to regulators)? Does the provision of a DIN remove the need to make director and other company officer address data publicly available? What privacy and security concerns are there around the public availability of the DIN?

The provision of a DIN does not decrease the value of all current information remaining publicly available. The DIN provides a unique identifier for linking directors with their history of directorships and validating the entity of the individuals.

The currently available information remains valuable to the searching party to ensure the director details listed against the company match with the person holding themselves out to be a director e.g. an individual may provide a DIN but without the ability to match other data points fraud and deception attempts will be harder to detect.

As stated above, the benefits and high level of responsibility afforded to directors is significant therefore making basic identification numbers publicly available is justified to minimise the chances of fraud and misuse of the corporate structure.