



# Electronic conveyancing

**Analysis of the benefits of electronic conveyancing to conveyancers and lawyers in NSW**

**February 2018**

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## Inherent Limitations



This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of the NSW Office of Registrar General in the Department of Finance, Innovation and Services (NSW DFSI, ORG) but only to the extent of the sample surveyed, being NSW DFSI, ORG's approved representative sample of stakeholders. Any projection to the stakeholders is subject to the level of bias in the method of sample selection. No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the NSW DFSI, ORG stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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The findings in this report have been formed on the above basis.

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# Introduction

**The eConveyancing platform facilitates the completion, verification and lodgment of settlement documents, as well as the smooth, transparent transfer of funds between parties at settlement.**



## Background

In 2008, the Council of Australian Governments (COAG) agreed to introduce electronic conveyancing (or 'eConveyancing') as one of 27 *Seamless National Economy* deregulation priorities.

As a result of this national approach, the National eConveyancing Development Limited was established in 2010, with all Australian Governments as members, to design and implement a national eConveyancing platform. Currently, there is one electronic platform available, managed by Property Exchange Australia Limited (PEXA).

The necessary legal reforms were passed in NSW Parliament in November 2012, and the first electronic lodgment platform commenced operation in NSW on 8 October 2013.

The eConveyancing platform facilitates the completion, verification and lodgment of settlement documents, as well as the smooth, transparent transfer of funds between parties at settlement. Key features include:

- Online document checks, providing greater certainty in most cases that settlements will occur as scheduled;
- Immediate registration of ownership documents, removing the uncertainty of a process that can often stretch over weeks;
- Electronic release and payment of funds, removing the need for bank cheques;
- Simplified document signature, involving an initial Client Authorisation Form for lawyers and conveyancers to complete all other documents through electronic signature supported by necessary certifications; and
- Digital lodgment of documents, removing delays and reduces the risk of error in delivery.

None of these capabilities replace the need for expert conveyancing and contract advice. However, they do free practitioners from time-consuming administrative tasks and reduce the risks of error.

To date, around 787,000 electronic property transactions have been completed nationally, and around 40 per cent of these were completed in NSW. In December 2017, 30 per cent of possible lodgments in NSW were electronic.



## Timelines for implementation

The NSW Government has announced that by 1 July 2018, all standalone transfers, caveats, mortgages and refinances will need to be lodged electronically, with the mandate covering nearly all dealings from 1 July 2019. This has implications for all lawyers and conveyancers in NSW, as preparations may be required to move to an electronic platform in line with these mandatory timeframes.



## Scope

This report analyses the impact of the digitisation of the components of the conveyancing transaction managed through an electronic platform, including:

- **The processes** required to be undertaken in a paper conveyancing transaction;
- **The processes** required to be undertaken in an electronic conveyancing transaction;
- **Quantification** of the costs and benefits of the respective processes based on consultations with experts and experienced practitioners;
- **Identification of other benefits and costs** that are not able to be quantified.

The delivery has been supported with data on paper and digital conveyancing processes. KPMG has facilitated workshops with government agencies, experienced practitioners and representative bodies to fully understand and conservatively estimate the costs and benefits of eConveyancing.

# Approach

KPMG analysed the paper and digital conveyancing processes to identify and estimate the time and costs associated with each process.



## Our approach:

Analytical questions

1

### Analysis of the paper conveyancing process

- What steps are necessary for an experienced practitioner to complete a standalone, uncomplicated residential title transfer?
- What are the estimated costs and time taken for an experienced practitioner to complete each step?

2

### Analysis of the digital conveyancing process

- What steps are necessary for an experienced practitioner to complete a standalone, uncomplicated residential title transfer?
- What are the estimated costs and time taken for an experienced practitioner to complete each step?

3

### Comparison of paper and digital conveyancing

- What are the primary differences between the paper and digital conveyancing processes?
- What costs and benefits are present in the post exchange digital conveyancing process, when compared with the paper process?



## The evidence we considered:

Our work to answer the analytical questions above has been supported by a number of sources of evidence:

1

**We worked** with the NSW Government to **map the paper and digital conveyancing processes** and estimate the **time and costs** associated with stages of the conveyancing process.

2

We undertook **targeted desktop research**, where appropriate, to help inform our consultations and to incorporate reform experience from other jurisdictions.

3

**We tested** our process map and cost and benefit estimates with **practitioners experienced** with both paper and digital conveyancing processes.

# Limitations

Our work should be considered in the context of the limitations in available evidence and further developments to electronic platforms.



## The analysis focused on the impact on lawyers and conveyancers in the post-exchange phase

- **We** consulted with lawyers and conveyancers from more than 10 different sized firms within the Sydney-metropolitan and suburban area with significant experience in the use of the electronic platform to estimate the time and costs associated with both the paper and digital conveyancing processes.
- **We** considered information provided by agencies and publicly available sources.
- **We have not** tested our findings with the banks, purchasers and vendors involved in the purchase or sale of property.
- **We have not** analysed the time spent on a conveyancing transaction prior to the exchange of a contract, as there is no time saving from this phase as a result of the use of the electronic platform.



## Further development is being undertaken to existing electronic platforms

- **We have** identified and estimated the costs and benefits of using the electronic conveyancing platform that is currently available.
- **We have not** factored in the costs or benefits of proposed developments to existing electronic platforms.
- **We have not** provided any recommendations on changes or enhancements that could be considered to the existing electronic platform.



## The quantification of time is based on consultations and the estimates of experienced practitioners only

- **We have** worked with experts and experienced practitioners to estimate the time and costs associated with both the paper and digital conveyancing processes.
- **We have not** undertaken a detailed time-motion study to accurately quantify the time taken to complete the conveyancing transaction using paper or digital processes.

# Key findings and analysis

**KPMG analysed the paper and digital conveyancing processes to identify and estimate the time and costs associated with each.**

## **The electronic platform is estimated to realise time savings post exchange of at least 60 per cent compared with a standard conveyancing process (post exchange)**

- Through consultations, it was estimated that there would be time savings of around 60 to 70 per cent (3.45 to 4.45 hours) from the use of the electronic platform in post exchange processes.
- Additional time savings were identified for practitioners working in remote areas that were required to travel to attend settlement.
- These efficiencies were primarily identified in administrative tasks such as travel time and time spent coordinating and scheduling meetings with other parties.

## **An electronic platform does not remove the need for expert conveyancing advice to vendors or purchasers**

- The electronic platform provides lawyers and conveyancers with an online tool to assist with the transfer of a property.
- Contract advice and negotiation will still be required by purchasers and vendors during residential transfers.

1

## **The electronic platform reduces the potential risks associated with human error during a conveyancing transaction**

2

- Experienced practitioners estimated that issues arising from human error (such as misplaced or incorrectly signed documents), could add considerable time to conveyancing transactions.
- Consumer research undertaken by PEXA in July 2017 estimated that 24 per cent of all conveyancing transactions in NSW experience an issue during settlement.
- An electronic platform eliminates almost all risks associated with human error. The online platform is able to be easily amended and reviewed by all parties up until the point of settlement.

3

## **In financial terms, the electronic platform has both costs and savings**

4

- The electronic transaction fee for each standard electronic conveyancing transaction on the current available platform is \$110 (including GST).
- Cost savings introduced through the digital process include a reduction in bank cheque fees (an average of 7 cheques per transaction), travel, courier and other administrative costs.

# Key findings and analysis (cont.)

**Our analysis identified significant time savings and reductions in risk from the use of an electronic platform for the relevant components of the conveyancing process.**

An electronic lodgment platform provides a useful tool to assist lawyers and conveyancers undertake a more streamlined conveyancing process.



## Time

Electronic lodgment provides an estimated **time saving** for practitioners following contract exchange of **around 65 to 70 per cent**.

- The platform empowers practitioners to electronically sign documents on behalf of their clients, reducing the need to arrange face-to-face meetings or obtain signatures by post.
- The platform removes the need to process paper documents and cheques, and the need for practitioners to physically travel to the nearest settlement agent at key points in the process, reducing time spent on purely administrative activities.
- The platform provides for digital scheduling of key steps in the post-exchange process, such as settlement dates, avoiding time spent in scheduling.



## Costs

There are both costs and savings associated with the electronic platform.

- There is currently a \$110 transaction fee for each full lodgment transaction on the current electronic platform. This fee covers usage of all elements of the platform, and includes unlimited support, title activity checks, document and funds transfers.
- Use of the electronic platform avoids a number of costs that would otherwise accrue during the settlement process, such as final title searches obtained by a purchaser prior to settlement, drawing and lodging of bank cheques (an average of seven per transaction), searching for caveats on the title and lodging new caveats.
- It is expected that the lodgment fee for use of an electronic platform would generally be passed on to the client as a disburseable cost.



## Certainty

Some of the greatest benefits for practitioners are not quantifiable in terms of money or time, but result in significant enhancement to the business environment and a reduction in business risk.

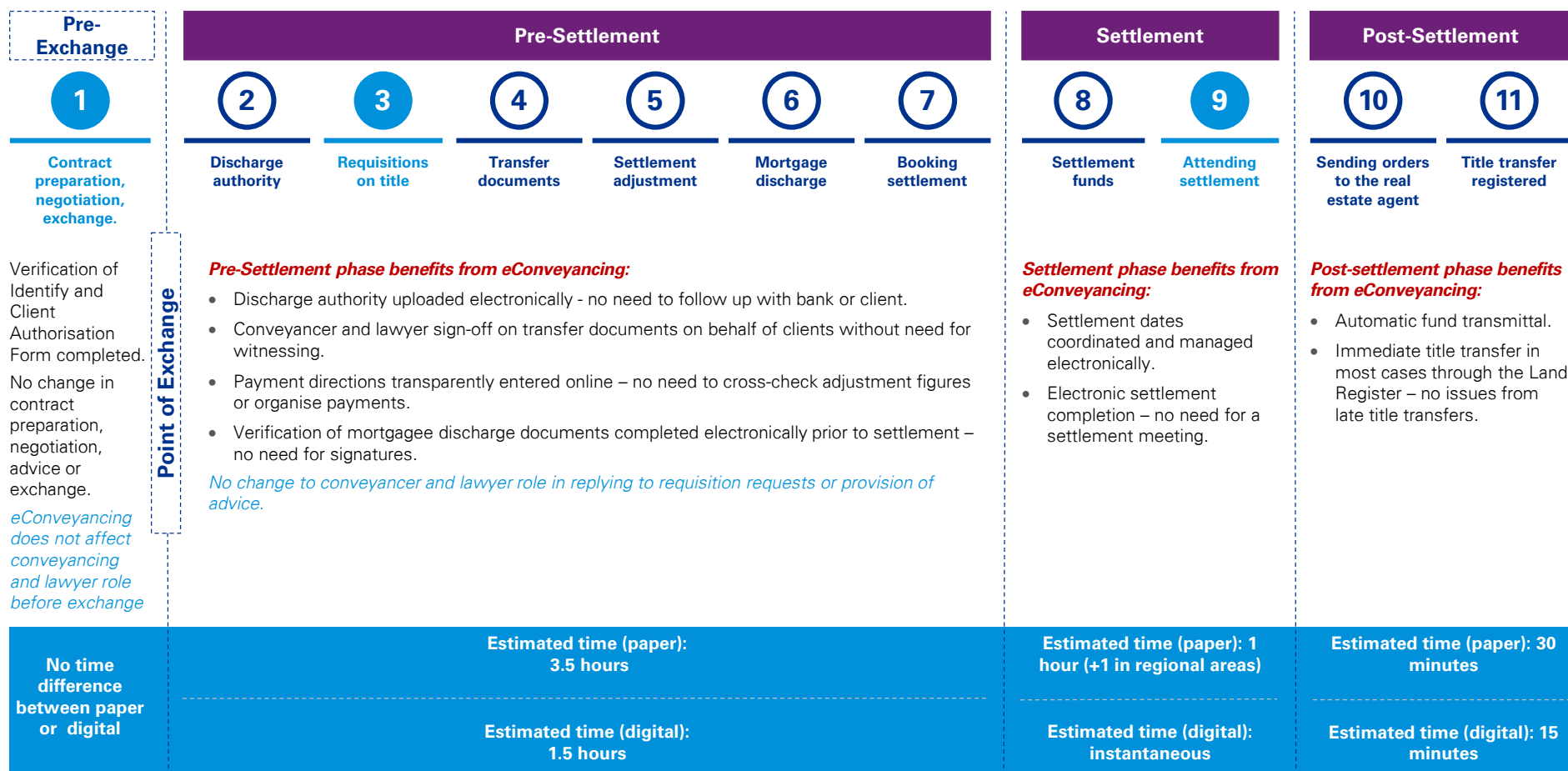
- The platform enhances the productivity of lawyers and conveyancers, making their businesses more viable in an intensely competitive market which has driven down fees.
- The platform reduces the risk of error at key stages in the process, such as errors in the spelling of contract signatories, delivery of cheques or caveats on property title. When realised, these risks can result in significant delays, costs and reputational damage.
- The platform provides greater transparency for all parties, allowing clear communication of expectations and requirements to clients, and greater confidence in the process.
- The platform provides an electronic transfer of cleared funds, resulting in greater business certainty for all parties to the transaction.
- The platform provides the ability to amend disbursement amounts until close to settlement. While the greater flexibility can allow parties to make amendments until late in the process, any delays in the scheduled settlement are automatically rolled over and there is no need to reschedule settlement with a bank or other parties.

# eConveyancing facilitates time savings to lawyers and conveyancers and reduces risk throughout the transaction cycle

## VENDOR'S LAWYER OR CONVEYANCER



**3.25 hours saved post exchange per transaction**  
(around 65 per cent of the time spent post exchange on a standard paper-based transaction)



**Indicates no change in current conveyancing process.** eConveyancing does not affect conveyancing and lawyer role before exchange, in replying to requisition, provision of advice or attending settlement.



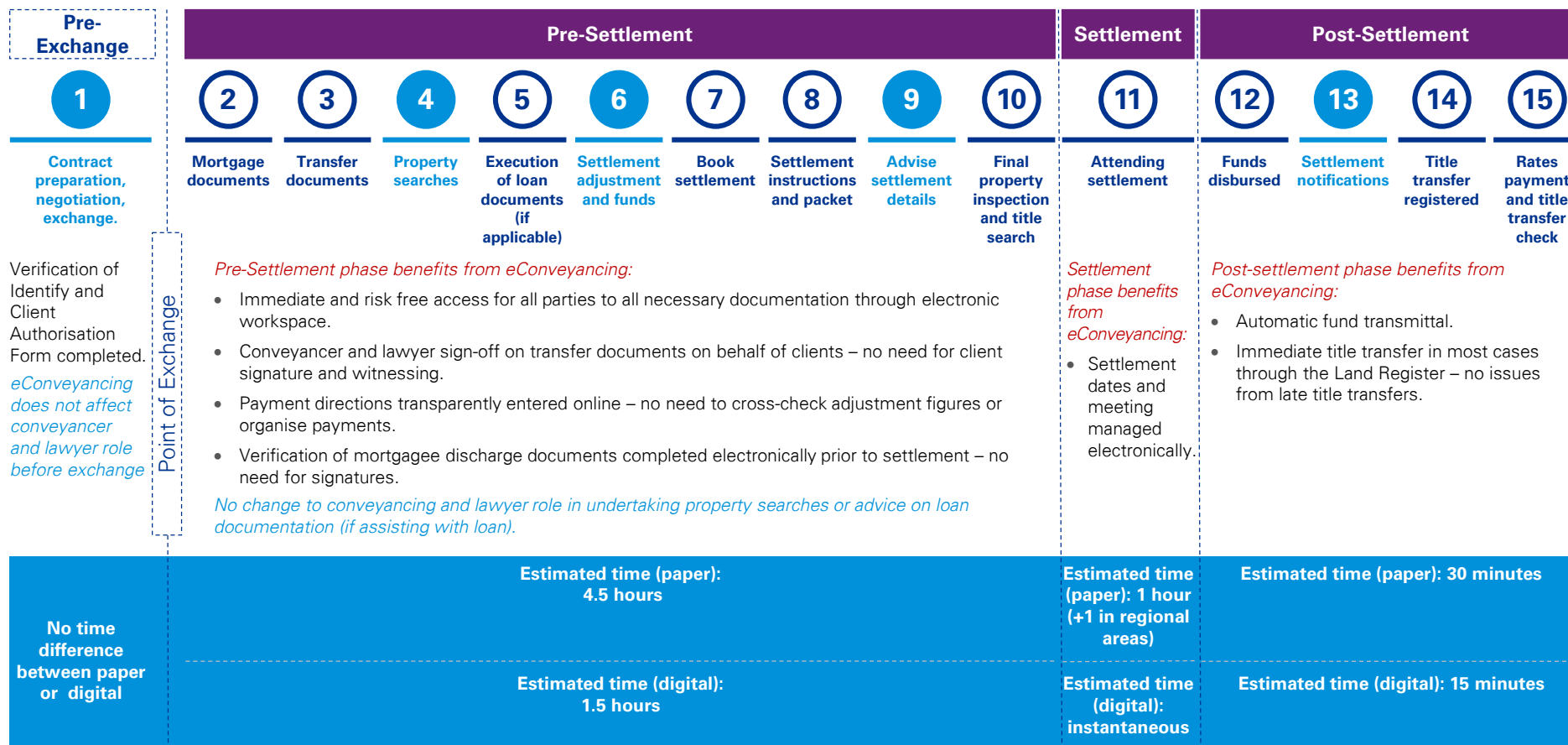


# eConveyancing facilitates time savings to lawyers and conveyancers and reduces risk throughout the transaction cycle

## PURCHASER'S LAWYER OR CONVEYANCER



**4.25 hours saved post exchange per transaction**  
(around 70 per cent of the time spent post exchange on a standard paper-based transaction)



**Indicates no change in current conveyancing process.** eConveyancing does not affect conveyancing and lawyer role before exchange, in replying to requisition, provision of advise or attending settlement.



# Appendix A

## Detailed comparison of paper and digital conveyancing processes

# Table 1: Vendor's Lawyer or Conveyancer (VLC)

Step	Paper	Digital	Change	Paper	Digital
1. Pre-exchange*	Client engages conveyancing services.	Complete Verification of Identity.	Complete Verification of Identity and Client Authorisation Form.	No difference between paper and digital	
	Contract advice, preparation, negotiation and exchange.	Advice and representation on behalf of client. Obtain s.47 land tax certificate and Australian Taxation Office Foreign Resident Capital Gains Withholding Tax clearance certificate.	No Change. Estimate of 1 hour of document handling in a standard residential sale with no complications.		
2. Pre-Settlement	Discharge authority signed by client.	Client completes discharge authority and sends to bank.	Discharge authority can be uploaded to workspace.	Small time saving for VLC as no requirement to follow up with bank or client on discharge.	
	Replies to requisitions on title.	Reply to requisitions from Purchaser's Lawyer or Conveyancer (PLC).	No change.		
	Transfer documents.	Receive transfer document from PLC and check. Send Transfer and witnessing explanation to client for signature.	Client Authorisation Form provides authority for VLC to sign on clients behalf.	3.5 hours	1.5 hours
	Booking Settlement.	Communication with bank to confirm readiness and to book settlement date.	Settlement date and time proposed when workspace created.		
			Time savings in coordination of settlement date – average saving of more than an hour spent on hold with bank.		

Note: \* Pre-exchange includes: taking instructions, conducting verification of identity and establishing right to deal, drafting the contract, including special conditions, advising on tax and other matters, negotiating amendments with the purchaser's or vendor's lawyer, confirming advice in writing to client, incorporating agreed amendments into the contract, attending on client to sign the contract and proceeding to exchange of contracts.

# Table 1: Vendor's Lawyer or Conveyancer *(cont.)*

	Step	Paper	Digital	Change	Paper	Digital
3. Settlement	Settlement funds / Cheque directions.	Cheque directions for payments.	Payment directions input directly into electronic platform.	Greater transparency of directions and ability to review. Settlement directions can be amended at short notice if required.		
	Attend settlement.	Parties (or representatives) to physically attend settlement at discharging bank or VLC's office. Prepare settlement instructions and settlement packet.	Settlement occurs electronically and automatically.	Time savings from not attending settlement. Time savings greater where travel to bank is higher (particularly in regional areas).	1 hour (+1 hour in regional areas)	Instant
4. Post Settlement	Send order to agent.	VLC directs real estate agent to release keys. Commission payment can be drawn as part of financial settlement in electronic platform.		No change.		
	Funds disbursed.	Cheques sent to parties, and banked.	Funds transmitted electronically.	Funds electronically transferred and received immediately by vendor. No bank cheque fees (average of 7 cheques per transaction, or \$70).	30 minutes	15 minutes
	Title transfer registered.	Physical lodgment of title transfer with Land Registry undertaken by bank.	Same day registration of title transfer in most cases with Land Registry through electronic platform.	Immediate title exchange eliminates risks associated with legal ownership and removes common issues such as incorrect receipt by vendor of rates notices.		



# Table 2: Purchaser's Lawyer or Conveyancer (PLC)

	Step	Paper	Digital	Change	Paper	Digital
1. Pre-exchange*	Client engages conveyancing services	Complete Verification of Identity.	Complete Verification of Identity and Client Authorisation Form.	Completion of Client Authorisation Form allows PLC to act on clients behalf throughout transaction and minimises the face-to-face contact required throughout remainder of transaction.	2 hours	2 hours
	Contract advice, preparation, negotiation and exchange	Advice and representation on behalf of client. Conduct searches on title/property (e.g. strata / building reports). Negotiate contract amendments with VLC.		No Change. Estimate of 2 hours total in a standard residential sale with no complications.		
2. Pre-Settlement	Lodge exchanged contract with bank.	Email bank to notify of exchange, with front page of contract and draft Transfer to ensure mortgage documents are prepared in the same name; negotiate with bank.	Bank invited to electronic workspace; front page of contract uploaded.	Minimal time saving but eliminates risk of emails getting lost or not actioned.	4.5 hours	1.5 hours
	Bank prepares loan and mortgage documents; sends to PLC / borrower / broker.	Review bank documents.	Mortgage documents prepared in electronic workspace and practitioner notified on completion.	No time saving, but central repository for documents.		
	Priority notice / caveat registered.	Lodged electronically to reserve priority for a pending transaction. Easier to draft and cheaper than a caveat.		No change.		

Note: \* Pre-exchange includes: taking instructions, conducting verification of identity and establishing right to deal, drafting the contract, including special conditions, advising on tax and other matters, negotiating amendments with the purchaser's or vendor's lawyer, confirming advice in writing to client, incorporating agreed amendments into the contract, attending on client to sign the contract and proceeding to exchange of contracts.

# Table 2: Purchaser's Lawyer or Conveyancer *(cont.)*

	Step	Paper	Digital	Change	Paper	Digital
2. Pre-Settlement (cont.)	Transfer documents	Draft Transfer documents and serve requisitions on title together with Transfer. Transfer to be sent within time period as per contract (14 days). Check Transfer against title search and sign as correct.	Transfer available in electronic workspace. Review Transfer documents against title.	Administration saved from processing of paper Transfers.		
	Searches on property.	Undertake property enquiry searches.		No change.		
	Execution of loan documents and return to bank (if assisting with loan).	PLC checks execution of loan documents and sends to bank.		No change.	4.5 hours	1.5 hours
	Settlement adjustment.	Prepare settlement adjustment sheet and collate rating certificates.		No change.		
	Confirm settlement and available funds.	Correspondence with banks confirming settlement and availability of funds.	Settlement date and time proposed when workspace created. Funds uploaded directly, with funds ready to be made available.	Estimate 30 minutes saving in reduced scheduling with bank and VLC. Reduction in potential human error in checking available funds.		
	Book Settlement.	Scheduling settlement; cheque direction sought from VLC.	Settlement date and time proposed when workspace created. Payment directions uploaded in electronic platform.	30 minutes saved in reduced liaison.	4.5 hours	1.5 hours

# Table 2: Purchaser's Lawyer or Conveyancer *(cont.)*

	Step	Paper	Digital	Change	Paper	Digital
2. Pre-Settlement (cont.)	Reconcile settlement funds.	Liaise with bank to obtain available loan funds for settlement; obtain additional bank cheques for stamp duty, agent commission etc.	Request for shortfall added immediately. Funds availability identified early. All payments processed together.	Greater transparency and certainty regarding settlement amounts.		
	Settlement instruction and settlement packet to settlement agent.	Documents and cheques collated and physically sent to settlement agent.	Documents available in electronic platform.	Up to 30 minutes savings in time associated with sending documents physically. Reduction of potential human error.		
	Advise real estate agent of settlement arrangements.	Conveyancer calls real estate agent to advise of settlement and to make arrangements for final inspection.		No change.	4.5 hours	1.5 hours
	Final inspection.	Purchaser carries out final inspection of property.	Purchaser carries out final inspection of property.	Inspection delays increase the risk of delayed or failed settlements; in an electronic platform, changes to funds and payment destinations are in real-time and late changes can be accommodated with greater likelihood of same-day settlement.		
	Final search.	Separate title search required for each lot before attending settlement.		Title Activity Check performed in workspace an hour before settlement. Lodgment gap insurance cover for the final hour.		

# Table 2: Purchaser's Lawyer or Conveyancer *(cont.)*

	Step	Paper	Digital	Change	Paper	Digital
3. Settlement	Attend settlement.	Parties (or representatives) to physically attend settlement at discharging bank or VLC's office. Prepare settlement instructions and settlement packet.	Settlement occurs electronically and automatically.	Time savings from not attending settlement. Time savings greater where travel to bank or VLC office is higher (particularly in regional areas).	1 hour (+1 hour in regional areas)	2 hours
	Funds disbursed.	Cheques sent to parties, and banked.	Funds transmitted electronically.	Funds electronically transferred and received immediately by vendor. No bank cheque fees (average of 7 cheques per transaction, or \$70).		
	Notify agent that settlement has occurred.	Paper communication required.		No change.		
4. Post settlement	Title transfer registered.	Physical lodgment of title transfer with Land Registry undertaken by bank.	Same day registration of title transfer in most cases with Land Registry through electronic platform.	Immediate title exchange eliminates risks associated with legal ownership and removes common issues such as incorrect receipt by vendor of rates notices.	30 minutes	15 minutes
	Rates and water rates cheques sent.	PLC writes letters and sends settlement cheques to relevant parties.	Completed in workspace at settlement, with automatic payment triggers.	Administrative time and cost savings from reduction in paper handling and bank fees.		
	Post settlement title search.	PLC undertakes post settlement title search to verify title transfer complete.	Confirmation in electronic platform that transaction is complete.	Time saving estimated at 15 minutes.		





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