

Traps in Changing Address and Banking Details

I recently changed my address. A little later, I changed my banking arrangements for taxation reasons. I would like to warn readers who are share investors to be extremely careful if they do either of those things. It is very important to know how the trade works to avoid significant and ongoing problems.

For taxation reasons I needed to change the account into which dividends were paid by direct credit. The logical thing was to simply change the name of the account, but the bank I was with would not do that, even though some of its competitors do allow that action. The convenient time to do that was 30 June, so I closed the account and opened another account in the names I needed it to be in. At the same time, I advised the share registries of each holding I had of the revised account details for direct credit of dividends. I had been quite meticulous about this and thought the problem was fixed. Not so. It turned out to be a nightmare because of the way share registries work.

Although you can instruct your broker to change your address details and tax file numbers, which are then revised in the CHESS database and advised to share registries, there is no provision to also advise direct credit details the same way. That would seem to be easy, cheap and relatively foolproof, because the details would be attached to your HIN and therefore share registries would be updated automatically. But that is not the way it works.

In the mean while, I had sold some shares and bought others. Each time I received a welcome pack from a share registry for a new holding I returned the direct credit instructions for it immediately. Even this turned out to be a nightmare.

I received a dividend direct credit advice sent to my old address and paid into the old account, which by then was closed. I checked and I had some weeks before advised the registry of my new address and direct credit details. On enquiry, I was told that the registry acts on the address and direct credit details that were in their database on the Record Date. I was amazed. Since the Record Date, but well before the payment date I had advised the new address and direct credit details, and had a written confirmation from the registry. Their answer was that they do not take any notice of information supplied after the Record Date. So, although they have new information and know they have it, they ignore it. Clever country we live in, isn't it? In the twenty-first century, it should not be too difficult to use computers to apply the latest information on address and direct credit quite close to the payment date.

Things you need to know:

- The Record Date is set by the company paying the dividend. You can find it in their announcement and on the ASX web site. However, many other lists of dividends do not show the Record Date, only the Ex Dividend Date and the Payment Date.
- The Ex Dividend Date is readily available on lists of upcoming dividends and is four business days before the Record Date, so you can work out the Record Date from that. Watch out for public holidays when the ASX trades – for example the recent Labour Day holiday in NSW.

So, I had to wait weeks while the bank refused to accept the credit to a non-existent account and then the registry sent me a cheque. They will not make the payment using direct credit, even though this information is known to them at this time. They did accept the new address to send the cheque to, but somewhat reluctantly.

Realising this situation would apply to other shareholdings, I then researched the Record Date for every other holding I had and established that no other holding had been bought after a Record Date. There were some new purchases since the Record Date, but they had my new address from the CHESSE database and I had not advised them direct credit instructions. So, my assumption was that they would send me a cheque in the absence of direct credit instructions. That was a stupid assumption.

Some weeks later I received another dividend payment advice that had been sent to my new address (from the CHESSE database), but paid into the old direct credit account. This mystified me because I had not been sent a welcome pack for this shareholding. So I had not given them direct credit instructions for it and assumed they would therefore send me a cheque. A call to the share registrar explained that this was my mistake. I had owned shares, and sold all of them some years earlier. Since they had direct credit details from that previous investment, they did not send me a welcome pack and just used the old details. Again I had to wait weeks while they awaited the bank refusing credit to a non-existing account and then they sent me a cheque.

This last problem was a big one. I have owned shares in hundreds of companies over the years and there are many registries. Also there are name changes and changes of registry, I do not keep records longer than five years after sale, so it was unlikely I could ever fix the problem. I might buy something in two years time that I had forgotten I owned six years ago and the dividend would be credited to the old account.

After discussing this with my broker, the only solution I could see was to start afresh. I opened a new account with the broker and transferred all my holdings to it. I cancelled the old HIN and transferred all holdings to a new HIN. This resulted in an avalanche of paper, but at last I have a clean starting point.

The moral of this story is that if you change your bank account, change your HIN at the same time to remove the problems from legacy details in registries for previous holdings you had sold and finished with years ago.

I asked the registries if I could change my direct credit details globally and they apply it to any legacy records of old holdings. The answer was no. The only solution I can see for this problem is the bleeding obvious: Direct credit details should be part of the CHESSE database, so one instruction to your broker changes everything after that date. It seems that politicians have no interest in passing the appropriate law. Registries also have no motive to change because it would reduce the work they charge for and the interest they earn on failed direct credits and unrepresented cheques. I am not suggesting they do this deliberately, but simply that the failures of the present system work to their advantage.

ASX Purge

No, I am not referring to the dumping of the chief executive and replacement with the chief executive of the ASX takeover target. I am referring to another trick of the trade. One of the innovations of recent years has been the ability to place contingent orders – often loosely referred to as stop-loss orders – in the market. This has been useful for many investors, especially those who travel and wish to leave stop-loss orders in the market to protect their positions while they may be out of touch with the market.

The problem is that if a company pays a dividend or makes some other action like a capital return, split or consolidation, on the day the shares start trading "ex" the corporate action e.g. the ex-dividend date, the ASX purges all buy orders, sell orders and conditional orders like stop-losses from the system. The reason for this is obvious, but the result is that one day you have protection and the next day you are wide open to sharp falls in the price with no stop-loss order in position.

The moral of this one is that you need to have someone monitor your positions for corporate actions while you are travelling and give them authority to re-establish your conditional order, or other order awaiting a movement in price towards it, after adjusting for the corporate action.

The back of the doors in airport toilets have warnings about unprotected sex. Maybe there is a case for a warning about travelling with unprotected investments.

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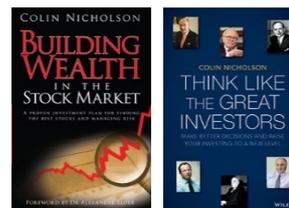
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