



MEDIA RELEASE

8 November 2017

Reforms for mutuals will benefit members and increase competition

Australia's largest credit union, CUA, has welcomed reforms for mutuals announced today by the Federal Treasurer, saying they will benefit members and increase CUA's ability to compete in the marketplace.

Treasurer Scott Morrison has announced that the Federal Government will adopt all 11 recommendations of the inquiry into Reforms for Cooperatives, Mutuals and Member-owned Firms conducted by Greg Hammond OAM.

Mr Hammond's recommendations include legislative and regulatory changes to improve access to capital, inserting the definition of a 'mutual company' into the *Corporations Act 2001* and changing tax laws to help mutual businesses raise capital.

Mr Morrison made the announcement at CUA's Burwood branch in Sydney's inner west today, accompanied by Mr Hammond and representatives from industry bodies the Customer Owned Banking Association (COBA) and Business Council of Cooperatives and Mutuals (BCCM).

"I welcome the Treasurer's announcement and congratulate him on recognising that mutuals and member-owned firms have a key role to play in contributing to competition and offering consumers choices in the financial services sector," CUA Chief Executive Officer Rob Goudswaard said.

"The Government has sent a strong signal to our members that the mutual sector has an important role to play in financial services and that we should be better supported.

"Unlike listed companies, existing regulations do not enable mutuals to easily go out to market to raise Tier 1 capital to fund things like improved member services or to take advantage of potential growth opportunities.

"At present, CUA funds these activities out of retained earnings which forces us to make choices which restrict our options. Today's announcement is a critical step towards giving us more flexibility in funding and enabling us to expand our services or pursue new opportunities - this will enable us to better compete and offer improved benefits to our members."

Mr Goudswaard said potential reforms to the tax laws, for example, could open up opportunities for many mutuals, including CUA, to utilise their franking credits for the first time. This would potentially deliver additional returns to members.

The Hammond Report also contains a number of recommendations for the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). The Treasurer has written to ASIC and APRA encouraging them to support the recommendations.

“CUA looks forward to further consultation on the Hammond recommendations and to working proactively working with the Federal Government, ASIC, APRA and our industry bodies, COBA and BCCM, to implement these important reforms,” Mr Goudswaard said.

“The Treasurer has noted that he is hopeful new legislation could be in place by mid-2018 and I thank him for recognising the need to move quickly on implementing these reforms.”

Mr Goudswaard said examples of areas where CUA may look to invest capital could include:

- Technology upgrades
- Investment in innovation. For instance, collaborating with other mutuals, start-ups or fintechs, similar to our existing collaboration with global banking providers through Pivotus Ventures.
- Growing member services
- Branching out into business banking – currently CUA is primarily a residential mortgage lender
- Acting on inorganic opportunities to build scale or
- Increasing CUA’s geographical reach.

About CUA

CUA is Australia’s largest credit union, offering responsible financial, health and insurance solutions to around 500,000 Australians. As a mutual, we were created by members for members and we care for them through the changes and challenges in their lives. We are working on being available whenever and wherever members need us. Our growth and success enables us to reinvest in our business, deepen our relationships with members and build stronger communities. Visit www.cua.com.au for more information on our initiatives, services and locations.

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