



The Treasury
Langton Crescent
PARKES ACT 2600

Via email: useofbank@treasury.gov.au

Dear Sir or Madam

**REDUCING BARRIERS TO NEW ENTRANTS TO THE BANKING SECTOR -
REMOVING RESTRICTIONS ON THE USE OF THE TERM 'BANK'**

On behalf of the Business Council of Co-operatives and Mutuals, I am pleased to provide this submission on the exposure draft legislation to lower restrictions on the use of the term “bank”.

We have included information about the BCCM and about co-operatives and mutuals as appendices, as well as a list of the member-owned Authorised Deposit-taking Institutions that are members of the BCCM.

Our members include some of Australia’s largest member-owned ADIs.¹ Combined, these financial institutions have an annual turnover of more than \$3 billion and assets of almost \$60 billion. They include Australia’s largest member-owned bank – Heritage Bank – and Australia’s largest member-owned ADI – CUA. Two of the members, People’s Choice Credit Union and Beyond Bank, are based in Adelaide, South Australia and have a combined membership of around one-third of all residents in that state. The BCCM membership also includes the Customer Owned Banking Association (COBA).

Mutual ADIs are member owned, and profits – or surpluses as they are known – are retained or reinvested to run the business and to provide services that benefit the members.

As mentioned above, our members include ADIs that have sought and been granted APRA permission to use the word “bank”, as well as those that have decided to continue marketing as “credit unions”. The BCCM believes there is merit in both approaches, and we note that our members typically make either decision after consultation with their own customer base.

Generally, our members are supportive of the move to lower the level above which an ADI can request to use the term “bank”; however, we would like to note the following:

¹ The terms “member-owned”, “customer-owned”, and “mutual” are used interchangeably in this submission.

- Our members raised the concern that this policy could be seen to suggest that a “bank” is the higher standard of ADI, and a standard to which credit unions should seek to achieve in all cases.
- The Government should be – and should be seen to be – agnostic about the preference of using the phrase “bank” over “credit union”. This is because, notwithstanding the use of the terminology “bank” and consumer sentiment in relation to this, the prudential standards are the same for all ADIs and therefore credit unions are as prudentially secure a choice for consumers as a bank.

The Senate Economics References Committee (SERC) inquiry into cooperative (sic), mutual and member owned firms (2016) recommended the Commonwealth Government engage in a whole of government co-operative and mutual information programme to inform all relevant stakeholders about the role of co-operatives and mutuals.

The BCCM calls on the Government to implement an education programme to ensure that mutual ADIs are not disadvantaged in the marketplace based on their choice of name.

The BCCM and its members remain supportive of any policy that will improve the competitive environment in Australia’s banking sector.

The BCCM welcomes the opportunity to provide further information or comment on any aspect of this submission at any hearings the Treasury may hold.

Yours faithfully



Melina Morrison
CEO
Business Council of Co-operatives and Mutuals

Appendix A: About the BCCM

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms.²

Appendix B: About Co-operatives and Mutual Enterprises

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy: 8 in 10 Australians are members of at least one CME and annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.³ Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of Australia's GDP. There are 15 million individual members of CMEs in Australia.

The distinguishing feature of all CMEs, regardless of what legal form they use, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose.

The vast majority of CMEs are incorporated and regulated under one of two legislative regimes: the State/Territory-based Co-operatives National Law (the CNL)⁴ or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

Appendix C: BCCM Mutual ADIs Membership⁵

- Bank Australia
- BankVic
- Beyond Bank
- Community First Credit Union
- CUA

²http://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report

³ Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17.

⁴ <http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

⁵ The CNL has been adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

⁵ <http://bccm.coop/our-members/>

- Defence Bank
- Greater Bank
- Heritage Bank
- People's Choice Credit Union
- P&N Bank
- Police Bank
- Qudos Bank
- Regional Australia Bank
- Select Encompass Credit Union
- Teachers Mutual Bank
- Queensland Country Credit Union
- Customer Owned Banking Association (associate member)
- Service One Alliance Bank (associate member)
- Woolworths Employees Credit Union (associate member)