



Mutual Capital Leadership Symposium

First national event about issuing new capital in mutuals

Program

Wednesday June 26, 2019

BUSINESS COUNCIL
OF CO-OPERATIVES
AND MUTUALS



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Welcome

Welcome to the first ever Mutual Capital Leadership Symposium

BCCM is proud to present this event, which marks the beginning of a new era for Australian Co-operatives & Mutuals.

As a result of the success of our work to improve the business environment for our sector, the law for mutual businesses has changed and this event is designed to help you to understand its impact and the opportunities it presents for your firm.

This event will focus on a range of linked issues firms will need to consider:

- Constitutional impact for mutual entities
- Legal status and features of the new capital instrument
- Market investment opportunities (wholesale & retail)
- The potential for groups of firms to issue together
- Ratings, tax and listing implications
- APRA regulations for mutual ADIs
- ASIC regulation of retail issuance

The speakers have been selected as the most relevant experts in their field, and the opportunity to hear from them in one place is not available elsewhere.

I hope that you find today stimulating and informative. BCCM will follow this up over the coming months with further briefing opportunities for co-operative and mutual business leaders.

Melina Morrison
CEO BCCM

Program

Time	Session	Speaker
10.00 am	Welcome	Melina Morrison, CEO, BCCM
10.15 am	Raising capital in mutuals – Australian perspective <p>Greg Hammond conducted a review of this and other policy recommendations for the Government, ultimately leading to this new legislation. Mr Hammond will also speak from his experience working as a leading legal advisor to mutuals over many years, including efforts to raise capital.</p>	Greg Hammond OAM, Independent Facilitator, Hammond Review
10.45 am	Raising capital in mutuals – International perspective <p>Peter Hunt co-ordinated the industry strategy to achieve the legislation. He will give an insight into similar initiatives in other countries, leading to the successful raising of new capital for mutual businesses.</p>	Peter Hunt, Mutuo
11.10 am	Morning Tea	
11.30 am	The Legal Framework - Constitutional and other legal changes related to the Mutual Reforms Act <p>Leading mutual sector lawyers, Tim McEwen and Jo Dodd, will help firms to understand the implications of the Mutual Reforms Act. They will outline the impact the law will have on individual constitutions, and how firms may wish to take advantage of new opportunities.</p>	Tim McEwen, Herbert Smith Freehills Jo Dodd, King & Wood Mallesons
12.15 pm	The Regulatory landscape for financial mutuals - APRA <p>Regulated financial services mutuals will understand the important nexus between legislation and regulation. A senior APRA representative working with mutual banks and credit unions, will outline the key issues that APRA sees raised by the passage of the Mutual Reforms Act.</p>	Pat Brennan, Executive General Manager, Policy and Advice Division, APRA
12.45 pm	Lunch and Networking in Feast Restaurant on Level 1	

Time	Session	Speaker
2.00 pm	<p data-bbox="202 261 770 327">Preparing Mutual Capital Instruments for the wholesale market</p> <p data-bbox="202 331 770 475">CUA's Len Stone, UBS's Barry Sharkey and others will discuss what firms will need to think about when considering the potential for an issuance of mutual capital instruments to the wholesale investment market.</p>	<p data-bbox="773 261 1029 327">Len Stone, Treasurer, CUA</p> <p data-bbox="773 331 1029 397">Barry Sharkey, Managing Director, UBS</p> <p data-bbox="773 402 1029 499">Adam Vise, Group Treasurer, Australian Unity</p> <p data-bbox="773 504 1029 617">Lisa Barrett, Associate Director, Financial Institution Ratings, S & P Global</p> <p data-bbox="773 622 1029 715">Lysa McKenna, CEO, Corporate Markets, Asia Pacific, Link Group</p>
2.45 pm	Afternoon Tea	
3.00 pm	<p data-bbox="202 766 770 831">Preparing Mutual Capital Instruments for the retail market</p> <p data-bbox="202 836 770 949">Heritage Bank's Paul Williams will lead a discussion on the questions involved for firms considering preparations for an issuance of mutual capital instruments to the retail investment market.</p>	<p data-bbox="773 766 1029 831">Paul Williams, CFO, Heritage Bank</p> <p data-bbox="773 836 1029 877">Matt Price, Director, FIG</p> <p data-bbox="773 882 1029 1026">Daniel Yu, Vice President-Senior Analyst, Moody's Financial Institution Group</p> <p data-bbox="773 1031 1029 1096">Geoffrey Yiu, Partner - Tax, KPMG</p> <p data-bbox="773 1101 1029 1254">Michael Cluskey, Executive Director, Investment Banking Division, Goldman Sachs</p>
3.45 pm	<p data-bbox="202 1259 770 1324">The Regulatory environment for Federal Mutuals</p> <p data-bbox="202 1329 770 1422">Now the Corporations Act has been altered, what is ASIC's approach to mutuals? In particular, how does ASIC regulate fundraising to retail investors?</p>	<p data-bbox="773 1259 1029 1380">Claire LaBouchardiere, Senior Executive Leader, Corporations, ASIC</p>
4.15 pm	Closing Remarks	
		Dr John Hewson AM

Melina Morrison, Chief Executive Officer, BCCM

Melina Morrison was appointed the inaugural CEO of the Business Council of Co-operatives and Mutuals (BCCM) in July 2013. The BCCM formed following a national campaign Melina led in 2012, to raise awareness of the contribution of co-operative businesses in the Australian economy.

From 2010-2013 Melina headed the national Steering Committee and Secretariat that oversaw Australia's International Year of Co-operatives (IYC) campaign. She is a founding director of the co-operative businesses advocacy organisation, Social Business Australia, established in 2009 to increase recognition of the added value of member based business in the national economy.

For the last ten years, Melina has headed media campaigns for peak co-op bodies including the International Co-operative Alliance (ICA). Melina wrote and produced the flagship ICA Digest (2006- 2012) and was on the international media team for the ICA in 2012 as the world celebrated the International Year of Co-operatives. Furthermore, she developed the message platform for the ICA's 10-year plan, Blueprint for a Co-operative Decade.

She is also an associate of media firm, Sommerson Communications, which developed the strategy for the global digital case study site www.stories.coop. Melina is a graduate from the University of Tasmania.



BCCM - Improving the business environment for co-operatives & mutuals

BCCM worked with Government and businesses across the mutual sector to help develop new legislation that improves the business environment for federally registered co-operatives and mutuals.

The legislation is a major step forward for Australia, delivering landmark laws for the first positive change to the Corporations Act for mutuals in 18 years. It was conceived by BCCM, to create new and unique 'mutual capital instruments' to help existing mutuals grow and innovate in sectors as varied as banking, agriculture and motoring.

The law also defines a mutual in the Corporations Act for the first time, demonstrating the importance of our sector as part of a diverse economy. This has been achieved whilst adding new safeguards to mutual ownership by ensuring member control remains paramount.

In just a few years, the way mutuals are seen and understood by the government and opposition has been transformed. The Australian sector has shown how a well-executed strategy can deliver real improvements to the business environment for co-operatives and mutuals.

BCCM began work in 2013 to help to prepare the ground for reforms in favour of co-operatives and mutuals in Australia, and the strategy commenced with the publication of a 'policy blueprint,' then helping to establish a formal Senate Inquiry into Co-operatives and Mutuals. These helped to educate our target politicians and identify who would be our champions.

At all points we were keen to stress the centrality of co-operatives and mutuals to the Australian economy and demonstrate how they are a force for fairness and shared prosperity. We worked with global mutual policy experts, Mutuo, to find the most appropriate way to make changes in Australia.

BCCM worked with its member businesses to identify sensible amendments to the Corporations Act to help improve the business environment for mutually owned firms. This work received the support of the bipartisan Senate Economics References Committee in 2016.

Government subsequently ordered a review of the recommendations from the Senate Committee, conducted by Greg Hammond OAM. The Federal Treasurer accepted all of the recommendations of the Hammond Review.

BCCM worked hard to build a true bi-partisan consensus in favour of the reforms. The changes were championed both by members of the Liberal-National Coalition and the opposition Labor Party.

BCCM led the project to work with Treasury to develop the draft legislation that implemented these changes and resulted in the Treasury Laws Amendment (Mutual Reforms) Act 2019, which received Royal Assent on 5 April 2019.

Treasury Laws Amendment (Mutual Reforms) Act 2019

What the new law means for mutuals

There are 4 key components to the amendments in the Act.

- To introduce a definition of a mutual entity into the Corporations Act. The new definition provides that a mutual entity is a company where each member has no more than one vote for each capacity in which the person is a member. The definition also determines which mutual entities are able to raise capital through the issuance of MCIs. Beyond this, the mutual entity definition does not create or alter any other rights for mutuals, including in relation to tax obligations or rights in relation to mutual receipts.

The definition also only applies in relation to mutuals registered under the Corporations Act and does not have any effect on other

entities that may have similar governance arrangements. These entities would still be subject to the existing tax and governance treatment and concessions.

- To remove uncertainty for transferring financial institutions in respect of the demutualisation provisions in Part 5 of Schedule 4 of the Corporations Act.
- To provide for MCIs as a new bespoke capital instrument for mutual entities. MCIs can be issued by eligible mutual entities that are companies limited by shares, companies limited by guarantee and companies limited by shares and guarantee.
- To provide a standard process to allow eligible mutual entities to amend their constitutions to enable them to take advantage of these reforms.

Comparison of key features of new law and current law

New Law	Current Law
A mutual entity is a company registered under the Corporations Act that provides its members with no more than one vote for each capacity in which the person is a member.	No equivalent.
The demutualisation provisions in Part 5 of Schedule 4 of the Corporations Act are triggered if the effect of a change to a mutual entity's constitution is that it no longer meets the definition of a mutual entity.	The demutualisation provisions in Part 5 of Schedule 4 of the Corporations Act are triggered where proposed changes to the constitution or a proposed issue of shares would have one or more specified effects on existing membership rights.
MCIs are a new type of bespoke share for the mutual sector.	No equivalent.
Mutual entities that are companies limited by shares, companies limited by guarantee and companies limited by shares and guarantee can raise equity capital by issuing MCIs.	Mutual entities that are companies limited by shares and companies limited by shares and guarantee can raise capital by issuing shares but mutual entities that are companies limited by guarantee cannot.
For a three-year period, eligible mutual entities can amend their constitutions by following a standardised process to enable mutual entities to take advantage of these reforms.	A mutual entity may only amend its constitution by following the process for amendment set out in its constitution.

MCI: A bespoke capital instrument for the mutual sector

The amendments in the Bill provide for eligible mutual entities to issue MCIs, a bespoke share that has been created for the mutual sector.

The ability to issue MCIs provides mutual entities with access to a broader range of capital raising and investment options without risking their mutual structure or status.

Who can issue MCIs?

Mutual entities that are registered as companies limited by shares or companies limited by shares and guarantee already have the power to issue shares under the existing law. These mutual entities may issue MCIs under this existing power.

Under section 124 of the existing law, companies limited by guarantee do not have power to issue shares. The new law ensures that a mutual entity that is a company limited by guarantee has power to issue an MCI. [Schedule 2, Part 1, item 3, subsection 124(4)]

Requirements to be able to issue MCIs

A mutual entity may issue an MCI provided it meets certain requirements. Some requirements relate to the mutual entity itself, while other requirements attach to the MCI.

The requirements that apply to the mutual entity itself provide that the entity:

- must be a public company;
- must not have voting shares (other than any MCIs) on a prescribed financial market;
- must not be a registered entity within the meaning of the of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act); and
- must have a constitution that states the entity is intended to be a MCI entity for the purposes of the Corporations Act.

An entity is an MCI mutual entity if it meets the above requirements and has issued one or more MCIs.

There are two sets of requirements for issuing an MCI that attach to the share itself. The first set involves a restriction on the mutual entity's ability to vary or cancel class rights and the second set involves further rights and conditions on the share that must be stipulated in the entity's constitution.

If any of the above requirements, including any of the requirements that attach to the mutual entity itself or the share itself, cease to be met, then the share ceases to be an MCI. It will continue to exist and operate as a type of share but will no longer meet the requirements for being an MCI.

Features of an MCI

As a type of share, a MCI is a 'security' for the purposes of the Corporations Act. Accordingly, MCIs are subject to the Corporations Act regulatory regimes that would ordinarily apply to the issuance of a share including fundraising and disclosure requirements.

MCIs are a new type of bespoke share for the mutual sector. While on their face there may be similarities between MCIs and preference shares (such as having non-cumulative dividends and the participation in surplus assets and profits), MCIs are distinctly different to preference shares.

In particular, as noted above, a share must meet certain requirements for it to be issued as an MCI and continue to be an MCI. These requirements involve:

- a restriction on the mutual entity's ability to vary or cancel class rights; and
- further rights and conditions that attach to the share to be stipulated in the mutual entity's constitution.

Treasury Laws Amendment (Mutual Reforms) Act 2019

What the new law means for mutuals

continued

The rights attaching to an MCI can only be varied by a special resolution of the company and either:

- a special resolution of all members holding the same class of MCI; or
- obtaining written consent of 75 per cent of the holders of the class of MCI.

The mutual entity's constitution must provide, in relation to the MCI, that:

- the share may only be issued as a fully paid share; and
- dividends in respect of the share are non-cumulative.

The constitution must also set out the rights attached to the share with respect to participation in surplus assets and profits (which includes any rights of an MCI holder to repayment of the face value ahead of other claims to surplus assets in a winding up).

The requirement to include these rights in the MCI mutual entity's constitution is designed to be similar to the requirement for other companies to stipulate certain rights regarding preference shares in the company's constitution (for example as in subsection 254A(2) of the existing law). This means that an MCI mutual entity can provide broad parameters for the issuance of MCIs in its constitution that are consistent with the legislative requirements and allow the entity's Board to set the specific details of each issuance of an MCI.

The MCI mutual entity may also specify further terms, conditions or rights that attach to the MCI beyond those required above.

To avoid doubt, a mutual entity that issues an MCI is not required to treat the holders of an MCI in the same way that it treats its members who do not hold MCIs.

Consequences of issuing an MCI

As discussed above, once an eligible mutual entity issues an MCI it becomes an MCI mutual entity.

MCI mutual entities that are companies limited by guarantee are able to pay dividends in respect of MCIs.

MCI mutual entities must not pay dividends in respect of an MCI unless the payment of the dividend is fair and reasonable to its members as a whole (as opposed to only its shareholders).

Once a mutual entity becomes an MCI mutual entity, a resolution that would result in the entity ceasing to be an MCI mutual entity does not have any effect unless there are no MCIs in the entity or the resolution provides for all MCIs on issue to be cancelled (before or at the time the entity ceases to be an MCI mutual entity).

This ensures that a mutual entity that issues MCIs is not able to demutualise without first dealing with any MCIs on issue. This could be done by first extinguishing the MCIs on issue or by addressing the MCIs as part of the relevant resolution. Cancelling the MCIs could involve buying them back to extinguish them or providing for them to be cancelled prior to the demutualisation with MCI holders to be given replacement shares following the demutualisation. Cancellation of the MCIs requires approval from the class of holders of the MCIs.

The restriction does not prevent a court from making an order under section 233 of the Corporations Act that would result in the demutualisation of a mutual entity or a mutual entity ceasing to be an MCI mutual entity. It is however anticipated that a court would consider the existence of any MCIs and make appropriate consequential orders to address them.

Modernisation without corporatisation

The mutual sector is very diverse with mutual entities operating in almost every sector of the Australian economy. Mutual entities have historically included strict demutualisation provisions in their constitutions. These provisions were based on historic legislative settings and may prevent some mutual entities from making use of the reforms to be delivered through the amendments in this Bill.

As such, the amendments provide for a special standardised procedure to allow mutual entities to make the necessary amendments to their constitutions to allow them to issue MCIs. These provisions are included in Division 3 of the new 'Part 2B.8 – Mutual capital instruments (MCIs)' which has been created at the end of Chapter 2B of the Corporations Act. The special procedure is available to mutual entities that:

- are public companies;
- do not have voting shares quoted on a prescribed financial market; and
- are not a registered entity within the meaning of the ACNC Act.

The special procedure will allow an eligible mutual entity to amend its constitution to:

- include a statement that it intends to be an MCI mutual entity;
- provide for it to issue MCIs;
- specify the rights and obligations attaching to any MCIs it issues; and
- make other incidental or ancillary changes that are required.

The special procedure allows a mutual entity to amend its constitution to include rights and obligations attached to MCIs that are not specified in new section 167AE to 167AG. For example, a mutual entity's obligations could

include the right to receive dividends and how the amount of dividends to be paid will be determined.

The special procedure cannot result in a change to a mutual entity's constitution that would result in it ceasing to be a mutual entity.

A mutual entity relying on the special procedure must provide notice of the proposed resolutions in accordance with the existing requirements provided for in paragraph 249L(1)(c) of the Corporations Act. The resolution cannot deal with any other matters.

The special procedure provides for mutual entities to make the changes outlined above if the resolution is passed by 75 per cent of the votes cast by members who are present (including via proxy) at the meeting and entitled to vote on the resolution.

The special procedure applies regardless of anything else provided for in a mutual entity's constitution in relation to process or quorum requirements.

The special procedure is only available for a fixed period of 36 months from the time the Bill received Royal Assent. (5 April 2019) Further, a mutual entity can only try to make use of the process a total of three times. The ability to use the process up to three times has been included to provide for circumstances where a mutual entity comes close to but does not get enough votes to make the required constitutional changes.

However, if the 36-month period has expired, a mutual entity may alter its constitution in accordance with the terms of the entity's constitution.

Treasury Laws Amendment (Mutual Reforms) Act 2019

What the new law means for mutuals

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Amendments to Part 5 of Schedule 4 to the Corporations Act

The disclosure provisions under Part 5 of Schedule 4 to the Corporations Act require the disclosure statement to include an estimate of the financial benefits members will be offered if the demutualisation occurs as a result of a constitutional amendment. The provision is amended to always require the estimate to be provided because the new simplified test is based on a mutual entity amending its constitution.

Taxation

The ITAA 1997 is also amended to ensure that the power of a mutual entity to issue MCIs does not disturb the operation of the mutuality principle in the income tax law to the mutual entity's mutual receipts.

In this regard, mutuality is a legal principle based on the proposition that a taxpayer cannot derive income from itself. For income tax purposes, the mutuality principle operates so that any surplus arising from the member contributions and receipts from member dealings are not taxable income if:

- members contribute to a common fund created and controlled by them for a common purpose; and
- those contributing members are essentially the same as those who participate in the fund.

Mutual receipts are those receipts arising out of mutual dealings and do not include income derived from outside sources or income derived from dealings with members which go beyond mutual arrangements and are in the nature of trade.

The issue of MCIs, or the power to issue MCIs, by a mutual entity is not intended to affect the application of the mutuality principle to the entity. Therefore, section 59-35 of the ITAA 1997 is extended to cover amounts of ordinary income derived by a mutual entity that are prevented from being mutual receipts because:

- the entity's constituent document prevents the entity from making any distribution (whether in property, money or otherwise) to its members;
- the entity's constituent document provides for the entity to issue MCIs or to pay dividends in respect of MCIs; or
- the entity has issued one or more MCIs or has paid dividends in respect of one or more MCIs.

Raising capital in mutuals – The Australian perspective

Greg Hammond conducted a review of this and other policy recommendations for the Government, ultimately leading to this new legislation. Mr Hammond will also speak from his experience working as a leading legal advisor to mutuals over many years, including efforts to raise capital.

Greg Hammond OAM

Greg Hammond OAM has extensive legal experience, specialising in all aspects of the governance, supervision and regulation of Australia's finance system. Mr Hammond acts as consultant and advisor to participants in the banking and finance sector and charity and not-for-profit organisations.

Mr Hammond was previously a partner at the law firm King & Wood Mallesons and his current positions include chairman of Anglicare Sydney, director of the Australian College of Theology, G&C Mutual Bank and Opportunity International Australia, and Honorary Fellow with the Applied Finance Centre in the Faculty of Business and Economics at Macquarie University.



Raising capital in mutuals – The International perspective

Peter Hunt co-ordinated the industry strategy to achieve the legislation. He will give an insight into similar initiatives in other countries, leading to the successful raising of new capital for mutual businesses.

Co-operatives and mutuals must be able to play a full part in an economy with diverse corporate ownership, without being at a disadvantage to proprietary firms. A lack of corporate diversity both reduces competitive pressure from the operation of different business models in the same market and adds greater systemic risk to the economy.

This means that appropriate legislative frameworks are required that do not restrict particular types of firm from being able to access the finance capital that they need to facilitate their growth and development.

The way that their capital is raised - through retained earnings, presents particular challenges to their ability to operate as flexibly as their listed competitors.

Co-operatives and mutuals across the world raise additional capital in a variety of different ways. Some types of capital raised in Europe exhibit equity-like features and are available to institutional investors, whilst others are raised directly from members.

In some countries, the growth of co-operatives and mutuals is encouraged by forward-thinking changes to share capital arrangements:

- The UK introduced the concept of Core Capital Deferred Shares (CCDS) for building societies, enabling them to access capital markets without impairing their mutual nature.
- Nationwide Building Society has raised £1 billion of CCDS via the wholesale market, whilst Cambridge Building Society raised £15 million
- In the Netherlands, Rabobank has issued 'members certificates' to members and external investors which qualify as Common Equity Tier 1
 - Currently approximately €8 billion of capital is on issue
- Desjardins in Canada has raised capital through Federation Shares' sold to its members, typically in amounts of \$CA2,000
 - More than C\$4 billion has been raised in this way

Australia should build on this experience as it develops its own market in Mutual Capital Instruments.

Peter Hunt Managing Partner, Mutuo

Peter founded Mutuo in 2001 as the first cross mutual sector body to promote co-operative and mutual business to opinion formers and decision makers. For ten years prior, he was General Secretary of the Co-operative Party (UK).

Co-founder of Supporters Direct, the football supporters' initiative, which has gone on to establish over 100 supporters' trusts at professional football clubs.

He led the Parliamentary teams which piloted five private members bills through the UK Parliament, working with all parties to update co-operative & mutual law.

Advised the UK Coalition Government on its plans to mutualise Post Office Ltd and in 2012 published the report of the Ownership Commission, a two-year study into corporate diversity.

In 2015, published an independent review into public policy affecting mutuals and completed work on the Mutuals Deferred Shares Act, which permits mutual insurers to issue co-operative share capital.

In 2018/19 he led the industry alliance to develop the Australian Treasury Laws Amendments (Mutual Reforms) Act 2019.



Constitutional & other legal changes related to the Mutual Reforms Act

Leading mutual sector lawyers, Tim McEwen and Jo Dodd, will help firms to understand the implications of the Mutual Reforms Act. They will outline the impact the law will have on individual constitutions, and how firms may wish to take advantage of new opportunities.

Are you ready to capitalise?

This article outlines the key steps to issuing mutual capital instruments (MCIs) following the commencement of the Treasury Laws Amendment (Mutual Reforms) Act 2019.

Step 1: Are you a “mutual entity”?

To issue MCIs you must be a “mutual entity” which means:

- you’re a public company registered under the Corporations Act 2001 (Cth);
- your constitution provides that no person has more than one vote at a general meeting (for each capacity in which the person is a member);
- you do not have voting shares (other than MCIs) quoted on a prescribed financial market; and
- you’re not an entity registered under the Australian Charities and Not-for-profits Commission Act 2012 (Cth).

Step 2: Special procedure to amend your constitution – you’ve only got 3 years

You will need to amend your constitution to provide for the issuance of MCIs. The MCIs regime provides for a special procedure for mutual entities to amend their constitutions to issue MCIs without demutualising. Mutual entities have until 6 April 2022 (and no more than three attempts) to amend their constitutions using the special procedure.

Step 3: Retail or wholesale investors?

Once you start considering an issuance of MCIs, the first step will usually be to decide who your prospective investors will be, including whether you will issue MCIs to “wholesale” or “retail” investors, which will impact the documentation and issuance process (as shown in the high-level diagram below). A retail issuance will usually involve a prospectus and due diligence and verification processes, whereas an issuance to wholesale investors, while limiting your investor base, is a simpler and cheaper process.

Step 4: Obtain regulatory approvals, if required

Depending on your circumstances, you may need to obtain regulatory approvals, waivers or rulings, including from APRA, ASIC, ASX or the ATO. For example, many mutual entities which are regulated by APRA will need to obtain APRA’s prior approval ahead of issuance, which usually involves APRA reviewing the proposed terms, draft legal, tax and accounting opinions and the offer documentation to ensure they comply with APRA’s prudential standards. It is best to start the approval process as early as possible to allow time for this review.

Amend your constitution to provide for issuance of MCIs

Retail investors

Prepare terms and prospectus or offer information statement

Wholesale investors

Prepare terms and information memorandum

Obtain any regulatory approvals, waivers or rulings required in your specific circumstances

Prepare marketing materials and investor presentations

Conduct due diligence and verification processes

Obtain any final internal approvals or authorisations required

Prepare underwriting and agency arrangements

Prepare subscription and agency arrangements

Prepare any ASX announcements, disclosures or listing arrangements

Obtain final legal opinions, tax opinions and accounting advice

Issue MCIs

This is not legal advice — because of the potential complexity involved, you should seek specialist advice on the amendments and the special procedure in relation to your own situation. Please see our full alert on the reforms for more information or contact us if you have any questions.

Jo Dodd and **Rhys Casey** are part of Australia's leading regulatory capital team at law firm King & Wood Mallesons and at the forefront of developments in Australia's mutual sector.

Constitutional & other legal changes related to the Mutual Reforms Act

↪ *continued*

Jo Dodd, King Wood Mallesons

Jo is a market-leading capital markets lawyer at the forefront of developments for mutuals, with nearly 20 years' experience in domestic and international markets. Jo's unique set of skills allow her to work across both hybrid and debt capital markets (retail and wholesale) and she is well-known in the market as a responsive, pragmatic and commercial adviser.

Jo has regularly advised mutual entities on capital instruments, constitutional amendments and banking regulation, including industry firsts such as Warwick Credit Union's issuance of Additional Tier 1 Capital notes convertible into mutual equity interests. She was closely involved in preparing submissions on the amendments to the Corporations Act relating to mutual entities and mutual capital instruments.



What type of MCI do you want?

As you consider the amendments to be made to your constitution to allow for the issue of mutual capital instruments (MCIs) you should also be considering what features you want your MCIs to have. In particular with respect to:

- voting – bearing in mind that the constitution must provide that no person has more than one vote at a general meeting for each capacity in which the person is a member:
- will MCIs vote on all the same issues as non-shareholder members or ordinary shareholders if your mutual entity already has ordinary shares on issue?
- will MCI holders have a vote in their capacity as a MCI holder and as a non-shareholder member or ordinary shareholder, if applicable?
- will MCI holders be able to vote on a demutualisation or winding up of the mutual entity?
- distributions – will MCIs have a fixed rate of return, a floating rate of return or a variable return based on profit or some other measure?
- surplus assets – will MCIs be entitled to share in surplus assets of the mutual entity on winding up?

In deciding whether to issue MCIs the Board will need to balance the rights of MCI holders and the rights of the mutual entity's traditional non-shareholder members or ordinary shareholders. Part of this consideration will be whether the terms of the MCIs will be sufficient to attract investors while at the same time being acceptable to traditional members and the mutual ethos of the mutual entity.

The Board will also need to consider whether the constitution will provide broad parameters within which the Board will make the decision about the terms of MCIs or whether the constitution will be more prescriptive.

Tim McEwen Herbert Smith Freehills

Tim is a partner in the Corporate group of Herbert Smith Freehills with particular expertise in equity capital markets, mergers and acquisitions, complex transactions and managed funds matters.

Tim has been involved in the development of the MCI legislation with the Business Council for Co-operatives and Mutuals and Treasury since February 2018 through to the enactment of the legislation.



The Regulatory landscape for financial mutuals - APRA

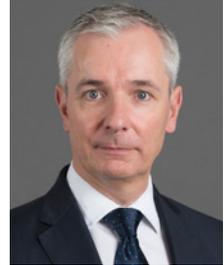
Regulated financial services mutuals will understand the important nexus between legislation and regulation. Pat Brennan, who works with mutual banks and credit unions, will outline the key issues that APRA sees raised by the passage of the Mutual Reforms Act.

Pat Brennan
Executive General Manager, Policy and Advice
Division, APRA

Pat was appointed Executive General Manager, Policy and Advice Division in July 2016, prior to which he was APRA's General Manager of Policy Development. This Division contains five teams – Advice and Approvals, Licensing, Legal, Policy Development, and Resolution and Enforcement.

He joined APRA in 2011 to lead its specialist credit and operational-risk team, and from 2014 led its policy development team. Prior to joining APRA, Patrick spent 25 years working in the banking industry covering a range of financial-markets and treasury roles in Australia, New Zealand and London.

Pat's qualifications include a Master of Applied Finance from Macquarie University. He has also completed the Executive Fellows programme at the Australia and New Zealand School of Government.

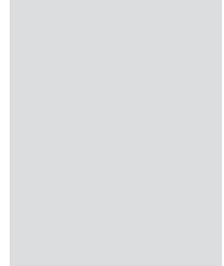


Preparing Mutual Capital Instruments for the wholesale market

CUA's Len Stone will lead a discussion on what firms will need to think about when considering the potential for an issuance of mutual capital instruments to the wholesale investment market.

Len Stone,
CUA

Short Bio



Adam Vise
Group Treasurer, Australian Unity

Adam is Group Treasurer at Australian Unity.

Adam helped develop and implement strategic funding for some of Australia's leading businesses. His experience covers treasury, capital management, structuring and execution across the full spectrum of capital instruments from equity to hybrids and senior debt for both institutional and retail investors. This included leading the re-establishment of the retail bond market in Australia, working with issuers, investors, intermediaries, regulators and the Australian Government.

Adam is a director and chair of the investment committee of the \$5.0bn ANZ Staff Super Fund, as well as director of Birchal, an equity crowdfunding platform.

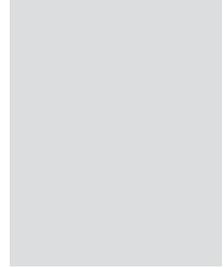


Preparing Mutual Capital Instruments for the wholesale market

↩ *continued*

Barry Sharkey, UBS

Short biography



Lisa Barrett Associate Director, Financial Services Ratings S&P Global

Lisa Barrett is an Associate Director within S&P Global Ratings' Financial Services group. Based in Melbourne, Lisa is a member of the Financial Institutions analytical team, specializing in the analysis and surveillance of major banks, regional banks, mutuals, non-bank financial institutions, clearing houses and exchanges, hedge funds, and cash and bond funds within Australia and New Zealand.

Before her current role, Lisa was a member of S&P Global Ratings Australian-based Infrastructure analytical team. She was responsible for the analysis of airports, utilities, and real estate companies in Australia and New Zealand.

Before joining S&P Global Ratings in 2004, Lisa worked as a credit analyst in the Australian corporate banking sector and as an engineer in the Canadian specialty chemical industry.



Lysa McKenna

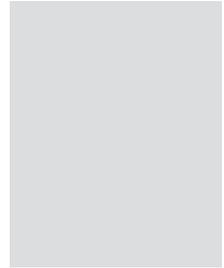
CEO Corporate Markets, Asia Pacific, Link Group

Lysa is Chief Executive Officer, Corporate Markets APAC, Link Group. Lysa's role includes overall responsibility for Link Market Services and Orient Capital. Lysa is responsible for the management, strategy and growth of the business.

Lysa is results focussed and is committed to new product development and business development for Corporate Markets in the APAC region. Lysa joined Link in 2006 bringing with her over 10 years' experience and a wealth of knowledge gained in the Australian financial services.

Lysa has over fifteen years' experience in the field of sales, registry and employee share plan management and has been involved in the design, implementation and management of over 300 employee share plans for clients in Australia and overseas.

Lysa has a Bachelor of Social Science (Political Science and Social Policy) and a Postgraduate Diploma in Business Studies from University College Dublin. Lysa is a Qualified Financial Adviser and attained a Fellowship in Taxation and Pensions from the Life Insurance Association of Ireland. Lysa is a member of the Australian Institute of Management and holds a Professional Diploma in Business Management from AIM. Lysa also holds a Certificate in Governance Practice from the Governance Institute of Australia.



Preparing Mutual Capital Instruments for the retail market

Heritage Bank’s Paul Williams will lead a discussion on the questions involved for firms considering preparations for an issuance of mutual capital instruments to the retail investment market.

Paul Williams
Chief Financial Officer
Heritage Bank

Paul is the Chief Financial Officer of Heritage Bank responsible for accounting, financial analysis and reporting, tax, business intelligence, strategy, project execution, business improvement, capital markets and Treasury activities. He has previously held senior roles in both the Treasury and Strategy Departments at Heritage. He is also currently a Director of the Heritage Bank Charitable Foundation.

Paul has more than 25 years’ experience in the finance and property industries having worked in Australia and South Africa for various banks, global advisory and commercial real estate services firms



Matt Price
Director, Financial Institutions Group,
National Australia Bank

Matt is a Director in NAB’s Financial Institutions Group and manages NAB’s relationship with a number of NAB’s financial customers, including regional and mutual banks. Matt was previously NAB’s Head of Group Capital Management where in this role he was responsible for the capital management planning and strategy for the NAB Group, the Group’s ratings agency relationship and execution of NAB’s hybrid issuances and equity capital markets activity. Matt has been in NAB’s Global Institutional Banking team since 2015 and formerly managed NAB’s Balance Sheet Solutions team, with a focus on providing innovative solutions for our Financial Institution client base.



Daniel Yu, CFA
Vice President – Senior Analyst,
Financial Institutions Group
Moody’s Investors Service

Daniel Yu is a Vice President – Senior Analyst in Moody’s Financial Institution Group, based in Sydney. His primary responsibilities include banks in Australia and New Zealand.

Prior to joining Moody’s in October 2006, Daniel worked as an analyst for the Australian Prudential Regulation Authority, focusing on authorised deposit taking institutions and general insurance entities. He holds a Bachelor of Mathematics and Finance degree from the University of Technology, Sydney. He is also a CFA charterholder and a member of the CFA Society of Sydney.



Geoffrey Yiu
Partner, KPMG

Geoffrey Yiu is a Partner at KPMG with over 19 years of experience providing corporate tax advice. Geoff leads KPMG’s Banking and Finance tax practice and has worked with some of Australia’s largest mutual banks, credit unions and insurance companies. Geoff also has extensive experience advising clubs and associations in the non-FS sector.



Michael Cluskey
Executive Director – Financial Institutions Group,
Australia & New Zealand
Goldman Sachs

Michael is an executive director in the Financial Institutions Group in Australia and New Zealand, specialising in capital, M&A, and corporate finance advisory for financial institution clients including banks, insurers and diversified and specialist financial services companies.

He joined Goldman Sachs in 2012 and before that spent 5 years in the Financial Institutions Group at Macquarie. Prior to that Michael held roles at National Australia Bank, AXA and PwC.

Michael earned a Bachelor of Commerce and a Masters of Accounting from University College Dublin and has also qualified as a chartered accountant.



The Regulatory environment for Federal Mutuals

Now the Corporations Act has been altered, what is ASIC's approach to mutuals? In particular, how does ASIC regulate fundraising to retail investors?

Claire LaBouchardiere Senior Executive Leader – Corporations, ASIC

Claire is the joint leader of the Corporations team at ASIC which is responsible for the regulation of public corporate finance matters, including mergers and acquisitions and equity fundraisings. The team is also responsible for key regulatory activities relating to the corporate governance of listed companies, including ASIC's work on climate change disclosure and governance.

Claire's team was responsible for ASIC Report 593 on climate risk disclosure by Australian listed companies which was released in September 2018.

Prior to joining ASIC, Claire worked as a corporate lawyer at Gilbert +Tobin.



Closing Remarks

Intro text

John Hewson AM Former Leader of the Federal Opposition, Australia

Dr John Hewson AM is a professor and holds a chair at the Tax and Transfer Policy Institute, Crawford School, Australian National University.

He was previously leader of the Liberal party and federal opposition leader. He has had careers in academia, business and the media. He is a long-term campaigner for a substantive response to climate change, with a diversity of business interests.



About our corporate supporters

About Mutuo

Mutuo is the leading global consultancy for mutuals, promoting all types of co-operative & mutual business through:

- Public affairs and political advocacy
- Policy development
- Management consultancy for mutuals

Mutuo/BCCM Consultancy on Mutual Capital Instruments

Mutuo & BCCM have teamed up to provide private consultancy to individual mutuals. We can help firms to understand the implications for the new legislation and what it means for their strategic planning:

- Confidential board briefings
- Senior executive briefings
- Strategic planning implementation
- Member communication consulting

Herbert Smith Freehills

info to come



King & Wood Mallesons

info to come



APRA

info to come



CUA

info to come



UBS

info to come



Australian Unity

info to come



S&P Global Ratings

S&P Global Ratings is the world's leading provider of independent credit ratings. Our ratings are essential to driving growth, providing transparency and helping educate market participants so they can make decisions with confidence. We have more than 1 million credit ratings outstanding on government, corporate, financial sector and structured finance entities and securities. We offer an independent view of the market built on a unique combination of broad perspective and local insight. We provide our opinions and research about relative credit risk; market participants gain independent information to help support the growth of transparent, liquid debt markets worldwide.

S&P Global Ratings is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spglobal.com/ratings.

Link Group

Link Group administers financial ownership data and drives user engagement, analysis and insight through technology. Link successfully listed on the ASX in October 2015.

Link is Australia's leading share registry and financial services provider, managing over 35 million account records, over 1,000 ASX securities and processing more than 70 billion dollars in payments every year. Link has a history in financial services spanning more than half a century with offices across Australia.

We deliver complete solutions for companies, asset owners and trustees across the globe, with clients including some of the world's largest corporates and financial institutions.

Our integrated end-to-end suite of services incorporating core registry, capital markets, analytics, meeting and voting services and multi-channel investor communications as well as various specialist value added functions.

Corporate Markets is part of Link Group and provides a comprehensive offering across global equity markets. Our services connect issuers with their stakeholders, and include shareholder management and analytics, stakeholder engagement, share and unit registry, meeting services, employee share plans and company secretarial services.

Our uniquely integrated range of corporate markets capabilities includes shareholder management and analytics, stakeholder engagement, share

**STANDARD
& POOR'S**



and unit registry, meeting services and employee share plans. We also offer company secretarial support, as well as various specialist offerings such as insolvency solutions. We operate from offices in eleven countries throughout Australasia, Asia, Africa, the Middle East, United Kingdom and Europe.

Our teams combine a wealth of industry experience with a rigorous focus on client management to deliver a premium service underpinned by market leading digital technology provided by our Technology & Innovation division.

Our team specialises in providing meeting services to listed companies, credit unions, clubs and not for profit organisations;

Annual General Meeting Services

- *Returning Officer services;*
- *Assistance with the timeline leading up to the vote;*
- *Validation of Director Nominations. Candidates for Director must submit a written nomination signed by no less than 100 shareholders. Link assesses each name provided on the nomination to ensure the nomination is valid (has been provided by a shareholder);*
- *Notice of Meeting and Proxy form mailing email broadcast;*
- *Proxy processing;*
- *Proxy reporting;*
- *AGM attendance and registration; and*
- *Poll processing and reporting.*

Heritage Bank

info to come



NAB

NAB's Corporate & Institutional Bank is a global business specialising in servicing and managing the relationships with corporate Australia in the public and private sectors. We connect Australian and New Zealand borrowers and investors into Asia, London and New York and international investment back into Australia and New Zealand. We support Australian businesses' funding needs that contribute to economic growth, job creation and a better quality of life for individuals and communities.

National Australia Bank has a long history in supporting the mutual banking sector, in particular assisting the mutual banking sector access capital. This includes providing warehouse financing, arranging and leading secured financings, providing access to the senior unsecured funding markets and also providing access to regulatory capital.

Through NAB's broad network of sub-institutional funding sources, NAB has assisted banks, insurers and listed funds issue capital instruments with strong volume and at attractive levels. This sub-institutional network includes JBWere, NAB's private banking network, a number of aligned financial planning networks and NAB's online broker, nabtrade. NAB has also developed a NAB Portfolio Access Bond Service, allowing certificated investors access to both listed and unlisted bonds.

As a new investment product, yields for Members Equity Interests are expected to interest a number of groups of investors, of which the sub-institutional market is one.

The NAB team is well versed in providing the optimal capital raising solution for our clients. When raising regulatory capital, our team can provide solutions and structuring expertise to ensure that the issuer achieves their specific requirements, be they regulatory capital and ratings requirements, while optimising cost for the issuer.

We have been backing Australian business for more than 150 years. Everything we do supports our Group vision to be Australia and New Zealand's most respected bank.



MOODY'S

Moody's Investors Service is a leading provider of credit ratings, research, and risk analysis. Moody's commitment and expertise contributes to transparent and integrated financial markets, and the firm's ratings and analysis track debt covering approximately 120 sovereign nations, 11,000 corporate issuers, 21,000 public finance issuers, and 72,000 structured finance obligations.

MOODY'S

KPMG

info to come



Goldman Sachs

info to come



ASIC

info to come



Attendees

Name	Title	Organisation
Terry Agnew	Chair	BCCM
Stephen Anthony	Chief Economist	Industry Super Australia
Steve Aspinall	CEO	KEYINVEST
Lisa Barrett	Associate Director, Financial Institution Ratings	S&P Global
Dean Barton	CFO	Defence Bank Limited
Pat Brennan	Executive General Manager, Policy and Advice Division	APRA
Troy Browning	Managing Director	Medical Indemnity Protection Society
James Came	Executive Manager Finance	Poliece Credit Union
Jill Cason	Company Secretary	Queensland Country Credit Union
Michael Cluskey	Executive Director, Investment Banking Division	Goldman Sachs
Stuart Coppock	Director	HCF
Judith Crowe	Director	Bank First
Kym Davis	Head of Group Financial Services	RAA
Darren Dawson	Head of Impact Finance	Bank Australia
Jo Dodd		King Wood Mallesons
Steve Favretto	CFO	KEYINVEST
Terry Flanagan	Head of Finance	Teachers Mutual Bank
Nathan Francis	Company Secretary	HCF
Philip Fulton	CFO	St Lukes Health
Heather Gale	Head of Treasury	People's Choice Credit Union
Ian Gillespie	CEO	RACQ
Jim Glossat	CEO Capricorn Risk	Capricorn Mutual Management Pty Ltd
Bianca Guerrieri	Senior Legal Counsel	Australian Unity
Peter Haller	Treasurer	Heritage Bank
Greg Hammond OAM	Independent Facilitator	Hammond Review
Tracey Harris	COO	EML
Leanne Harris	General Manager	Laboratories Credit Union
John Hewson AM		

Attendees

Name	Title	Organisation
Ashley Hood	Board Director	COBA
Peter Hunt	Founding Partner	Mutuo
Christian Hunter	Managing Director	Travellers Choice
Jose Jalvo	Head of Treasury	Teachers Mutual Bank
Pieter Jordann	CFO RACQ Bank	RACQ Bank
Neil Kenzler	CRO	Teachers Mutual Bank
Claire LaBouchardiere	Senior Executive Leader, Corporations	ASIC
Fiona Laidlaw	Senior Lawyer	ASIC
Luke Lawler	Director Policy	COBA
Mike Lawrence	CEO	COBA
Julie Lee	Company Secretary & Compliance Officer	StateCover Mutual Limited
Kyle Loades	Non Executive Director	CUA
Michael Lonergan	Group Chief Financial officer	RACQ
Stephen Lynch	CFO	YHA Australia
Darryl Macauley	Chief Executive Officer	Family First Credit Union
Darren Mann	Chief Financial Officer	Australian Unity
David Marshall	CEO	Defence Bank
Tim McEwen		Herbert Smith Freehills
Jon McIntosh	Treasurer	Bank Australia
Lysa McKenna	CEO Corporate Markets Asia Pacific	Link Group
Stephanie McMullan	GM Tax and Treasury	NRMA
Robin Miller	Chair of Investment Committee	IFM Investors
Melina Morrison	CEO	BCCM
Mark Nguyen	Policy Adviser	COBA
Louise O'Brien	Chief Financial Officer	Bank Australia
Emma O'Brien	General Manager Commercial & Structured Finance	Australian Unity
Jarrod O'Neill	Chief Financial Officer	Hume Bank Limited

Name	Title	Organisation
Vince Pace	CFO	People's Choice Credit Union
Tara Page	General Counsel & Company Secretary	Royal Automobile Association of South Australia
David Percival	CFO	Bank First
Matt Price	Director	FIG
Andrew Prichard	CFO	G&C Mutual Bank
Martin Rees	Director	St Lukes Health
Harry Robertson	CFO	HCF
Robert Salisbury	Head of External Reporting	Bank Australia
Alessandra Saltos	Solicitor	Greater
Glenn Sargeant	CFO	Teachers Mutual Bank
Barry Sharkey	Managing Director	UBS
Taryn Shearn	General Counsel and Company Secretary	People's Choice Credit Union
Johan Smalberger	Division Executive Manager, Treasury Corporate	RAC WA
Martin Squires	Senior Legal Counsel	HCF
Len Stone	Treasurer	CUA
Dave Taylor	CEO	G&C Mutual Bank
Adam Vise	GM Group Strategy & Group Treasurer	Australian Unity
Brian Vowels	CFO	Capricorn Mutual Ltd
Craig Walden	CEO	APS Benefits Group Ltd
Catriona Wearn	Executive Manager Legal and Governance	RAC WA
Himashini Weeraratne	Partner	Grant Thornton Australia
Lisa Williams	Finance Manager	Mutual Management Services Ltd
Paul Williams	Chief Financial Officer	Heritage Bank
Mark Worthington	CEO	Endeavour Mutual Bank
Geoffrey Yiu	Partner	KPMG
Daniel Yu	Vice President Senior Analyst	Moody's Financial Institution Group



Mutual Capital Leadership Symposium

First national event about issuing new capital in mutuals

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OF CO-OPERATIVES
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