



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

30 December 2008

Ms Diane Lewis
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2602
By Email: Diane.Lewis@treasury.gov.au

Dear Ms Lewis

Abacus submission to the Australian Financial Centre Forum

Abacus – Australian Mutuals is the industry body for credit unions, mutual building societies and friendly societies.

Abacus' 163 member have total assets of \$70 billion. Credit unions and mutual building societies have 4.6 million members and collectively rank equal third, with NAB and ANZ, in their share of the household deposits market, behind CBA and Westpac.

Credit unions and mutual building societies strongly outperform the major banks in customer satisfaction surveys. The ACCC describes credit unions and building societies as "strong competitors on customer service", with a 17 per cent share of transaction accounts in the NSW/ACT market and a 24 per cent share in the SA market.¹

Abacus supports the December 2008 submission from the Finance Industry Council of Australia (FICA) to the Australian Financial Centre Forum.

This submission:

- provides a brief outline of the work of the Credit Union Foundation Australia to promote access to affordable financial services by disadvantaged communities in the Asia Pacific region; and
- lists Abacus' current policy priorities to promote a competitive and innovative retail financial services market in Australia.

Credit Union Foundation Australia

Credit Union Foundation Australia (CUFA) is the development agency for the Australian Credit Union Movement. CUFA has both a domestic and international development focus in its activities.

The Australian Credit Union Movement is part of a worldwide credit union movement aligned under the International Credit Union Operating Principles.

¹ *Statement of Issues – WBC proposed acquisition of St George. ACCC 23 July 2008.*

CUFA's vision is "Credit Unions promoting financial and social well-being in communities" and its mission statement is "Empowering communities through access to affordable financial services." CUFA is engaged in projects in Cambodia, Solomon Islands, Sri Lanka, Timor Leste, Tonga and Tuvalu.

This year CUFA co-hosted the Pacific Credit Union Technical Congress 2008 in Fiji, the first comprehensive meeting of its kind for the Pacific region.

The Congress brought together credit union movements, their leagues, federations and government regulators from developing and developed nations in the Pacific region to share information and learn from each other. Attendees included credit union volunteers and professionals from Australia, Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, the United States and Vanuatu.

CUFA's co-hosts were the Fiji Savings & Credit Union League and the World Council of Credit Unions (WOCCU). CUFA took the lead in arranging the logistics, fund-raising, and registration process in addition to assisting WOCCU with developing the program.

For more information about CUFA, go to www.cufa.com.au.

Promoting competition & choice

Abacus believes that a prerequisite for Australia to maximise its potential as an international financial centre is a highly competitive and innovative domestic financial services market.

Mutual ADIs play a critical role in promoting competition, innovation and choice in retail financial services and this role has become more important with recent takeovers and exits in retail banking and mortgage markets.

The House of Representatives Economics Committee observed in its November 2008 report on competition in retail banking that:

"While there is no doubt that the big four [banks] aggressively compete with the other players in the market, including foreign-owned banks, the credit unions, building societies and the non-banking sector, there is some uncertainty as to whether the big four are actively competing with each other."

Abacus recommends priority should be given to the following policy proposals to promote competition in retail banking:


- Reform the anti-competitive fee structure for the Government guarantee of high value deposits.
 - Mutual ADIs cannot compete effectively against major banks in the market for Government-guaranteed deposits of more than \$1 million because they face a fee of 150 basis points compared to the major bank fee of 70 basis points. The differential fee structure does not reflect the prudential regulatory framework that aims to give equal protection to all deposits held by Authorised Deposit-taking Institutions.

- Minimise the regulatory compliance burden for responsible lenders in the forthcoming new Commonwealth regulatory regime for consumer credit. Smaller market participants always bear a disproportionately heavy regulatory compliance burden due to fixed costs of regulatory compliance.
- Introduce a more comprehensive credit reporting framework to support more efficient and responsible allocation of credit.
- Simplify and rationalise FSR training, conduct and disclosure requirements for simple financial products: deposits, general insurance and consumer credit insurance.
- Enhance the capacity for ADIs and other AML/CTF reporting entities to undertake electronic verification of customer identity, starting with authorisation of the use of credit reporting information for this purpose.

These measures will deliver clear benefits to competition in retail financial services and can be progressed relatively quickly because they have already been subject to considerable examination and deliberation by Government and authorities such as the Australian Law Reform Commission.

Thank you for the opportunity to participate in the AFCF Reference Group. Please don't hesitate to contact me on 02 6232 6666 or at [llawler@abacus.org.au](mailto:l.lawler@abacus.org.au) to discuss any aspect of this submission.

Yours sincerely,



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