

19 June 2017

Mr Greg Hammond OAM
Review Chair
The Treasury
Langton Crescent
PARKES ACT 2600

By email : coopsandmutualreview@treasury.gov.au

Dear Mr Hammond

Reforms for cooperatives, mutuals and member-owned firms

The Australian Bankers' Association (**ABA**) appreciates the opportunity to attend the recent Sydney roundtable on proposed reforms to member-owned firms legislation and regulation.

The ABA recognises the critical importance of cooperatives, mutuals and member-owned firms in the Australian economy and welcomes your appointment to progress meaningful reforms to an important industry sector which contributes around 7 per cent of Australia's GDP.

The ABA is a strong supporter of the recommendations arising from the 2015 Senate Economics References Committee inquiry into cooperatives, mutuals and member-owned firms. Of particular interest to the ABA are recommendations 16 (Capital Raising) and 17 (Amendments to the Corporations Act). The ABA would strongly support the continued progression of these two recommendations as the findings underpinning them highlights impediments to innovation, growth, and competition within the banking industry, barriers which can be removed.

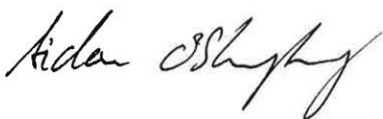
We note that at the Senate Economics Legislation Committee (Estimates) held on Tuesday 30 May 2017, the Australian Prudential Regulation Authority (**APRA**) confirmed that discussions with the mutuals industry on recommendation 16 were well progressed. APRA indicated they expected to be consulting on some form of capital issuance by the mutuals sometime in 2017.

The ABA believes both APRA and Treasury should be supported and properly resourced to prioritise and finalise this complex work that will facilitate more competition in the banking industry. APRA's final policy and process to facilitate capital issuance by the mutuals should be timely and appropriately reflect the lower systemic risk of mutuals. Given the complexity of a capital issuance, APRA may take considerable time to approve a particular transaction for a traditional bank, therefore consideration should be given as to how the Government and APRA can be resourced to work with, and support the mutuals who would be relatively new to the issuance process.

The ultimate success of these reforms would be evidenced by the mutuals conducting capital raisings.

The ABA looks forward to the Government's response to the Senate Economics References Committee report and is willing to assist where possible.

Yours sincerely



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