



Open Banking Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

via email: OBR@treasury.gov.au

29 September 2017

Dear Sir/Madam

Submission on the review into Open Banking in Australia

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to comment on the above-named discussion paper. While we are aware that the deadline for submissions has passed, recent discussions with some of our members have indicated that the BCCM should make a statement on their behalf.

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 ADIs¹. 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).

The BCCM welcomes Treasury's interest in an Open Banking regime, especially where it can lead to improved competition and customer outcomes in Australia's banking sector. We note that both COBA and Cuscal have also provided submissions to this review, and we support their submissions.

Mutual ADIs are member owned – that is, their customers are the owners of the business. Profits – or surpluses as they are known – are retained or reinvested to run the business and to provide services that benefit the member. This member-ownership structure differs from an investor-owned listed bank by removing the tension between customer needs and the requirement to return profits to

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

shareholders through dividend payments. Customer-ownership creates an inherent requirement for mutual ADIs to have a focus on their customers.

Customer-owned ADIs often provide vital banking services in Australia's regional, rural and remote communities, where major banks may have little or no interest in providing services. Customer-owned ADIs also provide specialised banking services to specific sectors of the community – for example, in the case of Defence Bank, families living on military bases.

The BCCM welcomes any proposal which improves the competitive situation in Australia's banking sector and we believe that many of our members will take part in an Open Banking regime.

However, we are equally cautious of any proposal which could serve to entrench the dominant market position of the major banks, especially as an unintended consequence of an attempt to improve competition.

To this end, the BCCM recommends that an Open Banking regime does not force small ADIs to undertake costly compliance regimes that may have a significant impact on their bottom line, and potentially force these institutions to remove products from their market in order to meet these compliance costs.

The BCCM is happy to provide further information or comment on any aspect of this submission, including appearing at any hearings which may be held as part of the consultation.

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 enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, 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 economic and social life: 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 GDP.

The vast majority of CMEs are incorporated and regulated under one of two legislative regimes: either 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.

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.

Appendix C: BCCM Mutual ADIs Membership⁵

- Bank Australia
- BankVic
- Beyond Bank
- Community First Credit Union
- CUA
- Defence Bank
- Greater Bank
- Heritage Bank
- People's Choice Credit Union
- P&N Bank
- Police Bank
- Qudos Bank

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

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

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

⁴ The Co-operatives National Law has been adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

⁵ <http://bccm.coop/our-members/>

- Regional Australia Bank
- Select Encompass
- 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)