



**General Manager, Policy Development**  
Policy and Advice Division  
Australian Prudential Regulation Authority  
Via email: [ADIpolicy@apra.gov.au](mailto:ADIpolicy@apra.gov.au)

8 September 2017

Dear Sir/Madam

**Submission in response to the Common Equity Tier 1 capital instruments for mutually owned ADIs discussion paper**

The Business Council of Co-operatives and Mutuals (BCCM) thanks APRA for the opportunity to make a submission in response to the above discussion paper.

The BCCM supports the submission of our member, the Customer Owned Banking Association (COBA).

We are generally supportive of APRA's proposed changes to the prudential framework to allow credit unions, mutual banks and building societies to directly issue Common Equity Tier 1 instruments. In line with COBA's submission, we believe the limit on the inclusion of MEIs in a mutual ADI's common equity tier one capital base should be removed, or, lifted to at least 35% initially.

We suggest that any changes to the prudential framework should be such that they are consistent with the proposed legislative changes for mutuals (including mutual ADIs) considered recently in the Treasury review of reforms for cooperatives, mutuals and member-owned firms (the Hammond Review).<sup>1</sup>

We have included information about the BCCM and about co-operative and mutual enterprises as appendices to this letter.

The BCCM is happy to provide further information or comment on any aspect of this submission.

Yours faithfully

**Melina Morrison**  
**CEO**  
Business Council of Co-operatives and Mutuals

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<sup>1</sup> <https://treasury.gov.au/review/reforms-for-cooperatives-mutuals-and-member-owned-firms/>

## **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.<sup>2</sup>

## **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.<sup>3</sup> Together with mutual superfunds, it is estimated that the CME sector contributes 7 per cent of GDP.

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)<sup>4</sup> or the Commonwealth Corporations Act. Whether a company under the Corporations Act is a co-operative or mutual will depend on its constitution.

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<sup>2</sup>[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Cooperatives/Report](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Report)

<sup>3</sup> 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>

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