



24 May 2013

Australian Prudential Regulation Authority
Policy, Research and Statistics
GPO Box 9836
Sydney NSW 2001

Attention Mr Neil Grummitt, General Manager, Policy Development

Via email: exemptiondp@apra.gov.au

Dear Sir,

Re: Banking Act Exemptions and Section 66 Guidelines – Discussion Paper

Australian Baptist Ministries welcome the opportunity to provide our comments in response to the above discussion paper which was released on 19th April 2013.

Australian Baptist Ministries, the operating name for the Baptist Union of Australia Inc., represents nearly 1,000 Baptist Churches throughout the country and through affiliated State Baptist Unions. Baptist Financial Services Australia Ltd which is an agency affiliated with Australian Baptist Ministries operates in all states and territories in Australia with the exception of Queensland.

Baptist Financial Services Australia Ltd is a recognised Religious Charitable Development Fund (RCDF).

Australian Baptist Ministries is concerned that the proposals outlined in the Discussion Paper has arisen out of failures in the 'non-prudentially regulated financial sector', with the example of Banksia Securities Ltd being particularly sighted in the paper. To our knowledge in the decades in which Religious Charitable Development Funds have operated there has not been a single failure or collapse of one of these organisations.

Religious Charitable Development Funds operate in a fundamentally different way than Registered Financial Corporations (RFC), such as Banksia Securities Ltd in terms of philosophy, structure and in their customer base.

A decision to invest with an RCDF is not based solely on what would be considered as normal investment criteria such as yield or profit-making, risk profile and asset allocations. These issues are not generally ignored by those who invest in RCDFs but the primary motivation for their investment in RCDFs is to contribute resources to the wider work of God and as a demonstration of their personal faith and commitment to their particular church community. We see no evidence or examples of where RCDFs have failed or are in danger of failing and no evidence to suggest that the current exemption provided to RCDFs is failing to protect church affiliated investors and provide suitable prudential oversight objectives.

Australian Baptist Ministries is concerned that due to the differences in structure between RFCs and RCDFs, to apply a combined approach of prudential measures to RFCs and RCDFs would result in outcomes that are ill-fitting for RCDFs and outcomes that disadvantage church affiliated investors and will ultimately have significant and adverse social and economic consequences for RCDFs and the Church sector in general.

There are a number of issues that are of particular concern to Australian Baptist Ministries regarding the proposals outlined in the Discussion Paper:

- The rationale behind the Discussion Paper appears to link the RCDF exemption and RFC Investor complaints. We see no evidence that links these two issues,
- The proposals appear to have been driven by failures in the RFC sector and proposed solutions to that issue are being imposed on the RCDF sector where there is no evidence of failure of collapse,
- The Discussion paper fails to define what is a 'retail-type product',
- By imposing these proposed 'solutions' on the RCDF sector will have a significant adverse impact on the liquidity of RCDFs, will negatively impact their ability to engage in charitable works and therefore impact those people APRA is seeking to protect,
- The proposal to restrict the use of the terms 'deposit and its derivatives' is unnecessary. We believe there is no evidence to support the notion that's RCDF investors are in any way confused about the nature of the deposit products offered by RCDFs. The mandatory disclosures are clear and prominent in material provided by RCDFs,
- We believe the restriction on the use of BPAY facilities will needlessly disadvantage the RCDF sector. A key group of clients within RCDFs are churches and church affiliated schools, and community groups. An important service RCDFs offer to these groups in particular is the ability to pay accounts 'on-line' in the form of BPAY.

We believe that all RCDFs should be brought within the ASIC financial services regime. Baptist Financial Services Australia Ltd operates in this manner and we believe that the oversight of APRA of such licensed RCDFs has been successful.

We believe that there should be clear separation in the proposals between RFCs and RCDFs given the successful and uneventful history of the RCDFs sector.

We believe there should be no restriction on the ability of RCDFs to provide BPAY facilities to their clients.

Again, we thank APRA for the opportunity of contributing to this discussion and ask that this and other submissions made by those operating RCDFs be taken into account.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'T. Spicer', is written on a light-colored rectangular background.

Trevor Spicer
National Treasurer
Australian Baptist Ministries