

22<sup>nd</sup> May, 2013

Mr N Grummitt  
General Manager, Policy Development  
Policy, Research and Statistics  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

*Email exemptiondp@apra.gov.au*

Dear Neil,

**Re: Review of the Banking Act Exemptions for Religious Charitable Development Funds**

I refer to the media release dated the 19<sup>th</sup> April regarding the above and wish to make the following submissions to assist you with the review process. As part of the following statements I acknowledge that I have closely examined the Discussion Paper and the Guidelines released regarding the Banking Act Exemptions and section 66 guidelines.

1. The original purpose of Religious Charitable Development Funds (RCDF's) is to provide the capability for Church organisations, their affiliated churches and the members who belong to those churches to deposit into a fund, receiving an appropriate (often discounted to market or even 0%) return to assist the ministry of the church organisations or their affiliated churches to obtain loans to expand their ministry opportunities, normally in the construction of new or expanded churches or like charitable or similar infrastructures. The Churches of Christ Deposits Fund, operated by The Churches of Christ Property Trust, a body constituted under the Churches of Christ in New South Wales Incorporation Act 1947, No. 2 is set up and operates for that purpose.
2. The Fund is an extremely small fund. It has a very limited profile with only approximately \$8 million in deposits from less than 100 depositors. Of the funds deposited approximately \$5 million is in 9 accounts of various organisations directly owned or linked to the Churches of Christ in NSW umbrella organisation, \$1 million is from 28 churches who are affiliated with Churches of Christ in NSW and \$2 million is from 59 individual depositors, all of whom are members of the 95 churches affiliated with Churches of Christ in

NSW. There are currently approximately \$7 million in loans to 18 affiliated churches and \$0.3 million in loans to 4 ministers who are employed by affiliated churches.

3. Even though the 95 churches who are affiliated with Churches of Christ in NSW can only own property in the name of The Churches of Christ Property Trust as they are not incorporated entities, they are independent bodies who each have their own constitution and make their own decisions at the local church level. This includes where to invest their surplus monies which would be different for each church based on their own requirements. As can be seen in point 2 above, 28 of the 95 churches in the movement invest with the exempt Deposits Fund, with an average balance of \$41,000. They do so as they believe that the funds will be used to support all affiliated NSW Churches of Christ who require a loan to support their own ministry at the local level. As these churches are not a wholly owned or subsidiary entity, but rather an affiliated entity under the Churches of Christ in New South Wales Incorporation Act 1947, No.2 a concern is raised that these would be classified as retail deposits and would not be an eligible investment should the changes proposed in the Discussion Paper be implemented. This would be of extreme concern to all involved in our church community throughout New South Wales.
4. As stated in point 2 above approximately \$2 million is invested in the Deposits Fund from 59 individuals, with an average balance of \$29,000. Every one of these individuals are members of an affiliated church and have invested in an informed way, being a desire to support the ministry of the Deposits Fund in providing affordable loans to affiliated churches. Although these funds are “at call” the average account has been invested for over 3 years and the activity level on these accounts is very small. The Deposits Fund can only be found on the “members only” part of the Churches of Christ in New South Wales website and the password can only be given to members of affiliated churches. Notwithstanding that, we raise the concern that these deposits may still be included in the definition of “retail deposits” as these investors are related to the Deposits Fund only by the fact that they are members of an affiliated body, being the local church and have no other legal relationship with the Fund.
5. Although acknowledging that a number of RCDF’s provide full transactional services which may include cheque facilities, internet banking, bill paying facilities etc. we request APRA ensure those Funds who apply the principals of why RCDF’s were originally created, being for church members to support the ministry of the church community by providing stable invested funds to provide a pool for loans to grow churches, not be adversely affected by these planned changes.
6. It should be noted that, unlike RFC’s which have resulted in investors losing money when the RFC got into difficulty, there has been no RCDF in NSW which has ever not been able to meet its obligations to its investors.

7. We believe the definition of retail deposit in the discussion paper is too narrow and should be widened to allow deposits from all affiliated bodies and their members. We agree that the advertising restrictions currently in place for exempt funds are appropriate and should be continued.
8. Even though our fund is called the "Deposits Fund" we are not opposed to another word being used to replace the word deposit. Notwithstanding this we need to ensure that the new replacement word does not have any other legal ramifications which restrict the type of investments that can be made and from whom, as addressed in point 7 above.

Having had over 35 years experience in the banking sector, the first 22 years under the NSW State based Building Societies Code, and the last 13 years under APRA and ASIC, I fully support the requirement of depositor protection. In fact, as a previous chairman of a banking sector industry association in a past career, I was a public advocate of a tightening of the oversight and requirements for church funds, now known as RCDF's. I believe that those funds who have remained true to their original ethos, providing a basic deposit product to those actively involved with the organisation that provides the RCDF, are therefore depositing based on their support for what the RCDF provides, being expansion of the ministry associated with the RCDF, and do not require any further protection than the APRA mandated disclaimer currently required to be provided with all material.

Those funds which have diverted from this charter and are operating in a more commercial way, providing the full retail facilities normally offered by a bank, building society or credit union, and are seeking deposits from the wider community should be required to adhere to the normal banking requirements and regulatory framework.

I trust that in reviewing these responses from the Discussion Paper APRA is able to make this differentiation and ensure that the smaller funds still with the narrower focus are not disadvantaged in any way that would make there reason for being, in supporting the growth of the local church community, not cost effective.

Should you require any further information regarding this matter please contact me at your convenience.

Yours faithfully



Wayne Morris  
Secretary

