



20th May 2013

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

Dear Mr Grummitt,

RE : Religious Charitable Development Funds - Banking Exemption Order – The Uniting Church in Australia Property Trust (S.A.)

Thank you for the letter from Mr Littrell dated 19 April 2013, regarding the upcoming changes to the Banking Order Exemption.

The Uniting Church in Australia Property Trust (S.A.) (known as 'The Property Trust' in the Uniting Church in S.A.) is the legal name of the Uniting Church in South Australia, and was enacted by an Act of the South Australian Parliament in 1977. All assets of the Uniting Church in SA are held in this same legal name. These assets include all Church properties (chapels/worship centres and manses), bank accounts and investments.

The Uniting Church's membership in South Australia is greater than 20,000 people. Uniting Church people are passionate about our Church and Ministry, both in local communities and abroad. The banking exemption which has been in place for many years, has allowed many Uniting Church people to invest in Uniting Church ministries by investing in at call and fixed term investments (>3,000 accounts) in a fund within 'The Property Trust' legal entity called 'UC Invest'. UC Invest manages the customer database and invests funds in a diversified investment portfolio and generates surpluses over the interest payments returned to investors. This surplus has been directed to fund Church programs.

We only market to our community, as stipulated by conditions from APRA, and include disclaimers which notify our members of conditions under which we operate, including that we are not prudentially supervised by APRA. Our lending is generally restricted to entities within the church rather than the broader community.

Our members do receive interest in return for investing in our operations, however when recently surveyed for marketing purposes, the majority of our members tell us that they invest with us because it financially benefits the Uniting Church and the work that it undertakes in local and overseas communities.

we seek to be an innovative, growing church proclaiming Jesus Christ, empowered by the Spirit to transform God's world

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The repayment of members and associated entities monies invested in our operations, is our primary priority, as the reputation risk attached by failing to repay funds, would be devastating to our community, and their view of the Uniting Church and its leadership.

UC Invest produce financial statements annually, which are audited, and are available to our members on our website. Financial statements as at 31st December 2012 show UC Invest had assets of \$170.4 million, with liabilities of \$152.9 million (net equity of \$17.5 million).

However included in liabilities are accounts from internal investors (within the "Property Trust") totalling \$30 million (which if using consolidated accounting principles would boost net equity to near \$47.5 million).

The Church does not currently produce a set of audited consolidated financial statements for the 'Property Trust'. However, as at 31st December 2012 a Balance Sheet for 'The Property Trust' would show the following major items:

Assets

Buildings (the insured replacement value of buildings)		\$509 million
Land (currently we do not have a valuation)		
Investments		
Including:		
Listed Australian equities	\$42 million	
Cash held with ADIs	\$ 8 million	
Term deposits with ADIs	\$10 million	
Corporate Notes – ADIs	\$37 million	
Corporate Notes – other APRA reg entities	\$17 million	\$211 million
		Total >\$698 million

Liabilities

Investments from Individuals	\$59 million	
Investments from UC separately Incorp Agencies	\$44 million	
Investments from other entities	\$17 million	
		Total \$154 million

Net Assets \$544 million

The only major liabilities of 'The Property Trust' are investments held from the Uniting Church community, as detailed above.

We believe that the consolidated financial position of "The Property Trust" shows that individuals choosing to invest in the Church, are investing in a conservative organisation which has capacity to ensure that all funds are repaid when due.

The Property Trust has a policy of investing in many liquid assets, which are easily convertible to cash. There are also many investments which have been made in existing APRA regulated

organisations, which assist those organisations meet their needs to finance long term lending arrangements (i.e. assisting to finance home loan assets).

As you will appreciate, the suggested alternatives will have a significant impact on our organisation and investors, and we have not had the opportunity to thoroughly explore the three options mooted in the discussion paper for those RCDFs that wish to offer retail type products. This puts us at a disadvantage in regards to providing input on the discussion paper in such a short time frame.

Of course before being in a position to pursue any of the three options, we would need to analyse the options, including; advantages and disadvantages to our organisation of each, required changes in our operations and asset allocations if required, capital and grant restrictions, and estimated compliance costs.

We note the proven record of APRA in protecting depositors and believe that RCDFs should engage with APRA to achieve both parties' objectives. We also strongly support the rights of people to invest their savings with entities they believe operate in a framework that is consistent with their beliefs and values.

There are a number of initiatives that would continue to allow congregation members to invest with us and allow APRA to supervise with minimal impact on its resources. We would like the opportunity to explore these with APRA and are willing to meet with you or your State Manager. These discussions could explore the unique role of our organisation which provides critical work within the community and the impact that changes may have on that work.

There is an opportunity for a set of regulations, and a new reporting regime which would support a restricted APRA Licence for RCDFs. This would allow RCDFs to continue to take investments from congregation members and related agencies subject to certain conditions. We would support recognition that individuals have priority repayment, have RCDFs agree to specific liquidity and capital adequacy requirements and documents provided to congregation members clearly outline the restricted licence.

We believe that quarterly reporting to APRA detailing the organisations capacity and ability to pay back investments, combined with an APRA audit would seem to be an appropriate regime to strengthen the RCDF environment.

If the banking exemption was to be removed, and not replaced with a suitable alternative it would have a substantial impact on the operations of the Uniting Church in SA. It would lead to a reduction in resources made available to ministry and therefore the community. For example, UC Invest has granted \$1.3 million to the working budget of the Uniting Church SA in 2012, which would lead to a reduction in staff as there is no capacity to replace the income that would be lost.

The Church is also currently working through proposed changes as required by the new ACNC regulations and this also appears to consume the resources of the Church and its capacity to continue to serve its community.

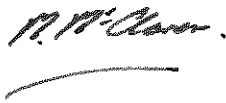
We share a passion for the protection of investors' funds and have made many improvements to governance by recruiting independent expertise, enhancing policies and procedures and increasing support for our investing activities.

Our record in providing a safe haven for investors during the global financial crisis is just one example of our commitment and conservative approach for the benefit of congregation members and related entities.

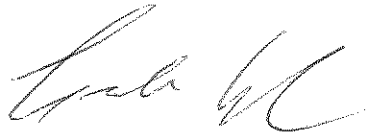
We trust that we are able to work with APRA to find a position that is consistent with our members' desire for security, investing with an organisation compatible with their values and supports our work in the community.

We look forward to engaging with APRA to ensure a workable solution is reached.

Yours faithfully



Michael McClaren
Chairperson
Uniting Church Investment Committee



Graham Humphris
CEO
Uniting Church SA