



The Hon. Scott Morrison MP
Treasurer

MEDIA STATEMENT

Wednesday, 8 November 2017

**BACKING CO-OPS, MUTUALS AND CUSTOMER OWNED BANKS TO INCREASE
COMPETITION**

The Turnbull Government has decided to further increase competition in our banking system by backing all eleven recommendations of the inquiry into Reforms for Cooperatives, Mutuals and Member-owned Firms, conducted by Greg Hammond OAM.

Cooperatives, mutuals and member-owned firms make a significant contribution to GDP in Australia. They represent a real alternative model for delivering important customer and community focused services, especially banking and financial services.

Until now our mutuals and coops have been under appreciated and ignored by our federal laws, placing them at a disadvantage to their much bigger competitors.

In March, I commissioned respected industry adviser, Greg Hammond OAM, to see how we could better support the sector in the important work they do.

The Hammond Review highlighted again that mutuals, coops and member owned firms, are an important part of our economy and could be making an even bigger contribution.

As Treasurer, I want to see more competition and more options for customers, especially in banking and financial services. I want to see more competitive markets by putting customers at the centre.

Mutuals, coops and member owned firms, including customer owned banks, can deliver on these outcomes. These organisations are all about the customer, because they are owned by them.

The Turnbull Government is committed to ensuring the regulatory and legislative settings that govern the sector are up to date.

Unleashing a stronger cooperatives and mutuals sector through implementation of the Hammond Review recommendations will provide Australian consumers with better choices and more cost effective options.

The Hammond Review recommends legislative changes to improve Commonwealth regulated cooperative and mutual enterprises' access to capital and also recommends inserting a definition of 'mutual company' (or other appropriate term) into the Corporations Act 2001 to deliver greater certainty

for mutuals. Additionally, changes to the income tax legislation have been recommended in order to assist mutual enterprises to raise capital. Further consultation will be undertaken with the sector on the detail and implementation of the amendments recommended.

The Hammond Report also contains a number of recommendations for the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

I have written to ASIC and APRA encouraging them to support these recommendations.

The Government's response to the recommendations of the Senate Economics References Committee (Cooperative, mutual and member-owned firms), tabled today, is available at <https://treasury.gov.au/publication/p2017-t235692/>

The Hammond Review is available at <https://treasury.gov.au/publication/p2017-t235882/>

The Government's response to the Hammond Review recommendations is attached.

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**Australian Government response to the Independent Facilitator Review
Report on Reforms for Cooperatives, Mutuals and Member-owned Firms**

Independent Facilitator Review Report Recommendation	Government response
<p>1. Government support (i) the ability of mutually owned ADIs to directly issue CET1 instruments, and (ii) APRA giving priority to the consideration of amendments to its prudential standards to permit them to do so.</p>	<p>Government agrees to this recommendation. APRA released a consultation paper on direct issuance of mutual equity interests on 26 July 2017.</p>
<p>2. Government support (i) the ability of mutual friendly societies and mutual private health insurers to directly issue CET1 instruments, and (ii) APRA considering the amendment of its prudential standards to permit them to do so.</p>	<p>Government agrees to this recommendation. The Government has asked APRA to consider this recommendation.</p>
<p>3. Government encourage APRA to facilitate the issue of capital instruments by prudentially regulated mutuals by (i) assisting industry to develop standard template forms for member equity interests (MEIs), other capital instruments and documentation, and (ii) developing minimum service standards (including an agreed process, framework and timetable) for the timely assessment of capital instruments proposed to be issued, and accountability mechanisms for the service standards.</p>	<p>Government agrees to this recommendation. The Government has asked APRA to consider this recommendation.</p>
<p>4. Government encourage ASIC to facilitate the issue of capital instruments by unlisted transferring financial institutions by developing minimum service standards (including an agreed process, framework and timetable) for the timely consideration of applications for exemption from the demutualisation provisions in the Corporations Act (and under the demutualisation guidelines under the Banking Act), and accountability mechanisms for the service standards.</p>	<p>Government agrees to this recommendation. The Government has asked ASIC to consider this recommendation.</p>
<p>5. Government consider the continued effectiveness of Part 5 of Schedule 4 of the Corporations Act and the demutualisation guidelines implemented under the Banking Act, and the exercise of ASIC's discretions under them, to determine whether any amendments to legislation or regulations are necessary or desirable</p>	<p>Government agrees to this recommendation. Implementation of this recommendation is to be considered with that of Recommendations 8 and 9. Treasury will undertake further consultation with stakeholders to give effect to this recommendation.</p>
<p>6. Government encourage ASIC to have further dialogue with the affected mutually owned ADIs and industry to determine whether the use of an offer information statement with enhanced disclosure would be appropriate for small scale offers of converting capital instruments.</p>	<p>Government agrees to this recommendation. The Government has asked ASIC to consider this recommendation.</p>

Independent Facilitator Review Report Recommendation	Government response
<p>7. Tax regulations be promptly amended to treat Tier 2 Capital instruments convertible into MEIs in the same manner as Tier 2 Capital instruments convertible into ordinary shares.</p>	<p>Government agrees to this recommendation.</p>
<p>8. The Corporations Act be amended to expressly permit mutuals registered under the Act to issue capital instruments without risking their mutual structure or status.</p>	<p>Government agrees to this recommendation.</p> <p>Implementation of this recommendation is to be considered with that of Recommendations 5 and 9. Treasury will undertake further consultation with stakeholders to give effect to this recommendation.</p>
<p>9. In committing to amend the Corporations Act to expressly permit mutuals registered under the Act to issue capital instruments, Government also commit to including a definition of a mutual company.</p>	<p>Government agrees to this recommendation.</p> <p>Implementation of this recommendation is to be considered with that of Recommendations 5 and 8. Treasury will undertake further consultation with stakeholders to give effect to this recommendation.</p>
<p>10. Government encourage ASIC to provide regulatory guidance on the duties of directors of mutuals.</p>	<p>Government agrees to this recommendation.</p> <p>The Government has asked ASIC to consider this recommendation.</p>
<p>11. Government encourage ASIC to review the policy basis for the dual regulation of certain offers of securities by State and Territory cooperatives with a view to implementing legislative changes to eliminate this barrier to the raising of capital by those cooperatives.</p>	<p>Government agrees to this recommendation.</p> <p>The Government has asked ASIC to consider this recommendation.</p>

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