



18 March 2004

Dr Kathleen Dermody
Secretary
PJC on Corporations and Financial Services
Parliament House
Canberra ACT 2600
E-mail: corporations.joint@aph.gov.au

Dear Dr Dermody

CORPORATIONS AMENDMENTS REGULATIONS

Credit Union Services Corporation (Australia) Ltd (CUSCAL) makes the following supplementary submission to the PJC's inquiry into batches 6, 7 and 8 of the Corporations Amendment Regulations.

As outlined to the committee in our previous submission and during the 3 March 2004 hearing, CUSCAL is concerned about the prospect of disclosing in a periodic statement the dollar amount of the "termination value" of a term deposit part way through the relevant term.

An example of the problem we see would be a 12-month periodic statement for a 2-year term deposit. The periodic statement would have to disclose the "termination value" of the term deposit at the end of the period *if* the depositor had opted to withdraw the deposit.

We do not see the consumer benefit in disclosing this out-of-date "termination value" as a dollar amount because there is a clear risk it will confuse depositors.

Producing a "termination value" dollar amount would require a calculation taking into account any relevant interest penalty and/or fee.

There is no difficulty disclosing a fee as a dollar amount. We have no objection whatsoever to disclosing fees as a dollar amount. However, significant compliance issues arise in disclosing a "termination value" that is dependent on the calculation of an interest penalty and/or a fee.

As previously advised to the Committee, credit unions and their IT suppliers advise CUSCAL that to present such a figure in Periodic Statements would require major systems changes.

CUSCAL's 20 February submission recommended that the regulations should exclude deposit products, as defined in section 764A(1)(i), from 1017D(5A).

During the 3 March hearing, Senator Wong asked CUSCAL "how would you suggest your exemption could be more narrowly crafted to deal with the practical difficulties you have indicated?"

A narrower exemption would remove the application of 1017D(5A) from 1017D(5)(b) for deposit products (as defined in 764A(1)(i)). Deposit products would continue to be covered by 1017D(5)(b) and depositors would be informed in periodic statements about penalty interest rates and fees.

Yours sincerely

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