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31 March 2005

The General Manager
Corporations and Financial Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Per email: cab2005@treasury.gov.au

Dear Sir/Madam

EXPOSURE DRAFT BILL – CORPORATIONS AMENDMENT BILL (NO. 2) 2005

Credit Union Services Corporation (Australia) Limited (CUSCAL) welcomes measures to improve member participation in corporate governance while reducing associated costs.

CUSCAL is the industry association and aggregated services provider for 145 of Australia's 168 credit unions. With 3.6 million members and combined assets of over \$30 billion, the credit union sector plays an important role in delivering banking and financial services across Australia.

Credit unions are unlisted mutual companies owned by their customers and structured under the mutual principle of one member, one vote. Credit unions are Authorised Deposit-taking Institutions (ADIs) regulated under the *Banking Act 1959* by APRA and corporations and Australian Financial Services (AFS) licensees regulated under the *Corporations Act 2001* by ASIC.

Shareholder participation is reflected in credit union values, which promote democratic member involvement in corporate governance structures. However, credit unions agree reforms to governance arrangements should be practical and pragmatic, with a balance between compliance costs and careful consideration of the policy objectives.

Accordingly, CUSCAL offers the following comments on the Exposure Draft *Corporations Amendment Bill (No. 2) 2005* for your consideration.

(a.) Removal of the 100 Member Rule

CUSCAL supports proposals to remove the ability of 100 members to requisition a special general meeting (SGM). CUSCAL also supports the continuance of the issued share capital test in s.249D(1)(a) to facilitate requisitioning of SGMs. Credit unions range in size from around 300 members to more than 215,000 members.

The proposed change is irrelevant to the 24 credit unions each with fewer than 2000 members. However, for all other credit unions, and particularly large credit unions, the proposal will remove the possibility of a tiny minority of members imposing unnecessary costs and disruption on the majority.

CUSCAL believes the 5 per cent share capital test strikes a reasonable balance of protecting member rights with ensuring business efficiency.

(b.) Reduced threshold for allowing members' resolutions to be brought to AGMs (s.249N)

To offset the removal of the 100 member rule, proposed changes to s.249N would reduce the threshold (from 100 down to 20 members) required for members to raise issues at a scheduled AGM. CUSCAL recognises that this proposal would facilitate member participation in AGMs. It provides a means by which matters that might otherwise have been raised through a costly SGM can instead be added to the agenda of a scheduled AGM.

However, a side effect of this reform would be the risk that a small stratum of members would be able to frustrate an AGM with counterproductive, distracting and even detrimental proposals. This risk must be balanced against these members' rights to express their views.

(c.) Reduced threshold for distributing member statements along with notice of meetings (s.249P)

A reduction in the number of shareholders (from 100 to 20 members) required to request a statement for consideration at general meeting is also proposed. CUSCAL notes that this proposal is likely to encourage further communication between members. Naturally, a corollary to this enhanced member communication is that it will be easier for disgruntled members or members with a particular concern to voice their opinions through letterbox drops to other members at the expense of the credit union. Nevertheless, CUSCAL believes it is preferable for these rights to be exercised by members at the AGM and therefore supports this proposed reform.

(d.) Electronic circulation of members' resolutions and statements (s.249O and s.249P)

Subject to appropriate opt-in arrangements and the continuance of traditional communication methods, CUSCAL welcomes the proposal to facilitate member shareholder communications by the use of electronic mechanisms. This reflects the growing reliance on technology in member relationships and the benefit for credit unions and their members in being able to communicate efficiently, effectively and frequently.

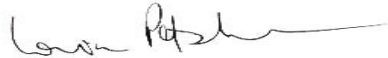
(e.) Anti-cherry-picking of proxy votes (s.250A(4) and (5))

Requiring the exercise of proxy votes at general meeting in accord with a member's instructions, rather than allowing the proxy to decide which votes to act on and on which to remain silent, is supported by CUSCAL. This reform reflects credit unions' commitment to member sovereignty and the active airing of members' views at general meeting.

Again, thank you for the opportunity to provide this contribution.

If you would like to discuss the issues identified in more detail then please contact Luke Lawler, Senior Adviser, on 02 6232 6666 or llawler@cuscal.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read "Louise Petschler", with a long horizontal flourish extending to the right.

LOUISE PETSCHLER
Head of Public Affairs