



2 June 2005

Dr Anthony Marinac  
Acting Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
Department of the Senate  
Parliament House  
Canberra ACT 2600  
Australia

Dear Dr Marinac

**Supplementary submission: Corporations Amendment Bill (No.2) 2005**

This submission is a supplementary to CUSCAL's earlier submission to the inquiry. I write to respond to the view put to the inquiry that removal of the 100 member rule should not be extended to mutuals.

This view is put in submissions by Macquarie Bank Ltd and Mutual Strategies Pty Ltd.

It is important to note that these two submissions are about demutualising or merging credit unions.

Macquarie Bank says its "concern is primarily in relation to the ability to propose a significant change in the control of a mutual." Mutual Strategies' submission is founded on the assumption that "interested external parties which may seek some commercial opportunity for themselves" will inform members about "opportunities".

CUSCAL strongly believes the rights of credit union members are more important in this governance debate than outside interests pursuing commercial opportunities via costly and disruptive special general meetings.

Unlike other companies, credit unions are democracies. Each member has one vote and directors are elected by members. It's the directors' job to protect the interests of members, not to roll over to opportunists.

Selling out of mutuality is not a decision to be taken lightly by any credit union.

Efficiency and good corporate governance principles dictate that the annual general meeting is the preferred means for a company to consider fundamental changes such as a demutualisation or a merger.

Retaining the right of 100 members to requisition a special general meeting to consider such a proposal leaves open the likelihood of disruption and waste of member resources.

The 5 per cent test guarantees that there is at least some prospect of the underlying proposal being successful, rather than a waste of time and resources, if a special general meeting is successfully requisitioned.

It is a matter of weighing up the rights and interests of all members and, on balance, CUSCAL believes removing the 100-member rule while retaining the 5 per cent threshold is appropriate.

I can be contacted on 02 6232 6666 or 0418 213 025 to discuss this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'L. Lawler', written in a cursive style.

**LUKE LAWLER**  
**Senior Adviser, Policy and Public Affairs**  
**Credit Union Services Corporation (Australia) Ltd**