



**Mutual Banking Code of Practice
Code Compliance Committee**

ANNUAL REPORT

For the year ended 30 June 2011

**2010
- 2011**

December 2011

This Annual Report is published in accordance with section E18 of the Mutual Banking Code of Practice (the Code) and the responsibilities of the Code Compliance Committee (the Committee) as outlined in the Constitution of the Mutual Banking Code Compliance Committee Association (MBCCCA).

The Report sets out the Committee's key achievements for the reporting year 1 July 2010 to 30 June 2011 including those arising from the Committee's role in monitoring and investigating the activities of those credit unions and mutual building societies (Mutuals) that have voluntarily subscribed to the Code.

The Report also outlines the Committee's work to influence improvements in the standards of practice and service of the Australian mutual industry and how the Committee aims to build on that work in the future.

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Mutual Banking Code of Practice

The Mutual Banking Code of Practice (the Code) is a voluntary code of practice which sets standards of good practice for subscribing credit unions and mutual building societies (Mutuals). The Mutuals that subscribe to the Code follow these standards when dealing with persons who are, or who may become, an individual or small business member of the Mutual, or a guarantor.

Mutuals that have subscribed to the Code have made a commitment to work continuously to improve the standards of practice and service in the mutual banking industry, promote informed decision making about their services and act fairly and reasonably in delivering those services.

The principles and obligations set out in the Code apply to all Mutual banking services delivered to individuals and small business across Australia. In that sense, the Code forms an important part of the broader national consumer protection framework and the financial services regulatory system.

The Code is published by Abacus Australian Mutuals ([Abacus](#)). A copy can be downloaded from the Abacus website at http://www.abacus.org.au/images/stories/publications/mbcop/MBCOP_Booklet_-_Jan_2010.pdf

Code Subscribers as at 31 October 2011

Note: the decrease in the number of Code subscribers to 99 (in comparison to 106 as at 31 October 2010) is due to a series of mergers and acquisitions within the industry during the relevant period.

Alliance One Credit Union Ltd	Maitland Mutual Building Society Ltd
Allied Members Credit Union Ltd	Maritime Mining and Power Credit Union
Australian Central Credit Union Ltd	MCU Limited
Australian Defence Credit Union Limited	Melbourne University Credit Union
AWA Credit Union Ltd	Member First Credit Union Ltd
bankmecu	My Credit Union Limited
Bankstown City Credit Union Ltd	Newcom Colliery Employees Credit Union Ltd
Berrima District Credit Union Ltd	Northern Beaches Credit Union Limited
Big Sky Credit Union Ltd	Northern Inland Credit Union Ltd
CAPE Credit Union Ltd	Nova Credit Union Limited
Capricornia Credit Union Ltd	Old Gold Credit Union Co-operative Ltd
Central Murray Credit Union Ltd	Orange Credit Union Limited
Central West Credit Union Limited	Police and Nurses Credit Society Ltd
Circle Credit Co-operative Limited	Police Association Credit Co-operative Limited
Coastline Credit Union Ltd	Police Credit Union Limited
Collie Miners Credit Union Ltd	Pulse Credit Union Ltd
Community Alliance Credit Union	Qantas Staff Credit Union Ltd
Community CPS Australia	QT Mutual Bank Limited
Community First Credit Union Limited	Quay Credit Union Ltd
Country First Credit Union Limited	Queensland Country Credit Union Limited
Credit Union Australia Ltd	Queensland Police Credit Union Ltd
Credit Union SA Limited	Queensland Professional Credit Union Ltd
Defence Force Credit Union Limited	Queenslanders Credit Union Limited
ECU Australia Ltd	Railways Credit Union Ltd
EECU Limited	RTA Staff Credit Union Limited
Encompass Credit Union Ltd	Select Credit Union Limited
Family First Credit Union Limited	Service One Credit Union Ltd
Fire Brigade Employees' Credit Union	SGE Credit Union Limited
Fire Service Credit Union Ltd	Shell Employees' Credit Union Ltd
Firefighters & Affiliates Credit co-operative Limited	South West Credit Union Co-operative Ltd
First Choice Credit Union Ltd	South West Slopes Credit Union Ltd
First Option Credit Union Limited	Southern Cross Credit Union Ltd
Fitzroy & Carlton Community Credit Co-Op Ltd	Summerland Credit Union Limited
Ford Co-operative Credit Society Limited	Sutherland Credit Union Ltd
Gateway Credit Union Ltd	Swan Hill Credit Union Limited
Goldfields Credit Union Limited	Tartan Credit Union Ltd
Goulburn Murray Credit Union Co-Operative Ltd	Teachers Credit Union Limited
Greater Building Society Limited	The Broken Hill Community Credit Union Ltd
Heritage Building Society Ltd	The Community Mutual Group
Heritage Isle Credit Union Ltd	The Gympie Credit Union Ltd
Holiday Coast Credit Union Ltd	The Police Department Employees' Credit Union Ltd
Horizon Credit Union Ltd	The University Credit Society Ltd
Hume Building Society Limited	Traditional Credit Union Ltd
Intech Credit Union Ltd	Transcomm Credit Co-Operative Ltd
La Trobe University Credit Union Co-op Ltd	Victoria Teachers Credit Union Ltd
Laboratories Credit Union Limited	Warwick Credit Union Ltd
Latvian Australian Credit Cooperative Society Ltd	WAW Credit Union Co-operative Ltd
Lysaght Credit Union Ltd	Woolworths Employees Credit Union Limited
Macarthur Credit Union Ltd	Wyong Council Credit Union Ltd
Macquarie Credit Union Ltd	

The Code Compliance Committee

The Code Compliance Committee (the Committee) is an independent compliance monitoring body established under Section 4 of the Constitution of the Mutual Banking Code Compliance Committee Association (the Constitution) and Part E of the Code.

Key responsibilities and functions

The Committee's key responsibilities and functions are set out in the Constitution and the Code. They include to:

- monitor and report on compliance by the Mutuals with the Code;
- investigate and determine complaints that the Code has been breached;
- monitor aspects of the Code referred to the Committee by Abacus or other relevant stakeholders;
- conduct own motion inquiries into compliance with aspects of the Code;
- receive compliance reports and monitor and report on Code subscribers' adherence to minimum reporting standards; and
- provide advice to the Association Chair and Abacus on a range of matters related to the Code and the Committee's operations.

The Committee's vision

To promote compliance with the Code and to assist Code subscribers to meet and exceed the standards of good industry practice as envisaged by the Code.

Principles

To achieve its vision, the Committee supports the principles and commitments made in the Code, promotes the Code's benefits and aims to influence positive and effective changes in industry behaviour.

Its work is based on five key principles:

- **Independence** in its operations, governance and decision making;
- **Accountability** in undertaking its functions for the benefit of the mutual banking industry and its members;
- **Transparency** through open engagement with stakeholders;
- **Fairness** in its deliberations and processes; and
- **Accessibility** to its Code monitoring and investigation services.

2010 – 2011: Year at a Glance

This Annual Report outlines the compliance activities of the Committee for the reporting year ending 30 June 2011. It reports on Code subscribers' compliance with the Code for that period and provides a future view of the Committee's direction and work plan for the 2011-2012 period.

The reporting period 2010-2011 has been a very positive and successful year for the Committee and its secretariat, in only its second year of operation and with a modest budget. The period was marked by key achievements in the Committee's three strategic focus areas: Monitoring, Investigating and Influencing.

Overall, the Committee is encouraged by the positive steps Mutuals have taken to act in accordance with the Code and to incorporate the Code into their operations. It considers the voluntary adoption and implementation of standards of good practice as an indicator of the Mutuals' commitment to their industry and their members. The industry's progress to date is an example of the strength of its self-regulatory framework.

Monitoring

The 2010-2011 Annual Compliance Statement program (the ACS) revealed an overall awareness and compliance with Code obligations among the Mutuals. A total of 96 Mutuals completed the ACS. The results suggest that the internal compliance programs of Mutuals are continuing to improve in terms of their scope, their identification of Code related issues and their ability to reduce the impact of any non-compliant activities.

Investigating

The Committee registered no new cases for investigation and closed one outstanding case from the previous reporting period. The Committee undertook one self-initiated investigation regarding obligations under Section D 12 of the Code relating to Guarantees.

Influencing

As part of its program to influence compliance outcomes that contribute to improvements in the standards of practice and service of Mutuals, the Committee initiated and completed one Inquiry and two Reviews:

(a) [Direct Debit Report](#)

This Inquiry examined Mutuals' compliance with their Direct Debit obligations as outlined in Section 20.1 of the Code. The Inquiry included a shadow shopping exercise conducted on two separate occasions. The first shadow shop was conducted in August 2010 and a follow up testing was conducted in November 2010.

A report highlighting key outcomes was published by the Committee in 2011. The results of the November testing did not indicate the levels of compliance that would have been expected. The Committee's recommendations to improve compliance performance in this area included further staff training and an increase in staff awareness about the impact of incorrect advice concerning Direct Debit obligations, particularly upon members experiencing financial hardship.

(b) [Report on Compliance with Part B of the Code](#)

This desktop review examined action taken by Mutuals to incorporate reference to the Code in their written Terms and Conditions (T&Cs) for products and facilities to which the Code applies, pursuant to Part B of the Code. The review identified that 28 % of the surveyed Mutuals had not fully embedded the Code into their T&Cs as required. The review recommended that Mutuals ensure their T&Cs and all other relevant documents, links and website content, in which the Code might be mentioned, incorporate reference to the Code.

Results of the 2011 Annual Compliance Statement program have revealed that the majority of Mutuals have now either tested, implemented or are in the process of implementing, the majority of the Committee's recommendations in this regard.

(c) [Follow up Review: Visibility and Access](#)

This review examined the web-based information available to members of Mutuals about the Code and their internal (IDR) and external (EDR) dispute resolution processes. In particular, the review considered whether Mutuals had considered and implemented the Committee's recommendations about the visibility and access to this type of information, set out in the Committee's report to industry in 2010. The review found that the visibility and accessibility of Code, IDR and EDR information continues to require improvement.

Chairperson's Report

The completion of the Code Compliance Committee's second year of operation has led me to reflect on the significant role that I believe the Mutual Banking Code of Practice plays within the broader financial services regulatory framework and the value that this Code can deliver, both to those who subscribe to it and to the members of Mutuels, to whom the key commitments within the Code are made.

It is a credit to the Mutuels that they continue to embrace the key promises set out in the Code. The commitments made by the Mutuels as Code subscribers, to continuously improve the standards of practice and service in their industry, promote informed decision making about their services and act fairly and reasonably in delivering those services, are commendable goals that are fully supported by the Committee. They enhance the ability of the Mutuels to achieve an integrity framework within the sector that recognises the social and ethical responsibilities that the Mutuels have to their members, over and above legal obligations held. This should in turn increase stakeholder confidence and trust in the sector and ensure that their expectations for product and service delivery are met.

One of the key challenges that I see for both the Mutuels and the Committee in 2011-2012 therefore, is to demonstrate to members and key stakeholders alike that these commitments are being met. The Committee will seek to work collaboratively in its compliance monitoring program with all key stakeholders in the coming year to ensure that this is achieved.

In relation to the 2010–2011 period, I am pleased to report that the Committee, supported by the Secretariat, has been able to make significant progress in the achievement of its objective to promote compliance with the Code and to assist Code subscribers to meet and exceed the standards of good industry practice envisaged by the Code.

The Committee believes that most Mutuels have made excellent progress over the past year in achieving compliance with some of the more straightforward commitments in the Code, such as Visibility and Access to Code information and embedding the Code into the Terms and Conditions of relevant products and services. Some Mutuels however, have not given these areas and others, such as Direct Debit obligations, enough attention. We encourage these Mutuels to implement the changes required to systems and practice to improve compliance with all Code obligations, as soon as possible.

Finally, I wish to thank my fellow Committee members Patricia Langham and Professor Gail Pearson for their work over the last year. I also thank the members of the Secretariat, current Executive Manager Dr June Smith and former Executive Manager Damian Paull, and their team for their support and assistance to the Committee.

The 2011-2012 year promises to be another busy year of evolution and change in the sector. In preparation for the challenges and opportunities that may lie ahead, I encourage all staff, managers and directors of Mutuels to reflect as I have on the Code's purpose, its value to their business and the industry more generally.

Jeff Whalan

Committee Chairperson

Executive Manager's Report

Following an inaugural year when the groundwork was laid to establish the Committee's operations and governance structures, this year's work program focused on monitoring, investigating and influencing industry compliance with the Code and assisting the Mutuels to develop and implement improvements in industry practice.

It is recognised that subscription to the Mutual Banking Code of Practice is voluntary and that the commitments made to members and other key stakeholders within it, sit above minimum legal standards within the sector. In 2010–2011, the Committee delivered a compliance work program that acknowledged the aspirational nature of some of the key promises in the Code and focussed on assisting members to embed the more straightforward code obligations into their operations. In implementing this work plan, the Committee has also tried to engender a positive culture of reporting against Code compliance obligations, particularly in relation to the Annual Compliance Statement.

It is appropriate however, that having made a commitment to the Code, Mutuels are held accountable against its obligations, to ensure that stakeholder confidence in the Code and the sector is maintained. This benefits the Mutuels that subscribe to the Code, as it clearly differentiates them as organisations that take their ethical obligations to members and stakeholders seriously, in what is an increasingly competitive market place.

Reflections on the past year

I am very pleased to report that there have been a number of key milestones delivered in the work program over the last year. These achievements are outlined in more detail within this Annual Report and include:

- Completion of a 'shadow shopping' exercise to examine how well Mutuels are providing advice to members in relation to Direct Debits (Clause 20.1 of the Code). The Committee has noted that further improvement is needed in this area (see [page 32](#)).
- A desk top review of web-based information provided by Mutuels to identify whether they have embedded reference to the Code into their Terms and Conditions, Conditions of Use, Product Disclosure Statements, Privacy Statements and other equivalent documents, for relevant products and facilities (Part B of the Code). The Committee has noted that levels of compliance in this area also require some further improvement (see [page 33](#)).
- A follow up review of the Committee's "Visibility and Access Report" to determine whether members have easy access to information about the Code and how to access internal and external dispute resolution information. The Committee has noted that excellent progress has been made in this area (see [page 34](#)) and was pleased with the positive feedback received from the Mutuels about the value of that review.
- The commencement of an onsite field visit program where Secretariat staff visit Mutuels to improve the Committee's understanding of the Mutuels' business operations, to educate Mutuels on the work of the Committee and to verify information received from the Mutuels in their Annual Compliance Statements.

- Conducting the 2011 Annual Compliance Statement program which was developed in consultation with industry. The results provide the Committee with a better understanding of the compliance successes and challenges associated with the Code. The ACS information, together with on-site visits and reviews, will also be used by the Committee to prioritise future compliance monitoring activities.
- Enhancements to the Committee's website to ensure that Mutuals and the general public have access to information about the operations of the Committee.
- The creation of the newsletter, 'Accomplish' which is published shortly after each Committee meeting (usually quarterly) and provides an overview of current and future activities, together with any other issues or observations the Committee wishes to raise with the industry.

The Year Ahead

Over the next 12 months the Committee will continue to work closely with key stakeholders to monitor compliance against the Code's obligations and to influence improvements in industry practice. Key features of the Committee's work for 2011 - 2012 are outlined in this report under the heading "Future Outlook" on [page 35](#) and include:

- conducting a review in relation to how well Mutuals have implemented training of all member-facing and other relevant staff on the requirements of the Code and compliance with Key Promise 5 in regards to Code training;
- reviewing the extent to which Mutuals have considered and implemented the Committee's recommendations concerning direct debit arrangements as required under Part C, Section 20.1 of the Code); and
- undertaking an Inquiry into Mutuals' compliance with Code obligations regarding Financial Difficulty (Part B, Section 12 of the Code).

Thank You

During the past year, the Committee said farewell to its previous Executive Manager, Damian Paull. His efficiency and hard work throughout the year made it easy for me to step into this position. The Secretariat also welcomed Sarah Manos and Justine Percey to the team in their part time roles as Compliance Analysts. Sarah has since taken one year extended leave.

I congratulate all staff, in particular Code Compliance Manager, Daniela Kirchlinde, and Compliance Analyst, Iris Goh, for a successful year. The services provided to the Committee and industry pay tribute to their ability to work in an effective, efficient, and professional manner. Finally, I would like to thank Jeff Whalan, Professor Gail Pearson, and Patricia Langham for their patience, guidance, and counsel in executing the compliance program.

I am looking forward to working with all stakeholders in 2011-2012 to promote compliance with the Code and to assist Code subscribers to meet the standards of good industry practice, envisaged by it.

Dr June Smith

Executive Manager

The Committee Members

Chairperson

Jeff Whalan AO Current term: 1 October 2009 to 30 September 2012

Jeff Whalan is a consultant who works with CEOs, senior executives and organisations to help them improve their performance. Jeff has held numerous senior executive appointments in the Australian Public Service since 1990, including CEO of Medicare Australia and Deputy Secretary positions in the Prime Minister's Department (responsible for social policy), the Department of Defence and the Department of Family and Community Services. He has also been a senior executive in the Queensland Department of Family Services. Until September 2008, Jeff was the CEO of Centrelink, which is the largest Agency of the Australian Public Service with 27,000 staff. He was appointed as an Officer of the Order of Australia in 2008 for his work in this capacity.

Jeff is a Fellow of the Institute of Company Directors and a Fellow of the Institute of Management. He is also Chair of the Australian Governance Masters Index Fund Limited and a board member of the Global Masters Resources Fund.

Consumer Representative

Professor Gail Pearson Current term: 1 October 2009 to 30 September 2014
(re-appointed in October 2011)

Professor Gail Pearson (BA (Hons), LLB, PhD) is a leading academic in the fields of financial services, commercial and consumer laws. She is the author of Pearson, G *Financial Services Law and Compliance* Cambridge University Press 2009, Pearson, Fisher, Tolhurst and Peden *Commercial Law: Commentary and Materials* (ed3) Lawbook 2010, and also of Pearson and Batten *Understanding Australian Consumer Credit Law* CCH 2010. She has published numerous articles in Australian and international journals.

Gail is a member of the Fair Trading Advisory Council (a statutory advisory committee to the Minister for Fair Trading) and a member of the consultative committee to the Consumer Trader and Tenancy Tribunal. She founded (with a colleague) the Australasian Consumer Law Roundtable, is Vice President of the International Association of Consumer Law and a member of the Consumer Committee of the International Law Association.

Industry Representative

Patricia Langham Current term: 1 October 2009 to 30 June 2013
(re-appointed in October 2010)

Patricia has a Diploma of Financial Advising and is currently completing a Graduate Diploma in Applied Finance. Patricia has been a member of the Australasian Mutuals Institute (formerly AICUM, then ACUI) for more than 13 years and is the Secretary of its NSW/ACT regional council.

Following a career in the Australian Public Service, Patricia joined the Mutual Banking community as a full-time employee in late 1996. She had previously worked in an honorary capacity and also served as a Director on the board of a small Credit Union. Patricia's career includes senior roles such as General Manager of Access Credit Union (formerly Labour Staff Credit Union) from August 1996 to March 2001 and General Manager of the TAFE and Community Credit Union from May 2002 to November 2008.

In December 2008, Patricia joined the Teachers Credit Union Limited and currently holds the position of the Western Sydney Regional Manager. Patricia has been active in the Mutual Banking industry participating on several Abacus working parties and travelled to Cambodia in May 2008 on CUFA's initial Credit Union Education Program. Patricia was also one of six Credit Union representatives on the Steering Advisory Committee for Cuscal's Retail Negotiations in 2006. Patricia is enthusiastic about ensuring members, both existing and potential, have access to information about, and support for, their financial decisions as these significantly affect their personal and family lives.

Committee Meetings

The Committee holds regular meetings with the Secretariat. In the 2010–2011 reporting year it met on six occasions, namely:

Date	Committee member attending
20 August 2010*	Jeff Whalan, Prf. Gail Pearson, Patricia Langham
18 October 2010	Jeff Whalan, Prf. Gail Pearson, Patricia Langham
15 November 2010	Jeff Whalan, Prf. Gail Pearson, Patricia Langham
9 December 2010*	Jeff Whalan, Prf. Gail Pearson, Patricia Langham
16 February 2011	Jeff Whalan, Prf. Gail Pearson, Patricia Langham
23 May 2011	Jeff Whalan, Prf. Gail Pearson, Patricia Langham

* Denotes Committee meetings conducted by teleconference.

Executive Manager

Dr June Smith

July 2011 - current



Dr June Smith (B.A.Hons/LLB/PhD) is a former Principal at Argyle Lawyers Pty Ltd, with significant expertise in corporations law, professional standards, ethics, compliance and regulatory frameworks in the financial services sector. June has a PhD in Law from Victoria University specialising in professional and business ethics and organisational decision making within financial services organisations.

In addition to her Executive Manager role, June is the Chief Executive Officer of the Code Compliance Monitoring Committee (Banking Code of Practice) and is also responsible for Code management of the Insurance Brokers Code of Practice (NIBA). Her external appointments include Chair of the Disciplinary Appeals Tribunal of the Financial Planning Association of Australia Ltd, Deputy Chair of its Conduct Review Commission and Member of Racing Victoria's Racing Appeals and Disciplinary Board. June also lectures in Governance in the Masters of Business Administration Program at Victoria University and is a member of the Lexis Nexis Financial Services Editorial Committee.

Damian Paull

January 2009 - April 2011



Damian Paull held the position of Executive Manager from January 2009 to April 2011. Previously with the ANZ Bank, he had also worked in a number of executive risk and compliance roles at some of Australia's best known financial and government organisations. Damian played a crucial role in developing the Committee's current operational framework and broadening its compliance approach.

Secretariat Staff

Daniela Kirchlinde Compliance Manager

Daniela Kirchlinde has a background in dispute resolution and broad insurance industry experience, having worked in Australia and overseas. Daniela has a Bachelor of Commerce degree from Cologne University, and holds the German equivalent of the Australian Insurance Institute Associateship, plus a Graduate Diploma in Finance and Investment from the Securities Institute of Australia. In addition to her Compliance Manager role Daniela is also responsible for Code management of the Insurance Brokers Code of Practice (NIBA).

Ralph Haller-Trost Investigations Manager

Ralph is lawyer with a background in dispute resolution and legal compliance frameworks. His role includes responsibility for governance issues, management of investigations and the conduct of self-initiated Inquiries.

Iris Goh Compliance Analyst

Iris has a Masters in Finance and Risk Management from Monash University. Her role includes responsibility for the delivery of the Annual Compliance Statement and onsite visit programs, conducting empirical reviews and data and trend analysis. In addition, she plays a key role in the delivery of the Committee's secretariat function.

The Committee's relationship with the Financial Ombudsman Service

The Committee's secretariat receives operational and administrative support from the Financial Ombudsman Service ([FOS](#)) pursuant to an agreement between Abacus and the FOS. This support includes access to accommodation and common office resources such as telephone, HR services and IT support.

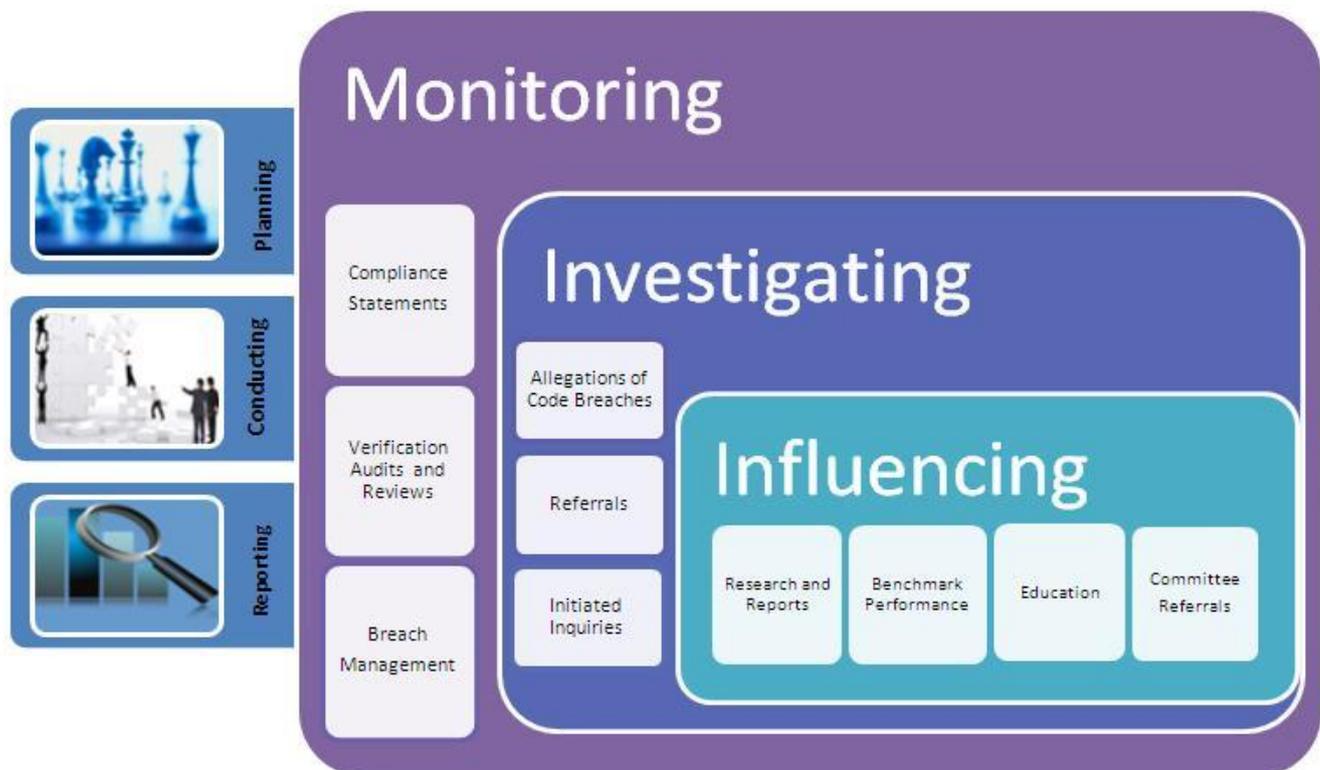
During the next year, it is envisaged that a Memorandum of Understanding will be established between the Committee, Abacus and FOS to facilitate the exchange of information concerning Code obligations and compliance, including statistical data, complaint trends and referrals. Throughout this process, the Committee will continue to ensure that it retains its independence in its governance arrangements, processes and decision making.

The Committee's operations

The Committee's compliance functions can be grouped into three broad categories:

- [Monitoring](#);
- [Investigating](#); and
- [Influencing](#).

The diagram below illustrates how these categories inter-relate with each other.



Monitoring

The Committee's compliance monitoring role is underpinned by the Annual Compliance Statement (ACS) that each Mutual must provide to the Committee, as required by Section E18 of the Code. The ACS is a self assessment tool that assists the Mutual to review its compliance with the Code for the reporting year.

The ACS process is a significant component of the Committee's monitoring program and furnishes the Committee and the Mutuels with valuable information about current compliance issues concerning the Code, emerging risks and potential areas for improvement. The ACS process also helps the Committee to identify how effectively the Mutuels address their Code obligations and improves the Committee's understanding of some of the daily compliance challenges faced in Mutual Banking, as well as examples of good industry practice that can be benchmarked and promoted across the industry.

The 2011 Annual Compliance Statement (ACS)

As in 2010 and as part of its collaborative approach to monitoring and investigating compliance with the Code, the Committee consulted with the Mutuels and Abacus when setting the format and key compliance questions for the 2011 ACS.

The 2011 ACS focused on a Mutual's general obligations to comply with Parts B, D and E of the Code, in particular dealing with the provision of documented information for members about Code obligations and effective policies and procedures for staff. In addition, the ACS asked specific questions about compliance with selected areas of the Code, such as monitoring and reporting of compliance with the Code and compliance with obligations in relation to Guarantees.

The 2011 ACS also included a survey that sought the Mutuels' responses to the reports and recommendations of the Committee released in 2010, regarding Visibility and Access, Direct Debits, and Compliance with Part B of the Code. The Committee also requested feedback from the Mutuels about work undertaken and services provided by the Committee during the reporting period.

A total of 88 % of Mutuels returned their ACS by the 30 September 2011 due date and only three statements were outstanding at the time of this Report. The data from those three Mutuels has not been included in the ACS analysis outlined on the following pages and accordingly the statistics shown in all graphs in this report do not add to 100%. The Committee has notified Abacus of the failure of these three Mutuels to comply with their Code obligations.

Overall, the Committee was encouraged by the thoroughness of the information provided by Mutuels during the ACS process and the overall quality of the responses received. It would like to acknowledge the steps Mutuels have taken to date in implementing their Code obligations and in responding to the Committee's recommendations for improving practice within the industry.

ACS Analysis and Results

To evaluate ACS responses, the Committee applied a three tier ranking system, broadly categorised as follows:

- Mutuels confirmed a good understanding of and effective compliance with the Code ([Level A](#));
- Mutuels advised only a basic understanding of the Code and work is continuing on putting the Code's obligations into practice ([Level B](#)); and
- Mutuels identified areas in need of improvement ([Level C](#)).

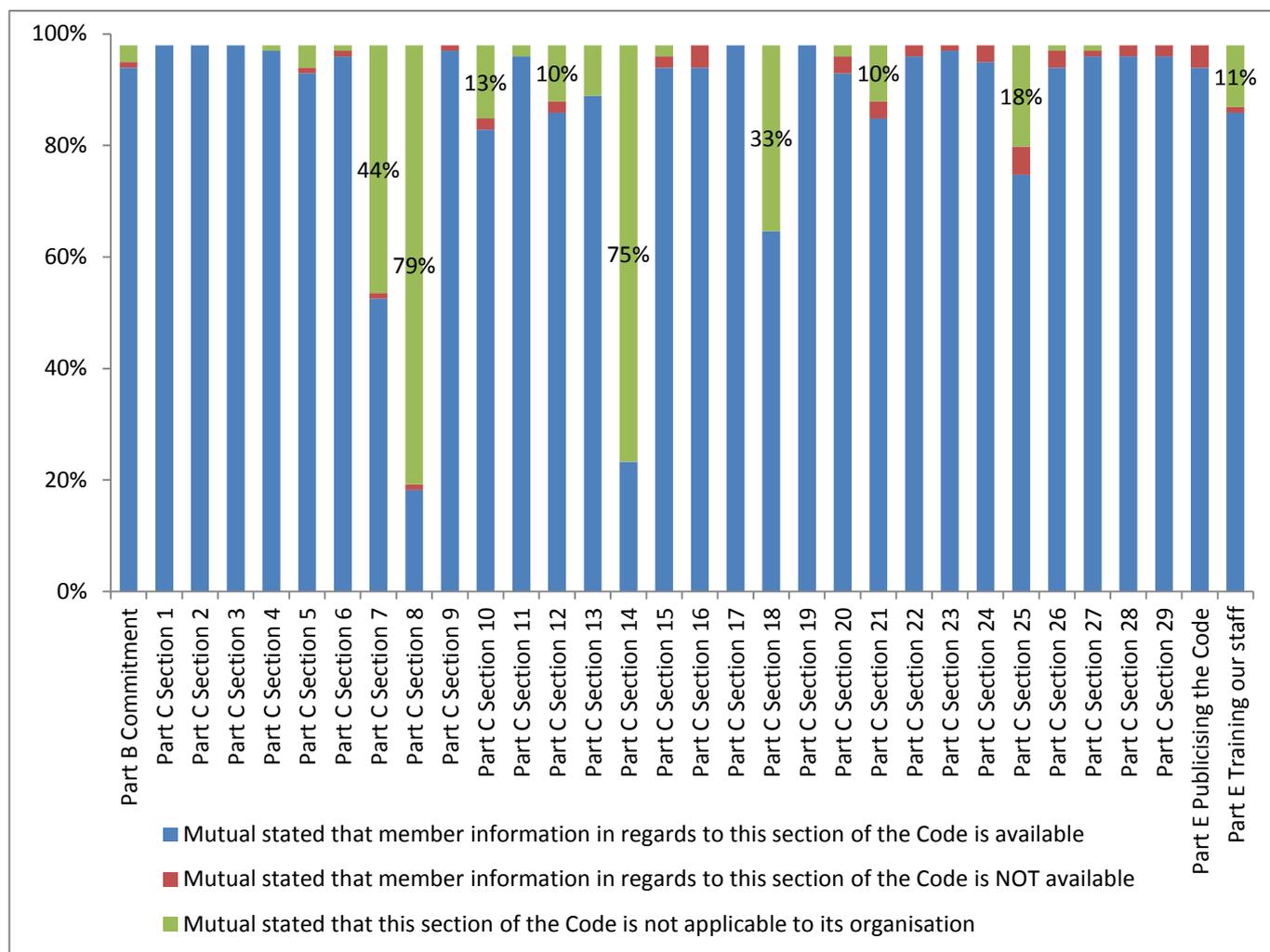
A summary of the ACS findings and outcomes, ranked against these categories in relation to each part of the ACS questionnaire, is outlined below.

Areas of effective compliance ([Level A](#))

Part I - Overall Compliance and Remediation with listed sections of the Code

In general, the Mutuals have reported good overall compliance rates with their Code obligations in response to this section of the ACS. In the reporting year, most Mutuals have reported activity in amending their documented information for members about their Code obligations and in amending their policies and procedures for staff to reflect the requirements of the Code.

Graph 1: Report by Mutuals about documented Code information made available for members

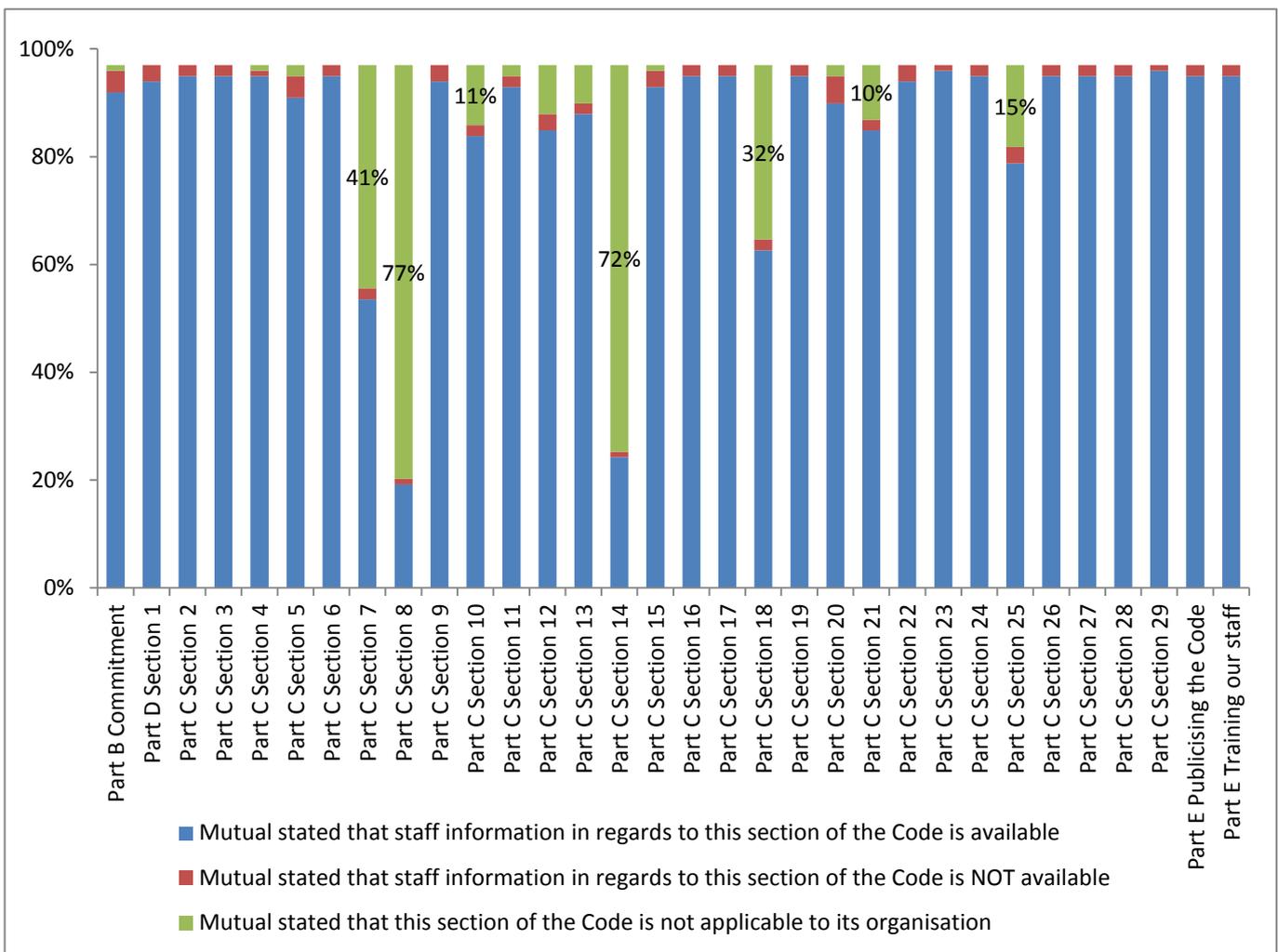


Graph 1 shows the responses received from Mutuals regarding Part I (i) of the 2011 ACS titled ‘Details of Compliance & Remediation’. This question asked “Does your organisation have documented information for members compliant with the listed sections of the Code?”. Available options for responses for each section of the Code included: “yes”, “no” and “not applicable”.

Mutuals that responded “no” to this question are required to provide details of their non-compliance to the Committee, together with any remediation plans developed to rectify that non-compliance and a target completion date by which compliance will be achieved. The Committee will follow up with the Mutual to confirm that compliance has been achieved by the date identified.

- More than 25% of Mutuels have advised that they do not offer products or services related to Sections 7 (credit limit increase offer), 8 (reverse mortgage loans), 14 (use of finance brokers) and 18 (provision of statements & notices electronically) of the Code.
- In addition, at least 10 % of Mutuels have advised that Sections 10 (subsidiary cards), 12 (safeguards for loan guarantors), 21 (seeking a chargeback on your behalf) and 25 (working with your representatives) are not applicable to their business model.
- This has impacted on the compliance response rates shown for each of these sections of the Code in Graphs 1 above and 2 below.

Graph 2: Implementation of effective internal policies and procedures concerning Code obligations



Graph 2 highlights the responses received from Mutuels to Part I (ii) of the ACS 2011 ‘Details of Compliance & Remediation’ which asked “Does your organisation have effective policies & procedures that are clearly and easily accessible for staff to ensure compliance with the listed sections of the Code?”

Available options for responses were the same as for Graph 1. Again any Mutual who responded “no” to this question has been asked to provide details of non-compliance, any remediation plans and a target completion date by which compliance would be achieved. The Committee will follow up with those Mutuels to confirm that compliance has been achieved.

Part III – Guarantees

The Mutuals that offer Guarantees as part of their service provision, have reported good overall compliance with Part D Section 12 of the Code, which requires Mutuals amongst other things, to provide certain safeguards for Guarantors.

In the reporting period there was one self-initiated investigation (see [Investigation – unlimited guarantees](#) in this report) undertaken by the Committee related to this section. This investigation was finalised to the satisfaction of the Committee with the Mutual in question. Accordingly, the Committee has decided not to proceed with a planned Inquiry into Mutuals’ compliance with their obligations to Guarantors at this time.

Areas of basic compliance ([Level B](#))

Part IV - Visibility and Access Report

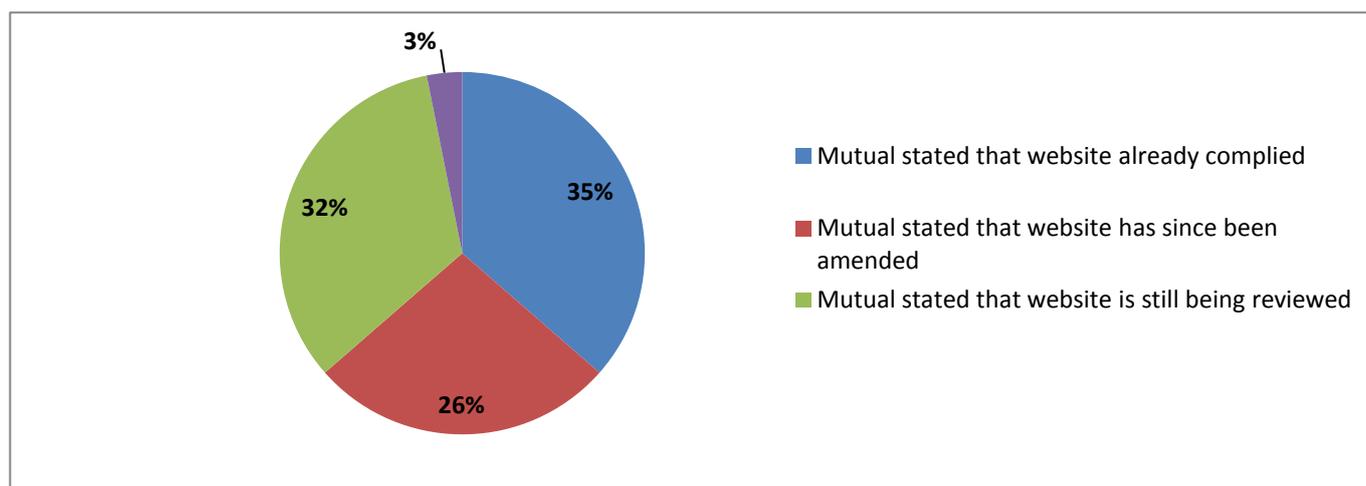
Question 1 of Part IV of the ACS 2011 asked the Mutuals’ to confirm when and how they had reviewed and implemented as many of the Committee’s recommendations from the 2010 [Visibility and Access report](#) regarding web-based information available to members relating to Code, internal dispute resolution (IDR) and external dispute resolution (EDR).

Graph 3 below illustrates the response rates received from Mutuals to this question. It identifies that:

- 35% of Mutuals believe that their website already complied with the Committee’s recommendations;
- 26% of Mutuals have since amended their website to take into account the Committee’s recommendations; and
- 32% of Mutuals are still reviewing their website in this regard.

A mere 3% of Mutuals have reported that they do not have a website.

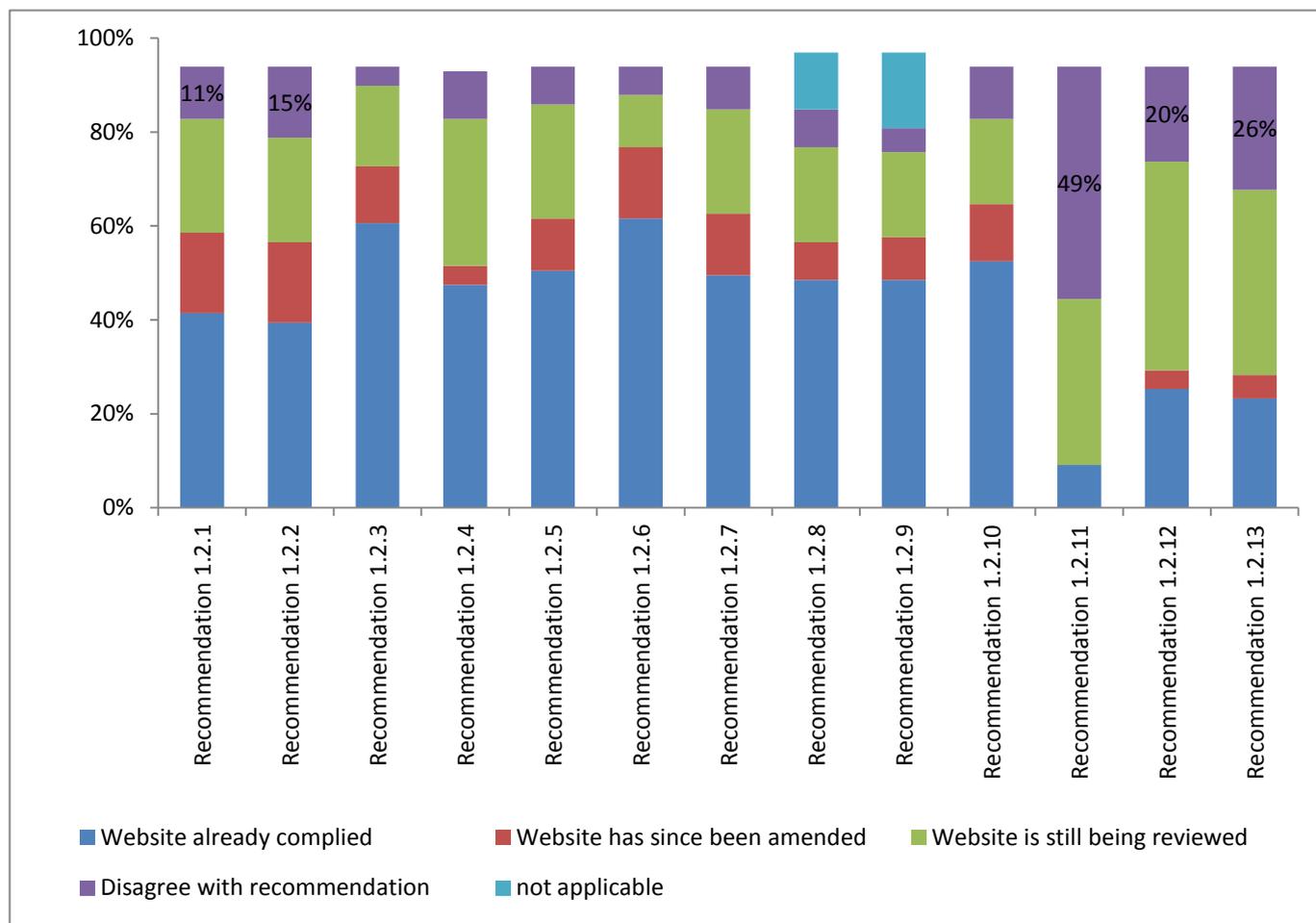
Graph 3: Responses to Visibility and Access Report*



**Note: Graphs 3, 4, 5 and 6 in this document do not total 100% as a result of three Mutuals failing to provide the ACS data within the required time limits.*

Graph 4 below shows the responses received from Mutuals regarding testing and implementation of specific recommendations from the Committee’s Visibility and Access Report.

Graph 4: Results of implementation of recommendations from Visibility and Access Report



The relevant recommendations were:

- 1.2.1 Use the Code symbol as a mark of distinction and commitment to the promises of the Code.
- 1.2.2 Create links via the Code mark/symbol to copies of the Code.
- 1.2.3 Advertise the ten promises of the Code.
- 1.2.4 Communicate with your members on how you are meeting these ten promises.
- 1.2.5 Advertise that copies of the Code are available either through branches or via mail upon request.
- 1.2.6 Include brief information about IDR and EDR procedures on the “HOME” or “CONTACT US” page with a link to a separate complaint page.
- 1.2.7 Include a link to the website of the relevant EDR scheme.
- 1.2.8 Include a complaint option in the online enquiry form (if one exists).

- 1.2.9 Check the search function (if available on the website) to ensure that simple searches on the Code and complaints handling provide results.
- 1.2.10 Under “CONTACT US” details, provide key staff or dedicated methods for compliments and complaints.
- 1.2.11 Consider advertising access to translating services where required.
- 1.2.12 Review your website against the standards outlined by the World Wide Web Consortium (W3C).
- 1.2.13 Refer to the NSW Government Website Style Directive as guidance before developing or updating the websites.

The Committee is pleased with the significant implementation rates for the majority of its recommendations, but is disappointed in particular with the feedback from 49 % of Mutuals that they disagreed with the recommendation 1.2.11 to consider advertising translation services to existing and new members. The Committee encourages Mutuals in metropolitan and larger regional centres in particular, to ensure that persons of non English speaking background have ready access to their services in this regard.

The Committee intends to conduct a follow up review of compliance with Code obligations in this area in 2012 so as to determine the progress that the Mutuals have made in implementing these recommendations.

Part IV - Report on Compliance with Part B of the Code

During the reporting period the Committee conducted a desktop review (see [Report on Compliance with Part B of the Code](#) in this report) of web-based information provided by Mutuals in compliance with their obligations to insert reference to the Code in their T&Cs. The review examined Mutuals' compliance with *Part B* of the Code, in particular the section '*Commitment to comply with Code*', which states:

'We will incorporate this Code by reference in our written Terms and Conditions for products and facilities to which the Code applies. We will ensure we do this within six months of the commencement date of this Code; or, if we subscribe to this Code after its commencement, within six months of the date on which we first subscribe.'

Graph 5 on the following page illustrates the responses received from Mutuals regarding Part IV of the ACS 2011 titled 'Your response to CCC feedback' part 3 and 'Report in Compliance with Part B of the Code' The relevant question was:

“Are you satisfied that your organisation has reviewed and implemented as many of the recommendations as practicable that are set out in our [Report on Compliance with Part B of the Code](#) issued in March 2011?”

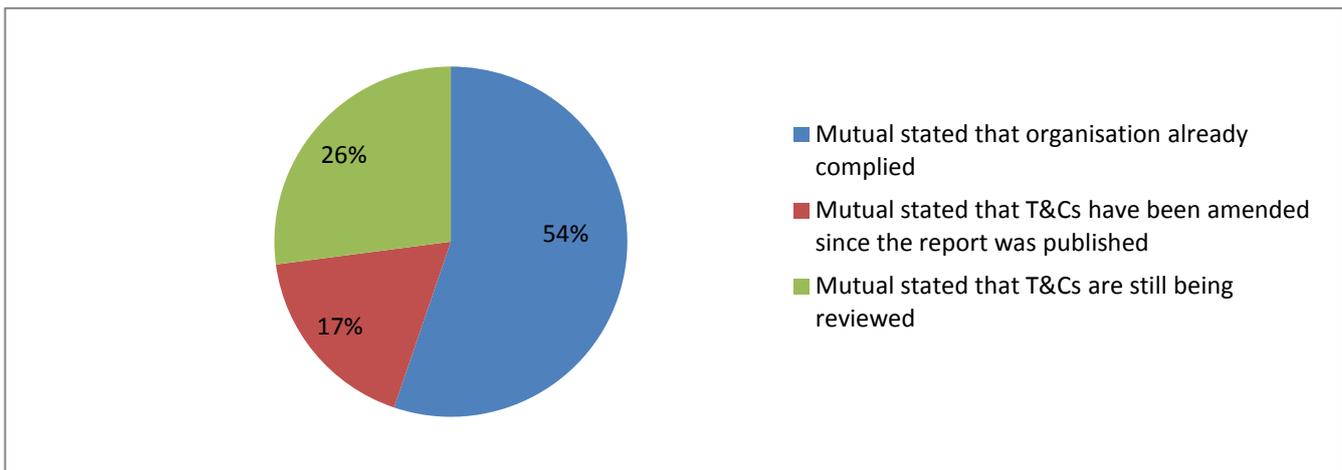
The results indicate that 71% of Mutuals now have T&Cs that incorporate reference to the new Code and 26% of Mutuals are continuing their review to ensure compliance with their obligations. This is a very pleasing result.

The Committee has noted the feedback received from 20% of Mutuals in their ACS responses, disagreeing with some aspects of the Committee's recommendations in the 2011 Report, including recommendations to:

- 3.2.5 include the location of Code information in the contents page;
- 3.2.7 include descriptive information about the role and objectives of the Code, including the ten Key Promises;
- 3.2.10 include contact information about the Committee; and
- 3.2.11 include descriptive information about the Committee and its role in particular in comparison to external dispute resolution.

Despite this, the Committee continues to believe that these recommendations are consistent with good industry practice and whilst it is not mandatory to adopt them, the Committee encourages these Mutuels to re-consider their response to recommendations 3.2.5 and 3.2.7 in particular.

Graph 5: Incorporation of reference to Code in Terms and Conditions



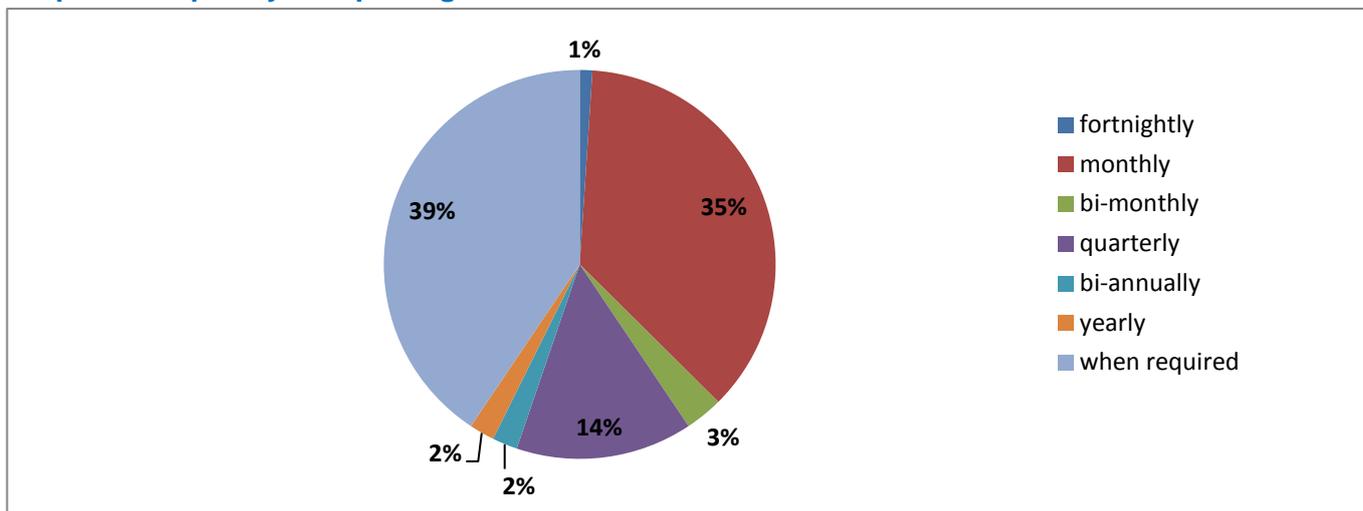
Areas in need of improved compliance ([Level C](#))

Part II - Monitoring and Reporting

Mutuals provided a variety of responses to questions in the 2011 ACS concerning assessment, reporting and monitoring of breaches of the Code and the maintenance of breach registers. In particular, responses concerning the frequency of reporting of Code breaches; who is responsible for that reporting and to whom they are reported (e.g. management or board level), differed markedly.

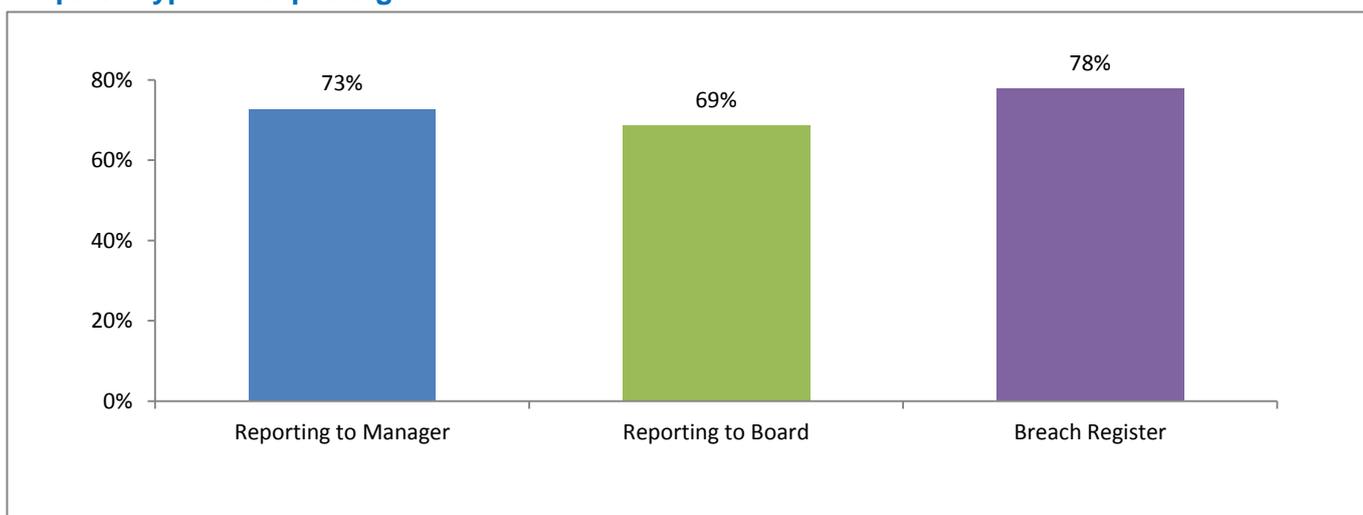
In terms of the frequency of reporting of breaches, Graph 6 below shows that 39 % of Mutuals reported breaches internally on a fortnightly basis, whilst 35 % reported monthly and 14 % reported quarterly.

Graph 6: Frequency of reporting of breaches



In terms of the type of reporting undertaken, as outlined in Graph 7 on the following page, it appears that the 'breach' register may still be being confused with the 'complaints' register for IDR and EDR purposes. Some Mutuals have advised that they have only one register in place and that this register only reports on complaints data, without the option to also report on whether there has been a breach of the Code.

Graph 7: Types of reporting*



*Note: Mutuals were able to provide multiple responses to this question.

Most Mutuals reported that they utilise an internal audit agenda (65 %) and/or a compliance management plan (60 %), to facilitate the monitoring of compliance systems and procedures across their organisation. Only 13% of Mutuals reported that they engage an external audit process as part of their monitoring systems (see Graph 8).

Graph 8: Description of monitoring system for Code breaches*



**Note: Mutuals were able to provide multiple responses to this question.*

Reported Compliance Breaches

Effective notification by Mutuals of Code related breaches is critical to the Committee's compliance monitoring function and to identifying areas of ongoing review. Accordingly, Part II of this year's ACS focused on Mutuals' assessment, reporting and monitoring of Code breaches and requested Mutuals to provide a copy of their breach register.

Each Mutual was required to provide the CCC with a copy of its breach register. In 2010/11, 44 of the 99 Code subscribing Mutuals reported breaches to the Committee, up from last year's total of 20 Mutuals. Of these 44, only 12 Mutuals provided the Committee with information concerning the nature and type of these breaches. In total, the Mutuals reported 419 compliance breaches (a significant increase on the 144 compliance breaches reported in 2009/10).

A total of 52 Mutuals reported no breaches at all to the Committee. The Committee is concerned to ensure that there is a positive culture of reporting and that all Mutuals provide appropriate information in their ACS responses concerning the number, nature and type of breaches and the rectification action taken by Mutuals.

The key purpose in requesting notification of breach data and the supporting information outlined in the Compliance Breach Summary is to identify:

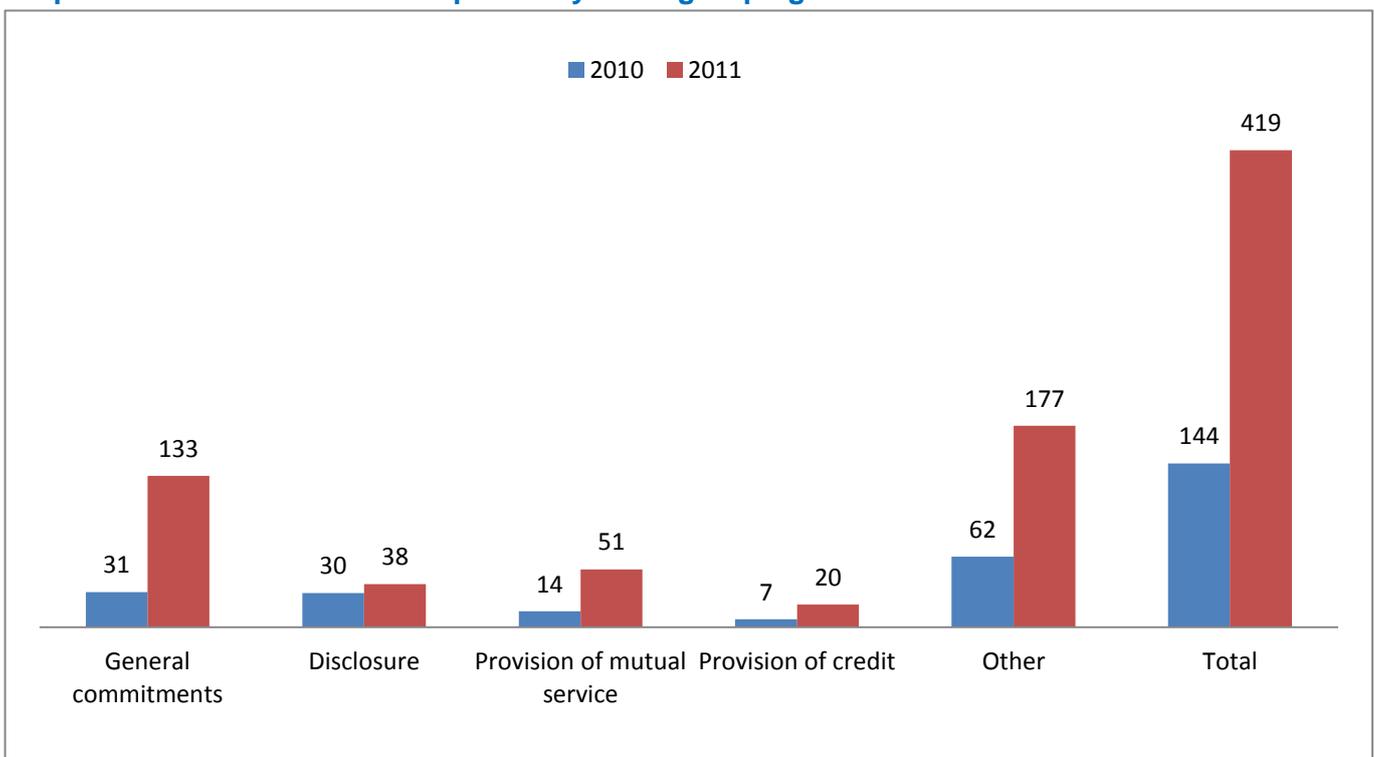
- (a) the level of overall compliance with the Code as evidenced by:
 - i) the Mutuals' internal compliance monitoring and incident reporting; and
 - ii) Code breach determinations that may be advised to Mutuals by their external dispute resolution scheme, e.g. Financial Ombudsman Service (FOS) or Credit Ombudsman Service Limited (COSL), and/or the Committee;

- (b) the appropriateness of Mutuals' responses to breaches and, where necessary, remedial actions;
- (c) a macro view of compliance at the industry level; and
- (d) areas for future compliance monitoring programs and/or clarification in the Committee's bulletins.

Accordingly in 2012, the ACS will again request this type of information from Mutuals as a primary area of focus.

Graph 9 identifies the aggregate number of breaches reported for all Mutuals and the two year historical trends in breach reporting in across five broad groups of Code obligations. Most breaches related to the 'General commitments' category (133 breaches or 32%) and the 'Other' category (177 breaches or 42%), which together represented 74% of the total number of breaches. The increase of reported breaches in the 'General commitments' category is partly due to one Mutual including incidences where Automated Teller Machines' (ATM) were out of service as a compliance breach under this heading.

Graph 9: Number of breaches reported by Code grouping



As demonstrated in Graph 10 on the following page, most individual breaches reported in the 2011 ACS related to the categories of:

- 'Key Commitments' (126 breaches or 30%);
- 'Privacy and Confidentiality' (81 breaches or 19%);
- 'Dispute Resolution' (44 breaches or 11 %);
- 'Training' (29 breaches or 7%); and
- 'Terms and Conditions' (24 breaches or 6%).

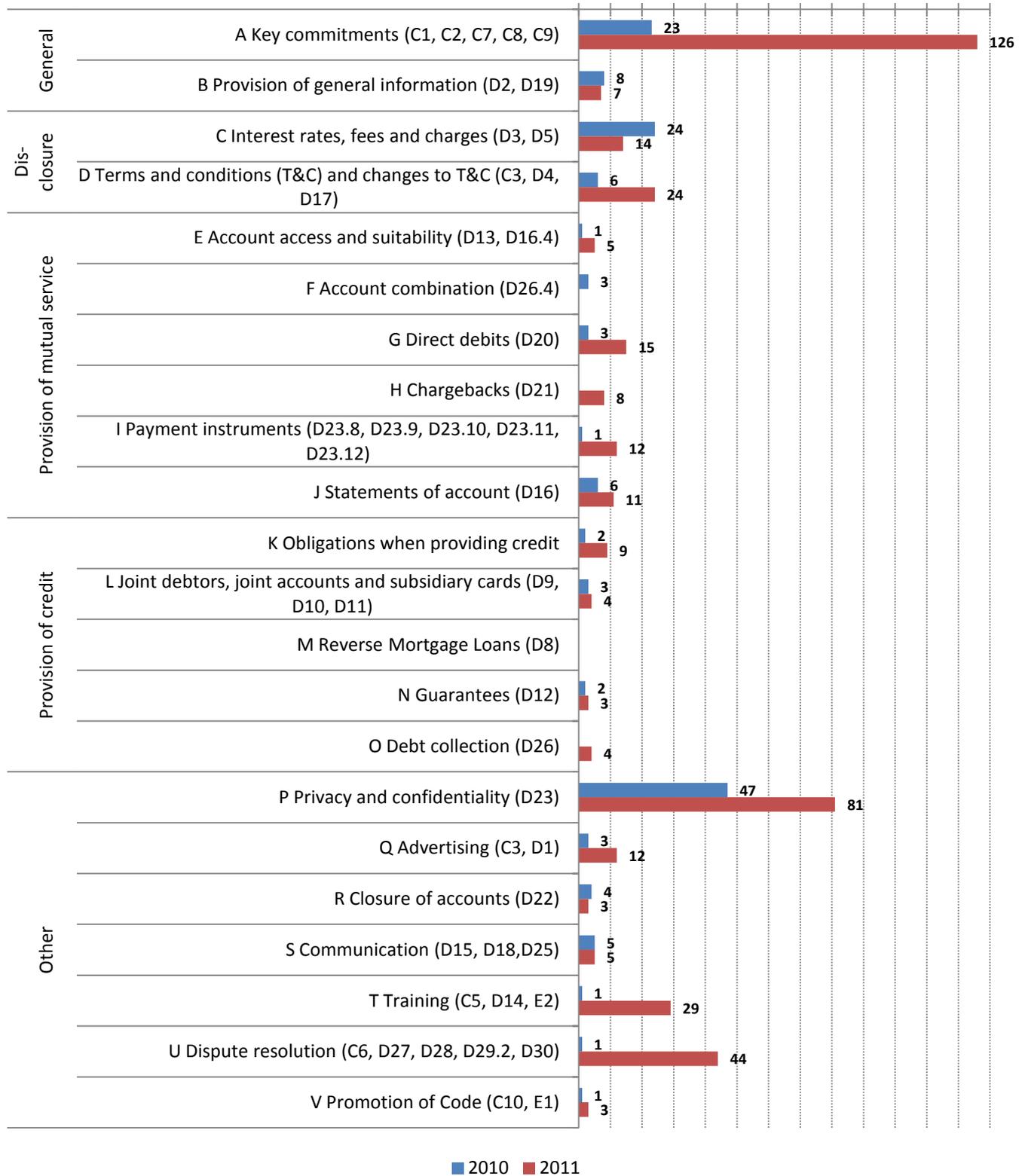
These five areas together represent 73 % of the total number of reported breaches.

Graph 10: Reported Breaches in 2011 ACS

44% of Mutuals advised breaches in 2011
23% of Mutuals advised breaches in 2010

Number of reported breaches

0 10 20 30 40 50 60 70 80 90 100 110 120 130



The following are indicative examples of breaches of the Code that were reported to the Committee during the 2011 ACS process. The Committee encourages Mutuals to review their practices and procedures against the following table.

Category	General comments	Examples of type of breaches
General Commitments	<p>The increase in the number of breaches reported in this category in 2010-2011, is largely related to two Mutuals reporting 71% of the 133 compliance breaches reported in this area.</p> <p>One Mutual included each incidence of an Automated Teller Machine (ATM) being out of service as a compliance breach under this heading, which may have also resulted in the increase of reported breaches in this category.</p>	<ul style="list-style-type: none"> • staff in the loans department losing a member's Certificate of Title; • third party cheque payable to another member was deposited into the wrong member account; • overdrawn letters being sent to a member despite the account not being in use; • system on an ad hoc basis automatically dishonouring cheques and members being charged \$40 dishonour fees on their accounts
Disclosure	<p>Compliance breaches reported in this category appear to relate primarily to systems errors, which in some cases led to incorrect calculations of interest on members' accounts.</p> <p>In relation to other disclosure obligations under this section of the Code, the Committee also notes the reporting of the following types of breaches:</p>	<ul style="list-style-type: none"> • errors where offset accounts were not linked to mortgage accounts, resulting in members being overcharged interest; • incorrect interest codes applied to an online savings product; • a system issue which resulted in bonus interest not being applied to members' accounts; • a system error which resulted in incomplete information being populated in loan contracts provided to members <ul style="list-style-type: none"> • loan application fee not disclosed to member upon application; • incorrect comparison rates on display on in-branch posters (actual rates instead of the comparison rates were promoted), which resulted in the incorrect savings amount being displayed; • member was sent out the incorrect interest rates sheet for a term deposit product; • commission paid to mortgage brokers were not disclosed to members; • members were not provided with 20 days advance notice in relation to a change of the method interest is calculated for an online savings product.
Provision of Mutual Service	<p>The provision of Mutual Service category includes reference to the Mutuals' Code obligations concerning account access and suitability, account combination, direct debits, chargebacks, payment instruments and statements of account. Direct debits and payments instructions represent the majority of breaches reported in this category.</p>	<ul style="list-style-type: none"> • members being directed to the merchant or service provider in relation to the cancellation of direct debits; • chargeback requests not actioned by the Mutual; • a system change to the overseas address format resulted in statements not being sent to members residing overseas
Provision of Credit	<p>In terms of the Provision of Credit obligations, the Committee notes the following types of breaches:</p>	<ul style="list-style-type: none"> • a Mutual issued a replacement card to its member. The member had previously asked the Mutual to reduce the credit limit on the card to an amount less than the Mutual's pre-approved

		<p>maximum. The replacement card was issued for the maximum credit limit;</p> <ul style="list-style-type: none"> • Quality Assurance of a loan file identified that a credit application for a joint loan account was not signed by both parties; • staff failed to follow the correct procedures which resulted in a credit reference check being obtained for an incorrect 'member' ; • guarantee documents, disclosure documents and associated forms failed to comply with the Code requirement
<p>Other Obligations</p>	<p>Compliance breaches in the 'other obligations' category have increased compared to 2009-2010. A total of 177 compliance breaches were reported in this category.</p> <p>'Privacy and confidentiality' and 'dispute resolution' breaches represented 71 % of the total breaches reported in this category.</p> <p>There has also been an increase in the number of 'Training' breaches reported (29 out of 177 reported breaches).</p>	<ul style="list-style-type: none"> • loan payout figure was faxed to an incorrect telephone number; • copies of members' statements detailing transactions and confidential information were found in the non-confidential recycling bin; • staff not informing members that calls were being recorded; • staff mistakenly providing information to an unauthorised third party; • internal documents detailing other insured account details were accidentally included and sent to a member; • 'bankers' box' containing documents such as members' information, signatures and numbers were left unattended outside a branch by the courier as delivery took place out of Mutual's business hours

In assessing any trends in the number and type of breaches reported, the Committee has also taken into account information provided by the Mutuels during field visits about significant compliance initiatives and systems upgrades in some areas of Mutual practice over the previous 12 to 18 months.

In response to the overall increase in reported breaches, as well as across several reporting categories, the Committee again reiterates that it has encouraged a culture of positive breach reporting by the Mutuels. Accordingly, the increase in breach numbers does not, in itself, mean an increase in non-compliant behaviour.

In this regard, the Committee notes that:

- some Mutuels have significantly upgraded their central complaint and breach identification systems which enable them to more efficiently tag potential Code breaches by specific section. This in turn allows them to more effectively identify, report and rectify breaches and their root causes; and
- in 2010-2011 Mutuels had to respond to numerous legislative changes, in particular in relation to privacy, consumer credit and responsible lending obligations. This response included audits and reviews of existing operations and the implementation of changes to operational systems and procedures. This activity allowed Mutuels to self-assess their performance against Code obligations in these areas more rigorously.

These are positive developments and proposed regulatory changes are likely to result in Mutuels further improving their monitoring and reporting processes which, in turn, may result in further increases of breach numbers in the future. In that context, the Committee expects Mutuels to remain vigilant and pro-active about the monitoring, reporting and rectifying of Code breaches in the year ahead, while strengthening their efforts to minimise the overall occurrence of Code breaches.

In addition, the Committee recommends that breach reporting awareness be continuously communicated within Mutuals' operations. Improved internal communication and training means that staff are more confident in identifying and reporting breaches which previously may have only been recorded as process errors.

On-site Field Visits

The program of on-site visits to Mutuals conducted by CCC staff is outlined in the table below. It includes reference to the proposed visits to be undertaken in 2011/12. The visits focused primarily on providing Mutuals with an introduction to the Committee's operations, to verify information provided by the Mutual in the ACS program and to discuss and provide feedback on any future areas of compliance improvement and training required by the Mutual.

	Total number of Mutual head offices	April 2010 to June 2010	2010/11 period	TOTAL	2011/12 period (proposed)
ACT	2	-	-	-	0
NSW	50	1	4	5	11
Qld	13	-	2	2	2
SA/NT	7	-	-	-	2
Tas	1	-	-	-	0
Vic	22	10	3	13	3
WA	4	-	-	-	1
TOTAL	99	11	9	20	19

Although the initial visits have mostly occurred in Victoria, it is envisaged that 20 field visits will be conducted throughout Australia over the next financial year and that all Mutuals, including Mutuals in rural areas, will receive a field visit over a five year cycle.

Investigating

As part of the Committee's functions, it receives and investigates allegations of breaches of the Code made by any third person, including members of Mutuals, potential members and other key stakeholders.

The Committee cannot consider claims for compensation and loss. The Committee's investigations aim to identify the cause of alleged breaches rather than assessing compensation claims. The investigations also help identify whether broader compliance issues are present.

In particular, the Committee's work considers the effectiveness of remedial actions taken by Mutuals to minimise the impact of breaches on members.

There are two types of investigation undertaken, investigations into an allegation of a breach of the code made by an individual, called a complaint investigation and investigations that are self initiated by the Committee itself.

Complaint investigations

New complaints

During the reporting period, the Committee received no new complaints.

Outstanding complaints from previous reporting period

During the reporting period, there was one outstanding complaint from the previous reporting period:

Complaint 1 - possible breach of part D, sections 23, 27 and 28 of the Code:

The applicant alleged that a Mutual's staff member had passed private and confidential information about them to another member of that Mutual. The case was closed due to the applicant's failure to authorise the Committee to investigate the matter and exchange the applicant's documents with the Mutual.

Self-initiated investigation

The Committee can also initiate Code investigations without needing a complaint to act as a trigger. Such investigations are mainly used to identify and assess:

- whether non-compliant behaviour identified through case investigations is systemic, either across an organisation or the industry in general;
- the presence of non-compliant behaviour that may not have been identified by the Mutuals' internal compliance monitoring systems or their ACS; and
- potential or emerging compliance risks in relation to compliance with the Code that may affect a number of Mutuals and their members.

During the reporting period, the Committee undertook the following self-initiated investigation:

Investigation – unlimited guarantees

Following a self-reported breach by a Mutual related to Guarantees, the Committee conducted an own motion Inquiry of the Mutual's compliance with its obligations under Part D, Section 12.3 of the Code. The Inquiry was a learning process for both the Committee and the relevant Mutual.

The Committee would like to congratulate the Mutual for its professional engagement with the Committee during the inquiry and its review of, and resulting changes to, internal processes and operations in its rectification of the alleged breach.

Following its review of the data received from Part III of the ACS 2011, the Committee has determined that it will not undertake a more detailed industry review on Guarantees at this time.

Influencing

The Committee aims to influence the behaviour of Mutuals to improve the standards of good practice and service of the industry and achieve compliance with the Code's obligations. In support of this aim, the Committee:

- challenges conventional thinking and tests accepted industry practices; and
- publishes case outcomes, reports, research papers and educational material.

During the reporting period the Committee published or re-published:

- editions [3](#), [4](#), [5](#) and [6](#) of the Committee's bulletin 'Accomplish';
- the Committee's '[Direct Debit Report](#)';
- the Committee's '[Report on Compliance with Part B of the Code](#)';
- the Committee's [follow up review](#) of the '[Visibility and Access Report](#)'; and
- various [media releases and reports](#) from Abacus, APRA and the Australian Securities & Investments Commission (ASIC) on issues relating to Mutuals.

Direct Debit Report

During the reporting period the Committee conducted a review of the Mutuals' compliance with the Direct Debit obligations set out in Part D, Section 20.1 of the Code. That section requires Mutuals to promptly stop a direct debit facility linked to a member's transaction account whenever the member requests that it be cancelled. As part of the review, the Committee undertook a shadow shopping exercise on two separate dates.

The shadow shop exercise used a scenario involving a member requesting information on how to stop a direct debit linked to a transaction account (not a credit card). It tested whether Mutual staff members were correctly advising customers on the process in accordance with their Code obligations. In addition, this exercise also tested the staff members' knowledge and understanding of the process and examined overall general conduct when dealing with members.

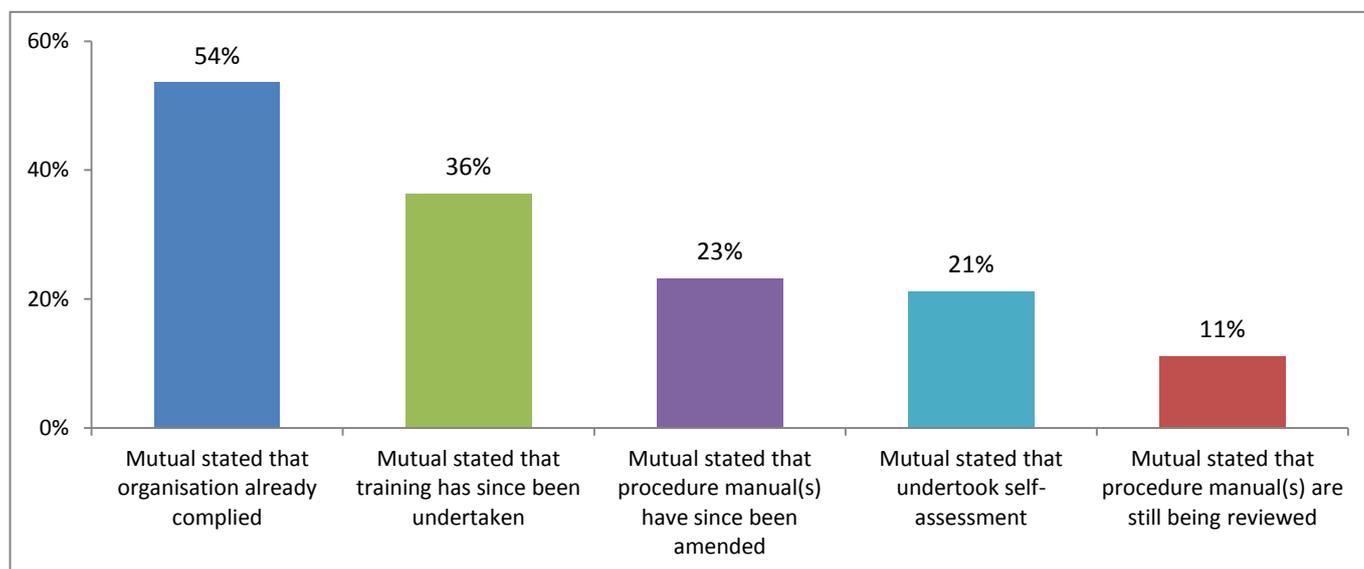
The August 2010 review found that 7 out of 10 Mutuals surveyed provided incorrect or inadequate advice at call centre level to the caller. The Committee shared these findings with Mutuals and key stakeholders. In November 2010 the Committee re-tested the original sample of Mutuals and found only 10 % improvement in Mutuals' practices (with 4 out of 10 being fully compliant). This improvement level did not meet the Committee's expectations. The full [Direct Debit Report](#) was published in March 2011 and is available on the Committee's website¹.

Based on these findings the Committee recommended that all Mutuals ensure that their staff were adequately trained and understood the obligations under the Code and the Bulk Electronic Clearing System ([BECS](#)) rules, developed by the Australian Payments Clearing Association ([APCA](#)). The Committee also recommended an increase in staff awareness about the impact of incorrect advice, particularly upon members experiencing financial hardship.

¹ See <http://www.cccmutuals.org/uploads/2011/03/MBCOP-Clause-20-Direct-Debits-Full-Report-Mar-2011.pdf>

The Committee has since provided Mutuals with a Direct Debit Shadow Shopping Guide so that Mutuals can undertake their own assessment of their compliance in this area. As a follow up to this work, in the 2011 ACS Mutuals were asked a series of questions about whether and how they had reviewed and implemented the Committee’s recommendations in this area.

Graph 11: Mutuals' responses to Direct Debit Report*



Note: Mutuals were able to provide multiple responses to this question

As indicated in graph 11 above, only 54% of Mutuals stated that they already complied with Direct Debit requirements under the Code prior to the release of the Report. The Committee is happy with the positive response to the report by Mutuals and the actions taken by them to rectify non compliance in this area. Given the high levels of non-compliance identified in the shadow shopping exercises undertaken by the Committee in 2010 and 2011, this is an area that has been marked for further follow up by the Committee in 2012.

A review of the written responses received in the 2011 ACS and the feedback received during onsite visits, indicates that Mutuals appreciated the format and practicality of the Direct Debits Report. The Committee will take this into consideration and will endeavour to use similar shadow shopping exercises in future industry reviews.

Report on Compliance with Part B of the Code

As indicated previously in this Report, during the reporting period the Committee conducted a desktop review of web-based information provided by Mutuals in compliance with their obligations to insert reference to the Code in their T&Cs. The review examined Mutuals’ compliance with *Part B* of the Code, in particular the section ‘*Commitment to comply with Code*’, which states:

‘We will incorporate this Code by reference in our written Terms and Conditions for products and facilities to which the Code applies. We will ensure we do this within six months of the commencement date of this Code; or, if we subscribe to this Code after its commencement, within six months of the date on which we first subscribe.’

The overall results of the review identified that 28% of the surveyed Mutuals had not fully embedded the Code into their T&Cs for products and facilities to which the Code applies, despite the fact that nearly one

year had passed since the deadline to do so as specified by the Code (i.e. 31/12/2009). The results also identified a range of both good and poor practices in this area, key findings and outlined some recommendations for improvement in industry practice. The full report was published in March 2011 and is available on the Committee's website².

As identified earlier in this Report, the results of the 2011 ACS indicate that 71% of Mutuals now have T&Cs that incorporate reference to the new Code and 26% of Mutuals are continuing their review to ensure compliance with their obligations. This is a very pleasing result.

Follow up review of the Visibility and Access Report

As indicated previously in this Report, during the last reporting period the Committee published its [Visibility and Access report](#) which reviewed the web-based information available to Mutual members about the Code, internal dispute resolution (IDR) and external dispute resolution (EDR).

The terms "access" and "dispute resolution" in the context of the Code, generally relate to the time and effort involved and ease and convenience in obtaining relevant information. Good access promotes a positive impact on members' loyalty and satisfaction.

Following the release of the 2010 report, the Committee provided recommendations to Mutuals seeking to improve member awareness and access to Code, IDR and EDR information.

During March/April 2011 the Committee conducted a follow up review of the same websites reviewed in 2010. The Committee was pleased with the overall improvements in compliance with this area of the Code:

- 63% of websites were fully compliant in comparison to 23% in the May 2010 report;
- Code information could be accessed on 97% of websites in comparison to 66% in the May 2010 report;
- IDR information including specific IDR process details and explanatory notes could be accessed on 98 % of websites in comparison to 61 % in the May 2010 report; and
- EDR information could be accessed on 93 % of websites in comparison to 77 % in the May 2010 report.

However the accessibility of Code, IDR and EDR information still appears to require improvement:

- 36% of websites require more than two (2) clicks to access Code information;
- 26% of websites require more than two (2) clicks to access IDR information; and
- 47% of websites did not include a direct link to the relevant EDR scheme of the Mutual.

The ACS 2011 requested Mutuals to indicate how they had tested/implemented the Committee's recommendations set out in the report (see [Graph 5](#)). As indicated, the Committee is pleased with the significant implementation rates for the majority of its recommendations.

² See <http://www.cccmutuals.org.au/2011/03/18/reports-17-compliance-with-part-b-of-the-code/>

Future Outlook

During the 2011-12 reporting year the Committee will build on its achievements to date. Through the Committee's monitoring, investigative and influencing functions, it will continue to work closely with its key stakeholders to improve the compliance and the standards of practice and service of the Mutuals. Some of the Committee's proposed projects for this period are outlined below.

Annual Compliance Statement

Following the inaugural groundwork over the past two years, the Committee will change its approach in the 2012 ACS and target specific areas of non-compliance and Code obligation.

The objective will be to provide specific feedback and hands-on recommendations and guidelines in Code related areas which are relevant to most Mutuals. The Committee believes this approach is consistent with feedback received from the Mutuals during the 2011 ACS program.

Onsite Field Visit Program

The Committee will increase its on-site field visit program, to ensure a dialogue with Mutuals on issues related to Code compliance within their own organisation and to verify data and responses received from Mutuals during the ACS program. It is envisaged that 20 such field visits will be conducted throughout Australia over the next financial year and that all Mutuals will receive a field visit over a five year cycle.

Code Training

The Committee will conduct a review to determine Mutuals' compliance with their obligations to train staff in their Code obligations and to apply that training in their dealings with members. This will include a review of whether Code requirements in relation to the 10 Key Promises, have been incorporated into day-to-day procedures and processes. This review has been triggered to highlight the importance of training to the success of the Code.

The review will consider Code related training and communication to understand current industry practice and in particular:

- how and to whom this training is delivered (existing and new staff);
- the content of this training and its assessment;
- the intervals at which and the method used to deliver the training;
- the nature and type of breaches recorded by Mutuals in this area in 2011; and
- any rectification action taken by Mutuals in response to these breaches.

The Inquiry will also assess:

- key monitoring processes within Mutuals for identification of Code related staff training requirements, training delivery and tracking of training completed / not completed; and
- whether Code training methods and materials vary according to staff function.

Financial Difficulty

The Committee has scheduled a review relating to compliance with Part D Section 24 (financial difficulty), as a result of concerns voiced by consumer groups and other key stakeholder groups.

Terms and Conditions

The Committee will follow up individual Mutuals who have reported that they are still in the process of reviewing and amending their T&Cs and websites to comply with the Code.

Direct Debit

The Committee will undertake another shadow shopping exercise regarding obligations under part D Section 20.1 (direct debit) with the expectation that compliance across the industry will have improved since the last review. Participating Mutuals will be provided with an individual report assessing their performance.

Breach Management and Reporting Guidelines

The Committee will consult with industry about the development of guidelines regarding monitoring, reporting and management of Code breaches.

Stakeholder engagement

Based on the feedback received from the Mutuals in 2011, the Committee is committed to further improving its liaison and collaboration with key stakeholders in order to achieve its stated objectives to promote compliance with the Code and to assist Code subscribers meet and exceed the standards of good industry practice, envisaged by the Code. To achieve this, the Committee aims to increase its consultation with industry and stakeholders before issuing Guidance and Recommendations on industry practice.

Monitoring Compliance against the Code

In relation to its other monitoring activities for 2012, the Committee proposes to:

- continue to consult with the industry, with particular emphasis on its review of the ACS 2011;
- develop the 2012 ACS and obtain feedback from Mutuals and Abacus in relation to its content and format;
- focus on breach management and assessment of breach registers; and
- address individual concerns with Mutuals as and when they arise through the ACS process.

Investigations

In relation to its investigations activities, the Committee proposes to:

- continue to review information received regarding potential Code breaches and/or systemic issues; and
- review the extent to which Mutuals have incorporated the Committee's recommendations regarding visibility and access of Code, IDR and EDR information on their websites;

Influencing

In relation to its influencing activities, the Committee proposes to:

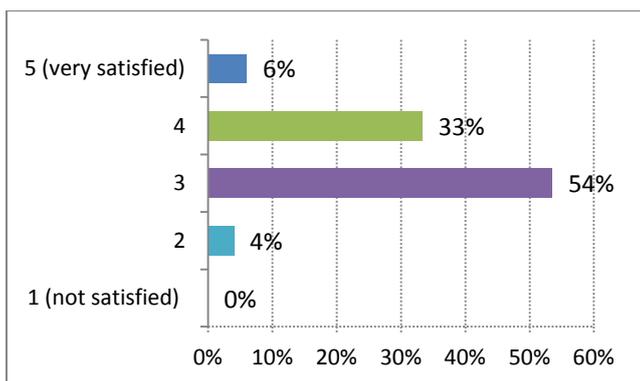
- provide the public and industry with information, reports and updates on its website; and
- consult with industry regarding best practice guidelines and implementation of written policies and procedures.

Feedback regarding the Committee's services

In the 2011 ACS, the Committee actively sought feedback from Mutuels about the quality of services provided by the Committee and its Secretariat and the effectiveness of its work program. Overall, the Committee has been very encouraged by the feedback, given it is only in its second year of operation and is still in the process of increasing awareness within the industry of its role and work program.

In total, 93 % of Mutuels rated the overall services provided by the Committee at 3 or more and 39 % being satisfied or very satisfied. Only 4 % of Mutuels gave the Committee a rating of 2 (with 1 being not satisfied) (see Graph 12).

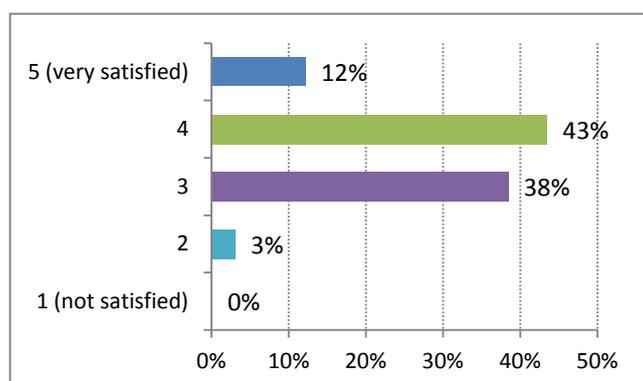
Graph 12: Survey of overall services provided by the CCC



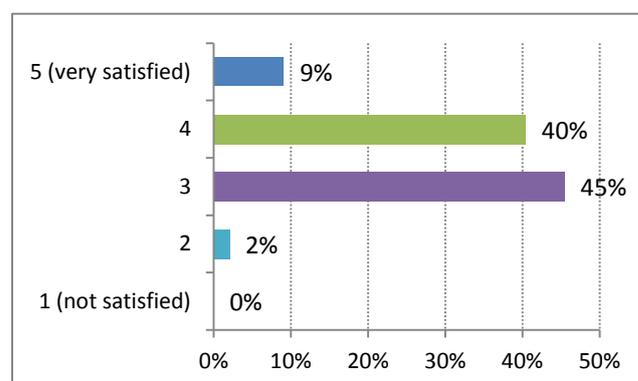
A similar result was achieved in the context of perceptions of the professionalism of the secretariat, as outlined in Graph 13 and the quality of reports and bulletins published by the Committee, as outlined in Graph 14.

Mutuels have requested that the Committee develop further guidance and recommendations in consultation with industry, relation to compliance with the Code and improving industry practice. The Committee's objective will be to ensure guidance is relevant to the operational objectives of Mutuels and includes a realistic timetable for industry improvement.

Graph 13: Survey of professionalism of CCC staff



Graph 14: Survey of quality of publications



ATTACHMENT A – Summary of ACS findings 2011

Level A – Areas of effective compliance

Code section	Results & Assessment	Assessment
<p>Part D, sect. 1 – Advertising</p> <p>Part D, sect. 2 – Information about our products</p> <p>Part D, sect. 3 – Information on interest rates, fees and charges</p> <p>Part D, sect. 4 – Fair terms and conditions</p> <p>Part D, sect. 5 – Reviewing fees and charges</p> <p>Part D, sect. 6 – Responsible lending practices</p> <p>Part D, sect. 9 – Joint accounts</p> <p>Part D, sect. 11 – Safeguards for co-borrowers</p> <p>Part D, sect. 15 – Timely, clear and effective communication</p> <p>Part D, sect. 16 – Account statement and balances</p> <p>Part D, sect. 17 – Notifying changes to your account</p> <p>Part D, sect. 19 – Copies of documents, statements and other information</p> <p>Part D, sect. 22 – Closing your account</p> <p>Part D, sect. 24 – If you are in financial difficulty</p> <p>Part D, sect. 26 – Debt collection and legal action</p>	<p>95 % of Mutuels advised that they have documented information for members and effective policies and procedures for staff in place, compliant with these sections.</p> <p>For more detailed information see Graph 1 and Graph 2.</p>	<p>Individual Mutuels who are yet to finalise their compliance will be followed up throughout the year.</p> <p>There was an increase of reported breaches regarding sect. 4 and sect. 17 (see Graph 10). Further investigation in regards to the cause of the Code breaches in these areas will take place.</p> <p>A self-assessment by Mutuels to review their terms and conditions will be included in the ACS 2012.</p> <p>The Committee is planning to undertake a shadow shopping exercise to obtain more specific information in regards to compliance with sect. 6 and 24.</p> <p>The Committee will consult with industry and Abacus regarding current industry practice and the need to draft guidelines.</p>
<p>Part D, sect. 7 – Credit limit increase offers</p> <p>Part D, sect. 8 – Reverse mortgage loans</p> <p>Part D, sect. 10 – Subsidiary cards</p> <p>Part D, sect. 12 – Safeguard for loan-guarantors</p> <p>Part D, sect. 13 – Third party products</p> <p>Part D, sect. 14 – Use of finance brokers</p>	<p>The majority of Mutuels advised that they have documented information for members and effective policies and procedures for staff in place, compliant with these sections.</p> <p>The following percentage of Mutuels advised that these sections of the Code are not applicable to their business:</p>	<p>There appears to be an increased number of Code breaches in sect. 14 (see Graph 10).</p> <p>The Committee proposes a review of adequacy of Code training undertaken by finance brokers (if used by Mutual).</p>

Part D, sect. 18 – Provision of statements and notices electronically	Sect. 8 and 14:	about 70%	
Part D, sect. 21 – Seeking chargeback on your behalf	Sect. 7:	about 40%	
Part D, sect. 25 – Working with your representative	Sect. 18:	about 30%	
	Sect. 25:	about 20%	
	Sect. 10, 12, 13 and 21:	about 10%	
	For more detailed information see Graph 1 and Graph 2 .		

Level B – Areas of basic compliance

Code section	Results	Assessment
Part B, page 7 – Commitment to comply with the Code	<p>93 % of Mutuals advised that they have documented information for members and effective policies and procedures for staff in place, compliant with these sections.</p> <p>For more detailed information see Graph 1 and Graph 2.</p>	<p>54 % of Mutuals stated that their organisation already complied and 17 % of Mutuals stated that their T&Cs have since been amended. 26 % of Mutuals advised that their T&Cs are still being reviewed and will be amended at some time in the near futures (see Graph 5).</p> <p>In particular, some Mutuals disagreed with recommendations relating to the location and description of Code information and inclusion of information about the Committee.</p> <p>Consultation to be undertaken with industry and Abacus to define adequate inclusion of Code and Code information in T&Cs and to provide draft guidelines for inclusion of Code and Code information if required.</p>
Part E, sect. 1 – Publicising the Code		<p>35 % of Mutuals stated that their website already complied and 26 % of Mutuals stated that their website has since been amended. 32 % of Mutuals advised that their website is still being reviewed and will be amended at some time in the near futures (see Graph 3).</p> <p>In particular, some Mutuals disagreed with recommendations relating to the use of the Code symbol, offering translation services and using website standards (see Graph 4).</p> <p>Consultation to be undertaken with industry and Abacus to define adequate visibility and access of Code and Code information and to provide draft guidelines about adequate visibility and access to Code and Code information if required.</p>

Level C – Areas in need of improved compliance

Code section	Results	Assessment
Part D, sect. 20.1 – Stopping direct debit	<p>Over 90 % of Mutuels advised that they have documented information for members and effective policies and procedures for staff in place, compliant with these sections.</p> <p>For more detailed information see Graph 1 and Graph 2.</p>	<p>54 % of Mutuels confirmed that their organisation already complied, with 36 % confirming that training has since been undertaken and 23 % confirmed that training manual have since been amended.</p> <p>21 % of Mutuels used the guide to undertake a self-assessment.</p> <p>11 % of Mutuels advised that procedures are currently being reviewed.</p> <p>For more detailed information see Graph 11).</p> <p>The Committee proposes a follow up shadow shopping exercise to further improve compliance with this section of the Code.</p> <p>Consultation to be undertaken with industry and Abacus and issue further guidelines and training material.</p>
Part D, sect. 23 – Information privacy and security		<p>There was an increase of reported breaches in this area from 47 in 2010 to 81 in 2011 (see Graph 10).</p> <p>Consultation to be undertaken with industry and Abacus in regards to standard and practice of privacy guidelines.</p> <p>Self-assessment by Mutuels of their privacy policy and guidelines as part of ACS 2012.</p>
<p>Part D, sect. 27 – Prompt, fair resolution of complaints</p> <p>Part D, sect. 28 – Our complaints handling process</p> <p>Part D, sect. 29 – External Disputes Resolution (EDR schemes)</p>		<p>Improvement needed in regards to access and visibility of IDR and EDR information.</p> <p>Ongoing review as part of the Committee's monitoring exercise in line with the outcome of the Access and Visibility report.</p>
Part E, sect. 2 – Training our staff		<p>There was an increase of reported breaches in this area from 1 in 2010 to 29 in 2011 (see Graph 10).</p> <p>Further review needed to assess if Mutuels provide ongoing training to staff in regards to Code requirements and if Code requirements are embedded in other staff training.</p> <p>Consultation to be undertaken with industry and Abacus to assess training requirements.</p>

ATTACHMENT B – Definitions

In this Report, and unless otherwise stated:

Abacus	means Abacus - Australian Mutuals Limited.
ACS	means Annual Compliance Statement as specified in section E18 of the Code.
Annual Report	means this document, the report specified in section 14 of the Constitution of the Mutual Banking Code Compliance Committee Association.
APRA	means the Australian Prudential Regulation Authority.
ASIC	means the Australian Securities and Investments Commission.
CCC	see Committee.
Code	means the Mutual Banking Code of Practice.
Committee	means the Mutual Banking Code Compliance Committee as specified in section 4 of the Constitution.
Constitution	means the Constitution of the Mutual Banking Code Compliance Committee Association.
COSL	means Credit Ombudsman Service Limited.
EDR Scheme	means an External Dispute Resolution scheme to which a Code subscribing Mutual belongs and whose jurisdiction encompasses subjects addressed by the Code, including the Credit Ombudsman Service Limited and the Financial Ombudsman Service.
FOS	means the Financial Ombudsman Service.
IDR Scheme	means the Internal Dispute Resolution scheme of a Code subscribing Mutual.
MBCCCA	means the Mutual Banking Code Compliance Committee Association as specified in Section 3 of the Constitution.
Mutual(s)	means a Credit Union or Mutual Building Society member of Abacus that subscribes to the Code.
RBA	means Reserve Bank of Australia.

Note: Items marked in blue contain active hyperlinks to websites where further information can be found.



Code Compliance Committee
PO Box 14240
Melbourne VIC 8001

Ph 1300 78 08 08

www.cccmutuals.org.au

info@codecompliance.org.au