

Accomplish

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Committee members:

- Jeff Whalan (independent Chair)
- Patricia Langham (Industry Representative)
- Prof. Gail Pearson (Consumer Representative)

Future CCC meetings:

- 25 July 2012 (Melbourne)
- 22 September 2012 (Abacus Convention)
- 2 November 2012 (teleconference)
- 6 December 2012 (Sydney)

CCC interested in:

- Upcoming review of the Code
- International Year of the Co-operative

A message from the Code Compliance Committee Chairman, Jeff Whalan

The Mutual Banking Code of Practice (the Code) commenced on 1 July 2009. Most credit unions, mutual banks and mutual building societies (Mutuals) subscribe to the Code – that is, they formally agree to be bound by the Code in their dealings with members and customers.

The Code established higher standards than the law required in a range of areas and addressed a number of issues that were not covered by law at that time. By establishing the Code, the subscribers and the Mutuals sector sent a strong message that they intended to be pace setters in terms of their undertakings to their members and customers. The commitment to the Code has allowed the Mutuals to differentiate themselves from the more traditional banks.

When the Code was established a commitment was made that the Code would be reviewed by an independent reviewer, with the initial review to commence within three years of the commencement of the Code. This is an important commitment which will help ensure that the Code remains fit for purpose and that the Mutuals sector continues to position itself as being the most customer orientated of the financial services industry.

The Code Compliance Committee (CCC) looks forward to the review and to being able to contribute its knowledge and experience to a successful outcome.

I draw your attention to the results of the Direct Debit Shadow Shopping exercise that was completed in April. This is the third time we have completed this exercise and it is a reminder that this remains an area that requires further attention by most Mutuals.



A message from the Executive Manager, Dr June Smith

Key Projects:

- ACS follow-up work regarding T&Cs, Direct Debit and websites Code requirements
- Shadow shopping exercise regarding Direct Debit obligations
- New project regarding compliance with Code training obligations
- Development of CODEX: a Code specific case management system
- Further field visits

The first quarter of 2012 has been a busy time for the secretariat. We have completed follow up and verification work from the 2011 Annual Compliance Statement and CCC recommendations made as a result of various projects undertaken in 2011, such as Direct Debit obligations, the visibility and access of Code information on Mutuals' websites and within Mutuals' Terms & Conditions.

We have also started work on our new projects for the first half of this year, including a review of Code Training obligations and a follow up shadow shopping exercise regarding Direct Debit obligations.

Work continues on the development of an internal Code specific Business Case Management System. This system will improve our breach recording and reporting, and assist us with the management of data associated with the ACS and other inquiries.

We have planned a further round of field visits to Mutuals in June 2012, The purpose of these visits is to assess Code related issues and share some of our experience of current trends in Mutuals Code Compliance.

Since inception of the Code, the CCC has conducted the following visits:

Year	ACT	NSW	Qld	SA	Vic	WA	Total
2009/2010		1			10		11
2010/2011	1	3	2		3		9
2011/2012		11	2	2	3	1	19
Grand Total	1	15	4	2	16	1	39

Code Training inquiry considered:

- Code training processes: coverage, provider and delivery methods
- Keeping track of Code training
- Key controls for monitoring staff's compliance with the Code

CCC Inquiry: Code Training obligations

The Code training survey was forwarded to all Code subscribers on April 10, 2012. Its objective is to allow the CCC to assess Mutuals' compliance with their Code obligations to adequately train all customer-facing and other relevant staff on the requirements of the Code and ensure that they apply this training in their dealings with members.

The review will consider Code related training and communication to understand current industry practice as well as assessing key monitoring processes within Mutuals for identifications of Code training requirements, delivery and tracking of training completion and whether Code training methods and materials vary according to staff function.



No overall industry improvement in compliance with part D section 20.1 'Direct Debit':

In March/April 2012 the CCC conducted another shadow shop exercise to review compliance with part D Section 20.1 of the Code 'stopping direct debit'.

Results showed no change or improvement in overall compliance rates.

The data and information obtained during the Inquiry will be analysed to determine the extent of compliance with the provisions of the Code. The results of this aggregated analysis will be communicated to all Mutuals taking part in the Inquiry. The results will include reference to overall trends and patterns associated with Code compliance in this area. Each Mutual will also receive details of their individual results.

Direct Debit Shadow Shop April 2012

In March/April 2012 the CCC conducted another shadow shop exercise to review industry compliance with part D Section 20.1 of the Code 'stopping direct debit'. We excluded Mutuals who had participated in the [previous shadow shopping exercises](#) and selected a total of 44 Mutuals for this review.

The review was conducted in two phases:

- Phase 1: desktop review of Mutuals' Terms and Conditions (T&Cs); and
- Phase 2: shadow shopping exercise of randomly selected Mutuals call centres or branches.

A copy of the full results from the review will be available from our website. The individual results for each Mutual who participated in the exercise will be provided shortly.

In summary **Phase 1** of the review showed the following results:

- 70% of Mutuals provided correct information in the T&Cs, and
- 30% of Mutuals had incorrect or unclear information in the T&Cs.

As for Phase 2 of the review, the shadow shopping exercise used the following script:

"I have a monthly direct debit organised with my child care that comes out of my *[include nominated account description]*. I gave them my BSB and member number when I initially signed up.

I might not be using their services in the next couple of months. I just wanted to know how I can cancel the direct debit?"

If the Mutual's staff advised that the Mutual could cancel the direct debit, we used further illustrative questioning to prompt staff for more information.

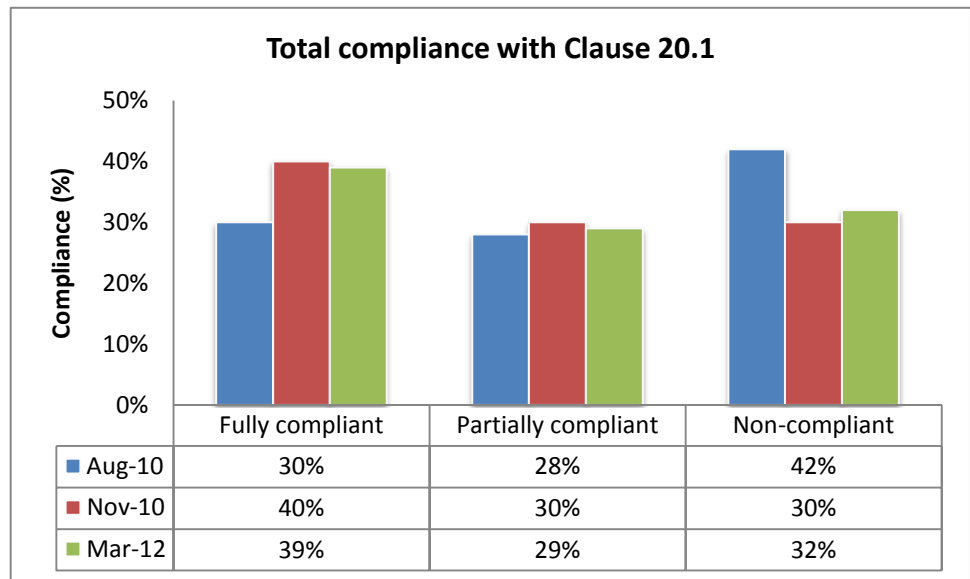
Mutuals' responses to **Phase 2** of the review showed the following results:

- 39% (17) of Mutuals were fully compliant
- 29% (12) of Mutuals were partially compliant, and
- 32% (15) of Mutuals were non-compliant.



This is the third time we have conducted this exercise. The first two times, in 2010, were with the same selection of Mutuals. This latest exercise involved a new selection of Mutuals.

The following graph summarises the results from the three reviews.



The CCC believes that there is still significant room for improvement. Some steps Mutuals can take to ensure compliance will be outlined in our upcoming report.

Annual Compliance Statement

The verification process following the results of the Annual Compliance Statement (ACS MBCoP) 2011 has now been completed.

Following consultation with the industry and Abacus, the CCC has developed the 2012 Annual Compliance Statement.

The 2012 ACS MBCoP differs to the 2011 ACS MBCoP, in a number of aspects. This year's ACS includes:

ACS MBCoP 2012 includes:

- a self assessment compliance declaration
- detailed reporting requirements for non compliance only
- a focus on Code breach monitoring and reporting
- a focus on certain areas of interest to the CCC including IDR, Financial Difficulty and Virtual Banking

- a self assessment compliance declaration,
- detailed reporting requirements for non compliance only,
- a focus on how compliance is monitored and reported within the Mutual, and
- a focus on certain areas of Code compliance that will be the subject of inquiries in 2012-2013 (i.e. CCC investigations which are not dependent upon a specific allegation. These inquiries will be conducted in areas regarding Internal Dispute Resolution, financial difficulty and virtual banking).



Important dates for ACS MBCoP 2012:

15 June - receive ACS

30 September - return ACS

Project: Financial difficulty
2012 ACS verification
process and on-site field
visits

Liaison with relevant
stakeholders

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Website:

www.cccmutuals.org.au

General feedback received by the CCC from Mutuals about the 2012 ACS has been very positive. Specific feedback includes:

- Mutuals are supportive of the 'Compliance declaration' by the CEO or senior management within the document (more accountability placed on the person completing the ACS).
- Broad agreement to Mutuals reporting on areas of non-compliance, instead of overall levels of compliance with every section of the Code.
- It allows Mutual to self-assess compliance against different areas of the Code and focus on improvements overall.
- The ACS is more concise and looks easier to complete.
- Instructions are very helpful, setting the context for why Mutuals should allocate resources to complete the ACS.

The ACS MBCoP 2012 will be forwarded to all Code subscribers in mid June 2012 for completion as required by clause E 18 of the Code. Responses are required from all Mutuals on or before 30 September 2012.

Other activities

The CCC has set itself an interesting and challenging work program for 2012-2013. In addition to work already outlined in this bulletin, the CCC proposes to:

- consult with industry in the first half of 2013 relating to compliance with Part D, Section 24 (financial difficulty), prompted by concerns voiced by consumer groups and other key stakeholder groups,
- conduct on-site visits as part of the ACS verification program to address any issues related to Code compliance with the Mutual, and
- further improve its liaison and collaboration with key stakeholders in order to achieve its objectives to improve compliance with the Code and to assist Code subscribers meet and exceed the standards of good industry practice, envisaged by the Code.

Contacting the CCC

If you have a general enquiry or want to provide feedback –

You can write to CCC or call CCC using the details beside.

You can also email your enquiry to info@codecompliance.org.au.

If you have a media enquiry –

All media inquiries regarding the CCC should be referred to Dr June Smith, Executive Manager, at jsmith@codecompliance.org.au.

Copies of the Code and information about the Code are available on the [CCC's website](#) and the [Abacus Australian Mutuals website](#) .

