

MEDIA RELEASE

17 August 2007

Credit unions, mutual building societies and banks less exposed to wholesale market volatility

Credit unions and mutual building societies do not have the same exposure to volatile wholesale markets as non-prudentially regulated lenders, Abacus – Australian Mutuals Chief Executive, Adrian Lovney said today.

“Credit unions and mutual building societies are not included in the category of ‘non-bank lenders’ that have been the focus of recent media attention,” said Mr Lovney.

Credit unions and building societies, along with banks, are Authorised Deposit-taking Institutions (ADIs) subject to the same regulatory standards under the *Banking Act 1959* and oversight by the Australian Prudential Regulation Authority (APRA). Other lenders in the market – non-ADI lenders - are not subject to prudential standards.

Referring to media coverage of the impact on home loan interest rates in Australia from developments in overseas lending markets, Mr Lovney explained that credit unions and mutual building societies do not fund the bulk of lending from wholesale and overseas sources, as is the practice of non-prudentially regulated lenders.

“Credit unions and mutual building societies source the bulk of their funding from retained earnings and deposits, and participate in highly rated domestic securitisation programs” said Mr Lovney.

“While the interest rates will always be subject to variation, credit unions and mutual building societies do not have the same exposure as non-ADI lenders to volatile wholesale markets.”

There are 150 credit unions and mutual building societies in Australia, owned by and operated for more than 4.5 million members nationwide. As ADIs, building societies and credit unions meet the same prudential standards as the major banks.

In addition to their status as ADIs regulated by APRA, mutual building societies and credit unions are Australian Financial Services Licensees regulated by ASIC, and are subject to the Uniform Consumer Credit Code and the Electronic Funds Transfer Code.

Ends

***Abacus - Australian Mutuals** is the industry body for credit unions and mutual building societies. We work with our 150 member institutions to promote the role of mutuals - building societies and credit unions that are owned by, and operated for, the benefit of their members. Our industry offers a different kind of banking: one that puts members first. More than four and a half million Australians are members of credit unions and building societies.*

For more information:

Paul Murton, Media Relations Manager

(02) 8299 9024; (0434) 185 229; pmurton@abacus.org.au