



Submission to the Council of Financial Regulators and the Australian Competition and Consumer Commission Review into Small and Medium-Sized Banks

Submitted by: The Mac Credit Union

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Introduction

The Mac Credit Union welcomes the opportunity to contribute to the Council of Financial Regulators (CFR) and the Australian Competition and Consumer Commission (ACCC) review into small and medium-sized banks. As a member-owned financial institution, our mission is to serve the financial needs of our members, foster community development, and contribute to the broader Australian economy.

We recognise the importance of this review in addressing the challenges and opportunities faced by smaller financial institutions in a competitive and evolving financial services landscape. This submission outlines key areas where reforms and support mechanisms can enhance competition, ensure fair access to financial services, and promote financial system resilience.

The Mac Credit Union corporate profile

In 1971, a group of local miners and truck drivers founded Clutha Employees Credit Union. Created to provide financial services and products to local employees of the Clutha coal mines in Camden (South-West Sydney), the credit union expanded to serve the needs of the community in 1978 when it became Macarthur Credit Union.

Born from the Macarthur community to serve the needs of the Macarthur and Wollondilly communities, Macarthur Credit Union became The Mac 35 years later in 2013. With three local branches in Camden, Picton and Tahmoor, The Mac continues to exist for the benefit of its members and the local community.

Our thirty-five staff have an average tenure of 11 years, and we serve 12,000 members predominantly domiciled in South-West Sydney however we do have members in every state and territory of Australia.

Only 4% of our members visit a branch more than once per month with the online channel favoured by the majority of members for their normal transaction needs. Matters requiring a more personal connection such as a loan or term deposit usually are progressed via the branch channel.

We meet all our regulatory obligations.

For context, as at 31 December 2024 we held Total Assets of \$384 million and our FY 2024 after tax profit of \$1.586 million was the equivalent of 1.5 hours of trading for the Commonwealth Bank of Australia¹.

¹ CBA announced an after-tax profit of \$9.48 billion in 2024 (\$1.082 million per hour 24x7)

1. Competition and Market Dynamics

Challenges:

- Small institutions like ours face significant barriers to competing with larger banks, including:
 - Limited access to capital markets for funding growth.
 - Disproportionate regulatory compliance costs.
 - Difficulty in achieving economies of scale for technological investments.
- Market concentration continues to limit consumer choice and pricing power for smaller entities.

Recommendations:

1. **Proportional Regulation:** Implement a tiered fit-for-purpose regulatory framework that reduces compliance costs for smaller institutions without compromising prudential oversight.
 2. **Funding Access:** Establish or expand government-supported funding programs (e.g., securitisation warehouses) to improve liquidity access for small and medium-sized institutions.
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2. Technological Innovation and Digital Transformation

Challenges:

- Digital banking and fintech collaborations are critical for member engagement, but:
 - High costs of adoption and integration disproportionately affect smaller entities.
 - Limited access to shared infrastructure, such as payment systems, impedes operational efficiency.

Recommendations:

1. **Innovation Grants:** Introduce grants or subsidies for small institutions to invest in cybersecurity, digital transformation, and fintech partnerships.
 2. **Shared Infrastructure:** Develop shared technological platforms for small and medium-sized banks to reduce costs and enhance interoperability.
 3. **Regulatory Sandboxes:** Expand participation opportunities in regulatory sandboxes to foster innovation in smaller institutions.
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3. Consumer Outcomes and Trust

Challenges:

- Smaller institutions are trusted by communities, but limited visibility reduces consumer awareness.
- Regulatory and market settings sometimes constrain our ability to compete on pricing and product offerings.

Recommendations:

1. **Awareness Campaigns:** Partner with industry bodies to promote the benefits of banking with smaller institutions.

2. **Pricing Fairness:** Review and address anti-competitive practices by larger institutions that inhibit fair pricing dynamics.
 3. **Community Banking Programs:** Incentivise community-oriented banking initiatives through tax benefits or grants.
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4. Environmental, Social, and Governance (ESG) Considerations

Challenges:

- While committed to sustainability, smaller institutions face challenges in aligning with comprehensive ESG frameworks due to resource constraints.

Recommendations:

1. **ESG Support:** Provide resources, tools, and frameworks tailored for smaller institutions to implement effective ESG strategies.
 2. **Green Finance:** Support access to green finance products and programs to empower smaller institutions to contribute to sustainability goals.
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Conclusion

The Mac Credit Union reiterates its commitment to delivering exceptional value to our members and communities while contributing to a resilient and competitive financial system. We believe that with the right policy settings and support mechanisms, small and medium-sized financial institutions can continue to play a vital role in the Australian economy.

We thank the CFR and ACCC for considering this submission and welcome any opportunity to provide further input or engage in consultations.

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