NZACU
New Zealand Association of Credit Unions

FOR IMMEDIATE RELEASE

7 September 2012

Credit Union Reforms Celebrated in Money Week

In a week where New Zealanders are celebrating Money Week, credit unions have another reason to celebrate.

Government reforms to archaic credit union legislation are being welcomed as "a step in the right direction," by the New Zealand Association of Credit Unions (NZACU), the industry body, which represents credit unions and mutual building societies throughout the country.

The legislation, which has been in the pipeline for over a decade, has finally been passed into law and makes a number of very positive changes to the *Friendly Societies and Credit Unions Act 1982*. Most significant is the removal of the $250,000 deposit limit per owner member, meaning credit union members may now deposit larger amounts of money with their local credit unions. The move is seen as a victory for credit unions, which have traditionally operated under highly constricting regulations, despite being regulated by the Reserve Bank.

"It's been a long, hard fought battle to get the cap on deposits removed," says Henry Lynch, Chief Executive of NZACU,

"We've been pushing for this change for over a decade. It means our loyal credit union members will finally be able to place larger deposits, such as the proceeds from the sale of their house, where *they* want to - with their trusted, local, New Zealand owned credit union," explains Mr Lynch.

Despite being heralded as a triumph, the reforms are just the 'tip of the iceberg', according to the NZACU, who are urging decision makers to act further to level the 'banking' playing field for its 200,000 plus members. "The additional layer of compliance that credit unions operate under as part of the 'Non-Bank Deposit Takers' regime is another issue that the NZACU is keen to see go" Mr Lynch said.

The next step now is for legislators to continue the reforms recommended by the Commerce Select Committee. This reform would remove another costly barrier to operations whereby credit unions are effectively overseen by two Trustees, an internally appointed Trustee Committee in addition to a Statutory Trustee as required under the Friendly Societies and Credit Unions Act. "Our preference would be to report directly to the Reserve Bank of New Zealand, as do banks" said Mr Lynch.

Credit unions are also keen to extend their services to the important SME market, which is common practice in other OECD countries, but is currently prohibited here under the present Friendly Societies and Credit Unions Act.

"The small to medium enterprise sector is the backbone of the New Zealand economy" says Mr Lynch. "Ministry of Business, Innovation and Employment reports show that 90% of businesses employ less than 6 people and they play a very important role in the local communities that credit unions operate in. The ability to provide these businesses with locally owned financial services, and in particular access to funding to help growth, would be a boost to both the local and national economies."

Continued….

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Whilst Mr Lynch believes the archaic laws governing the way credit unions operate place considerable and unnecessary financial and operational burden on them, he adds "Credit unions will continue to work hard in their local communities to improve the financial wellbeing of all members - we are hopeful that our calls for further legislative change will be met with a positive response so that this valuable local banking sector can continue to grow and help even more New Zealanders achieve their financial goals."

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Notes:

New Zealand Association of Credit Unions (NZACU):
Credit unions and mutual building societies are co-operatively owned financial service providers, providing their members with a similar range of services to a bank. Credit unions and building societies are all independently owned and operated by their members for their members, and any profits are returned to the members in a combination of ways i.e. fairer fees, interest rates and community involvement.

NZACU is the industry association for credit unions and building societies and exists to represent, promote and support its 25 Member credit unions and mutual building societies, providing cost-effective business services. NZACU's members employ over 550 staff, represent 210,000+ members, with 103 branches, assets of over $1.26 billion and collectively are the sixth largest financial transactor by volume in New Zealand.

The NZACU is a member of global trade association WOCCU, the World Council of Credit Unions, which represents over 196 million people in 100 countries across the globe. This international network operates under the vision: "Improving people's lives through credit unions" and promotes the sustainable development of credit unions and other financial cooperatives around the world.