

22QW: From Mr Matt Thistlethwaite MP
Topic: Platform industry

Question:

A key finding from REP 398 was the under-disclosure of fees and costs associated with investing indirectly through other vehicles – in what way will the exemption of platforms from the interposed vehicle test address under-disclosure if a consumer needs to reconcile multiple product disclosure statements to understand the full cost of investing in an investment option offered through a platform?

Answer:

It is important to keep in mind the platform's exemption from the interposed vehicle test reflects the regulatory arrangements for platforms that have been around for a long time, namely the acquisition of the security or interest in an entity is made at the direction of the investor from a list published by the responsible person, therefore it is not considered to be an interposed vehicle. A platform provider should not market their platform as though the only fees and costs are the platform fees and ASIC may take further action if they do. The revised RG 97 is now very clear on our expectations with regards to platform fee and costs disclosure, including the need for examples and to show the cumulative effect of the fees and costs of the investment that may be selected: see RG 97.74.

We expect that platform providers will give examples of the cumulative effect of fee and cost disclosure to investors. We also expect that as these investors are prepared to make their own choices about investments, their level of engagement may be higher than a person who goes into (for example) a MySuper product. They may also have the assistance of a financial adviser, and additional disclosure about fees and costs may be included in the Statement of Advice received by the client in these cases.

Where investment involves interposed vehicles in a non-platform context, it is done in order to achieve the objectives of the product in terms of exposure to an underlying asset or product. As such the fees and costs incurred by using the interposed vehicle are integrated into the cost of achieving the investment. However, in the context of a platform, exposure to the intermediary vehicle is the objective.