

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Review into APRA's Annual Report 2019-20

10 September 2021

Division/Agency: Australian Prudential Regulation Authority
Question No: APRA21QON
Topic: Cbus advertising costs
Reference: Written
Member: Tim Wilson

Question:

Throughout the AFL Grand Final advertisements were run by Cbus Super at considerable cost, therefore:

- a. Has APRA investigated the cost of this advertising and whether it amounts to the best financial interests of members
- b. If so how did it establish it was, or it was not?
- c. And if is not, what action has APRA taken?
- d. And if APRA has not investigated, will it?
- e. If not, why not?
- f. And if it is under investigation, when will the investigation be complete?
- g. And will APRA provide an additional report to the committee once it is complete?
- h. And if not, why not?

Answer:

The introduction of the best financial interests' duty as part of the Your Future Your Super reforms (effective 1 July 2021), in APRA's view, is a step change and necessitates RSE licensees reviewing their expenditure practices to determine if they are consistent with the new duty.

APRA is gathering information from RSE licensees so that we can assess the quality of practices since the introduction of the best financial interests' duty and the extent to which RSE Licensees can evidence how they have determined that the expenditure is in the best financial interests of members.

We have written to a number of RSE licensees to obtain information on aspects of their marketing expenditure; and whether and how they have considered the impact of the best financial interests' duty on their expenditures.

We also intend to write to a larger group of RSE licensees to obtain information as to how RSE licensees have, more broadly, changed their approach in response to this reform e.g. revised policies, reviewed or ceased actual expenditure, changed their record keeping practices, etc. This will cover matters in relation to marketing expenditure of the kind referred to in the questions you have posed.

We are currently considering the scope of this information request and from which entities this information will be sought. At this time, we are unable to be precise as to the timing, other than to say that we intend to send the information request prior to the end of calendar 2021; and publish any broad observations in 2022. We would be happy to provide further information to the Committee once we have finalised our work.

We also are considering what changes to our ongoing supervisory practices we may introduce to obtain a more contemporary view of RSE licensees' practices and oversight in relation to expenditure on an ongoing basis. This work is at an early stage and we have not yet determined a finalisation date for this.

Finally, APRA's review of expenditure (which reviewed certain marketing and promotional expenditure by 12 RSE licensees) will be published shortly. Notwithstanding that this review covered expenditures undertaken in the period prior to the introduction of the best financial interests' duty, we believe it will provide useful context and background as to industry practice.