

Answer to question in writing:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE ASIC ANNUAL REPORT (SECOND REPORT) 2019

ASIC22QW

Articles in the *Australian Financial Review*, ('[Industry Super gets "please explain" notice from treasury](#)', 28 April 2020; and '[Industry Super admits modelling bungle and probe](#)', 14 May 2020) reported that Industry Super Australia's 'super calculators' were found to produce significantly higher estimated impacts of withdrawals under the early access scheme than the expected impact forecast by ASIC.

(a) It was reported that 'ASIC has confirmed it wrote to ISA on April 20 due to concerns that "contrary to the ASIC principles, the ISA modelling did not use the same assumptions as the generic calculator on the ISA website"'.

(i) Has ASIC received a response from ISA to this correspondence?

(ii) Is ASIC satisfied with ISA's response? Does ASIC consider the matter resolved?

A recent article in the *Australian Financial Review* '[Guardian too credulous on super calculators](#)', 24 September 2020, reported that ISA's 'super calculator' regarding the impact of scrapping the planned superannuation increase was being promoted to consumers in the media.

(b) Considering the past issues with ISA super calculators, is ASIC concerned that this calculator may not be accurate and may mislead consumers?

(c) What is ASIC doing to ensure that 'super calculators' cannot be used to mislead consumers?

Answer:

(a)(i) ASIC set out its expectations of trustees communicating potential long-term impacts of the COVID-19 early release of superannuation scheme in a response to a *Frequently Asked Question* published on ASIC's website on 16 April 2020: *How should trustees communicate the potential long-term impacts of the COVID-19 early release of superannuation scheme on retirement balances?*

On 20 April 2020, ASIC wrote to ISA to raise concerns that, contrary to ASIC's expectations, ISA's modelling used assumptions that differed to its retirement calculator.

We received a response from ISA on 24 April 2020. We also had subsequent correspondence with ISA about this matter, including a further letter from ISA on 4 May 2020.

(a)(ii) ASIC was satisfied that ISA's revisions to its calculator met ASIC's expectations set out in the response to the *Frequently Asked Question*. A wide range of estimates may be considered reasonable, having regard to inherent uncertainties in any estimate, provided the assumptions used are reasonable and clearly disclosed. On this basis, ASIC did not pursue the matter further. We consider the matter closed.

ISA's original figures quoted in '[Industry Super gets "please explain" notice from treasury](#)' were: '25-year-old taking out \$20,000 could lose \$120,511 in future savings, while a 50-year-old could suffer a \$41,165 hit.' Following ASIC's engagement, ISA revised the figures to \$95,696 and \$37,614 respectively.

(b)

The assumptions that are used for the ISA super guarantee calculator are consistent with the assumptions used by ISA in its generic retirement calculator and its modelling of the impact of the COVID-19 early release of superannuation scheme.

Estimates can vary by a significant degree depending on the default variables and assumptions used by the provider. A wide range of estimates may be considered reasonable and there are inherent uncertainties in any estimate. To minimise the risk of misleading communications, we expect that providers will take a consistent approach to setting default assumptions in their generic superannuation calculators. In these circumstances, ASIC does not have reason to believe that ISA has breached the law.

(c) If ASIC is alerted to evidence of misleading conduct or conduct that breaches the law in relation to superannuation calculators, ASIC will consider appropriate regulatory action.

ASIC recently concluded a thematic review of trustee communications about the impact of COVID-19, including the early release of superannuation scheme, and projections. Our work complemented the joint letter by APRA and ASIC which set out clear expectations of trustees when communicating with their members. We also released responses to *Frequently Asked Questions* to provide additional guidance for trustees, including the FAQ: *How should trustees communicate the potential long-term impacts of the COVID-19 early release of superannuation scheme on retirement balances?*

ASIC is further reviewing the terms of ASIC Corporations (Generic Calculators) Instrument 2016/207, to the extent that the instrument concerns super and retirement calculators; and ASIC Class Order 11/1227 *Relief for providers of retirement estimates*.

ASIC Instrument 2016/207 offers relief from the licensing, disclosure and conduct obligations that providers would usually need to comply with when providing financial product advice through generic financial calculators, including super calculators. Relief is offered subject to several conditions, including that the assumptions used for the calculators are reasonable, and clearly disclosed.

ASIC Class Order 11/1227 offers similar legislative relief for trustees to provide their members with superannuation income estimates with periodic statements.

Our review overlaps with ASIC's ongoing review of the ASIC Moneysmart retirement calculator assumptions.

We will consult publicly on any proposed changes, in early 2021.