

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

BT67QW: On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

Answer: For the purposes of this question, the following 'listed' and 'unlisted' assets definitions prescribed by APRA under *Reporting Standard SRS 533.0 Asset Allocation* and *Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows* have been adopted:

- Listed: Represents financial instrument that is traded through an Australian or international stock exchange.
- Unlisted: Represents financial instrument that is not traded through an Australian or international stock exchange.

The breakdown of percentage share and nominal value of listed and unlisted assets as at 1 January 2020 for superannuation funds under BT's RSE licensees are set out in the tables below. This information is based on our quarterly data submitted to APRA.

Note that not all unlisted assets are 'illiquid'. Assets such as fixed interest securities, which are included in the unlisted category below, are also considered liquid for the purposes of BT68QW. As a result, BT's exposure to illiquid assets is notably lower than the unlisted assets provided in the below tables.

BT Funds Management Limited

	Listed		Unlisted		Not applicable	
	% share	Nominal value (\$'000)	% share	Nominal value (\$'000)	% share	Nominal value (\$'000)
MySuper	80%	14,521,115	13%	2,289,192	7%	1,303,154
Choice	64%	7,486,328	22%	2,561,853	14%	1,573,331
Platform¹	62%	40,018,341	25%	16,168,196	12%	7,880,602
Total	66%	62,025,784	22%	21,019,241	11%	10,757,087

¹ Panorama Super, Super Wrap and Asgard

Westpac Securities Administration Limited

	Listed		Unlisted		Not applicable	
	% share	Nominal value (\$'000)	% share	Nominal value (\$'000)	% share	Nominal value (\$'000)
MySuper	78%	3,648,496	15%	694,414	8%	356,588
Choice	63%	1,326,054	20%	426,517	16%	356,168
Total	73%	4,974,550	17%	1,120,931	10%	692,756

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BT68QW: On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

Answer: BT superannuation funds did not experience liquidity issues resulting from honouring obligations to members as at 1 January 2020. BT Funds Management Limited's (**BTFM**) MySuper options and choice investment options had between zero to two percent exposure to illiquid assets as at 31 March 2020.

Similarly, Westpac Securities Administration Limited, which is currently subject to an internal migration program with assets being transferred to BTFM, also has low exposure to illiquid assets and did not experience liquidity issues.

Please note there are a selection of other specific asset sector choice options available to members on platform products that have a higher allocation to illiquid assets, such as unlisted property options. The external fund managers (responsible entities) of these choice options provide disclosure on redemption rules to members.

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BT69QW: What write down, if any, has been made to the value of unlisted assets?

Answer: Please note that while fixed interest securities are unlisted assets, as stated in our response to BT67QW, these are generally liquid securities and we have focused our response on other unlisted assets (such as unlisted property).

Internally managed investments, managed by BT Investment Solutions (**BTIS**), into unlisted assets to date are implemented via third party unit trust structures managed by external specialist investment managers. Each unit trust sets out its pricing policy and valuation frameworks. Pricing policies are reviewed by BTIS as part of the unit trust/investment manager due diligence process.

Typically, unlisted assets are valued on a monthly or quarterly basis in line with their investment and redemption timeframes. To date we have seen no revaluation of assets due to the COVID-19 crisis, which is partly attributable to the valuation cycle and timing of the crisis. We may potentially experience downward revaluations in some unlisted assets during the next valuation adjustment cycle as the crisis develops.

With respect to the externally managed investments, the external managers of investment options across BT's investment menus that contain illiquid unlisted assets are responsible for the valuations of their investments. BT's Investment Research and Governance (IRG) team monitors externally managed investment options, and to date IRG has seen limited revaluation of unlisted assets due to the COVID-19 crisis.

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BT70QW: Listed companies holding infrastructure assets have had write downs of around 40 per cent:

- a. How does this compare to your write down of unlisted assets?
- b. If there is a difference, why is there a difference?

Answer: BT has observed no revaluation of unlisted assets in its internally managed options due to the timing of the COVID-19 crisis and valuation cycles. BT commenced investing in unlisted infrastructure from September 2019. Listed infrastructure and listed property assets typically see relatively increased correlations with broader listed equity assets during market downturns. As a result, mark to market valuations can be driven by both market fundamentals and sentiment.

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Westpac Banking Corporation

BT71QW: Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a. recent decline in the share market?
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

Answer: For the reasons outlined in our response to item BT68QW, BT have not experienced liquidity issues in honouring our obligations to members as a result of either the recent decline in share market, or early release of superannuation initiative.

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Westpac Banking Corporation

BT72QW: What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

Answer: Changes to BT's total investments, unlisted and listed asset component between 1 January 2020 and 31 March 2020 are set out in the table below. BT's superannuation funds are currently under two RSE licensees: BT Funds Management Limited; and Westpac Securities Administration Limited. The table below reflects the aggregate figures for superannuation funds under both trustees. The information is based on our quarterly data submitted to APRA.

	Total investments (\$'000)	Percentage of FUM made up of listed assets	Percentage of FUM made up of unlisted assets	Percentage of FUM made up of not applicable assets²
1-Jan-20	100,590,349	67%	22%	11%
31-Mar-20	86,773,853	62%	25%	13%

² Not applicable refers to cash and 'other investments' (including alternative investments).

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Westpac Banking Corporation

BT73QW: How many members, affected by COVID-19, have requested the early release of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer: BT has received daily files from the ATO in relation to the Early Release of Superannuation Initiative from 20 April 2020. As at 3 May 2020, BT has received 49,670 applications for early superannuation release, and has processed 38,210 applications. \$322,809,620 has been paid to members. Please note that early superannuation release data is reported to APRA on a weekly basis.

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Westpac Banking Corporation

BT74QW: How many members, affected by COVID-19, have had approved the early release of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer: The number of applications approved by the ATO which we have received and processed is outlined in BT73QW above.

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Westpac Banking Corporation

BT75QW: If some members, affected by COVID-19, have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

Answer: The most common reasons for applications not being processed include:

- Member account is closed, or incorrect member account details provided.
- Payment not able to be made from member account, e.g. transition to retirement account, insurance only account, and account with nil balance.
- BT received ATO notification to hold or stop payment.

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BT76QW:

Liquidity management:

- a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?
- b. How is the plan being reported to the trustee directors?
- c. Who is responsible for the day-to-day liquidity management for the fund?

Answer:

- a. BT has an Investment Governance Framework which contains a Superannuation Liquidity Management Plan in accordance with APRA's Prudential Standard SPS 530 Investment Governance. Liquidity management of BT's internally managed investment options is also subject to the BTIS Liquidity and Cash Flow Management Policy.
- b. Liquidity analysis of internally managed investment options is provided to the Trustee on an annual basis as part of the Strategic Asset Allocation review process. Additional liquidity and exposure information is provided to the Trustee as part of the quarterly reporting requirements. Liquidity analysis of externally managed investment options is provided to the Trustee as part of the quarterly reporting process by BT's Investment Research and Governance (IRG) team.
- c. The BTIS Asset Allocation Team and Operations team are responsible for managing the daily liquidity requirements of internally managed options. The IRG team is responsible for monitoring the liquidity of externally managed investment options.