

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

Colonial First State

CFS129QW: Since 1 January 2020, for each fund, please outline:

- a) The date and value at the highest valuation of the fund?
- b) The date and value at the lowest valuation of the fund?
- c) The number of business days between the highest and lowest valuation for the fund?
- d) The nominal value between the highest and lowest valuation for the fund?
- e) The percentage value between the highest and lowest valuation for the fund?
- f) The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund?
- g) The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund?
- h) What volume of switching of investments occurred between funds between the highest and lowest valuations?
- i) What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?
- j) What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?
- k) What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?
- l) What integrity measures were taken to prohibit trustees, executives and employees switching between funds from taking advantage of arbitrage of any gap between the lowest valuation date of the ASX and any revaluation of the fund?

Answer: There are three superannuation funds with retail members under the trusteeship of Colonial First State Investments Limited (CFSIL) and five under the trusteeship of Avanteos Investments Limited (AIL).

CFSIL

	FirstChoice Superannuation Trust	Commonwealth Essential Super	CFS Rollover and Superannuation Fund
a	20/02/2020 \$85,868,159,992	20/02/2020 \$4,104,118,414	19/02/2020 \$2,885,021,226

b	23/03/2020 \$68,284,218,110	23/03/2020 \$3,075,988,751	23/03/2020 \$2,051,155,979
c	22	22	23
d	-\$17,583,941,882	-\$1,028,129,663	-\$833,865,267
e	-20.5%	-25.1%	-28.9%
f	0	0	0
g	47	47	N/A

h. Over the month of March, there were 12,380 switches which occurred between member accounts within the FirstChoice Superannuation Trust and CFS Rollover and Superannuation Fund.

i-k. not available

l. All CFS employees and Board directors are subject to the requirements of the CFS Personal Trading Policy and CBA Group Securities Trading Policy. Both of these policies place restrictions on trading for individuals (including their associates) who may have access to market-sensitive information, including limiting the times that trades may be performed to specified windows, and the recording of trades made by these individuals for compliance monitoring purposes.

AIL

As the five funds under the trusteeship of AIL are wrap superannuation funds, it is not possible to answer this question due to the structure of these funds.

Wrap superannuation funds are not valued at the fund level, rather at the member level based on each member's assets (with the value of the fund comprising the sum of member accounts). Whilst a notional value of the fund is estimated at various points such as the end of financial year, this is not able to be calculated at short notice for all days since 1 January 2020.

Due to the structure of a wrap super fund, no switching is possible between investment options. Members hold a beneficial interest in the specific choice investment options they select to invest in. When members change options, they sell units in an investment option at the exit price determined by the external responsible entity who issues the investment option (except for listed securities which are sold via the ASX) and the proceeds are allocated to their cash account. Any purchases into investment options occur at the entry price which again is calculated by external responsible entities.

AIL does not hold unlisted assets directly and it does not complete unit pricing for any assets held for members. Any unlisted assets are held by members through ASIC registered managed investment schemes for which an external responsible entity completes unit pricing.

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CFS131QW: On financial advisers providing intrafund advice (i.e. strictly limited to advice on your super fund for the member only - not spouse) within your fund over the last five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the remuneration level/range for the financial advisers employed to provide intrafund advice to your members?
 - i. What is the aggregated cost of their remuneration?
 - ii. What is the aggregated cost for their employment?
 - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
 - iv. What is the aggregated cost for marketing their services?
 - v. What is the aggregated cost for administrative support services?
 - vi. What is the aggregated cost for professional insurance and indemnity?
 - vii. What is the aggregated cost for compliance oversight?
 - viii. What is the aggregated cost for legal oversight?
 - ix. What is the aggregated cost for other regulatory oversight?
 - x. What is the aggregated cost for the unit, including overheads, that provides intrafund advice?
- c. What is the revenue that intrafund advisers have generated?
- d. How many financial advisers providing intrafund advice also provide it within the fund?
- e. If you have financial advisers providing intrafund advice also providing it within the fund, how is their remuneration determined from different sources?
- f. Is there any cross-subsidisation for financial advisers providing intrafund advice from revenue funded through activities within the fund?
- g. What is the total budgeted cost and actuals for the intrafund advice unit?
- h. What is the revenue generated from these financial advisers?
- i. Within your fund, is there any cross-subsidisation for intrafund advice services?

Answer: As noted in our response to CFS52QW(b), Colonial First State does not employ financial advisers.

CFS employees do not provide personal intrafund advice. General intrafund advice may from time to time be provided by internal employees on an ad hoc basis. This includes members of the Customer Guidance Team or Relationship Managers. Importantly, the provision of general intrafund advice is only one component of these roles and there are no different remuneration arrangements for activities specifically relating to providing

intrafund advice. It is not possible to quantify the specific number of internal employees who may have provided intrafund advice in the period 1 July 2015 – 30 June 2020.

There are no budgeted costs for intrafund advice provided by internal employees and it is not possible to quantify the time spent or revenue generated by these employees.

Advice provided under contractual arrangements – until May 2019

Advice provided under contractual arrangements ceased in May 2019.

Under these arrangements, advisers of 44 AFS licensees provided advice in the preceding five year period.

Under the contractual arrangements, up to \$80 was paid per member receiving advice. In the five years to 30 June 2020, the following amounts were paid in each financial year:

Year	Amount
2015	\$3,118,155
2016	\$4,024,911
2017	\$6,246,638
2018	\$6,010,797
2019	\$2,629,470
Total	\$22,029,972

It is not possible to quantify the revenue generated by advisers under contractual arrangements.

As these arrangements ceased in May 2019, there are no budgeted costs going forward.

Cross-subsidisation

The costs associated with intra-fund advice are included in the administration fee that is paid by members. The recipient of the administration fee is CFSIL.

The intra fund advice costs are paid from CFSIL's corporate revenue, not from members' accounts.

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CFS132QW: Do you allow members to use their funds to pay for:

- a. Financial advice?
- b. Internal financial advisers?
- c. External financial advisers?

Answer:

- a. CFS allows members of its superannuation funds to pay for financial advice from their account where:
 - the advice fees are a properly incurred expense of the fund
 - the member has authorised the fee to be paid
 - the member and adviser have confirmed services are to be provided to the member for advice in relation to the investment in the fund, and
 - the advice provided relates to the member's account held with the fund.
- b. CFS does not have "internal financial advisers"
- c. Provided the conditions outlined in our response to subquestion CFS132QW(a) above have been met, CFS does allow members to use their funds to pay external financial advisers. These payments are made through the relevant AFS licensee.

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CFS133QW: Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

Answer: Advisers cannot charge advice fees via online facilities as a standalone activity for CFS funds.

Advisers can request the client consent to a fee as part of an online application process where the client provides their consent to the fees.