

Stephen Bright

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Parliamentary Joint Committee on
Corporations and Finance Services,
Parliament House,
Canberra ACT 2600

Subject: Inquiry into the Collapse of Trio Capital

My wife had all of her superannuation in My Retirement Plan. She did not choose to invest her super in My Retirement Plan, but rather, it was chosen for her by a previous employer in the days when employees had no choice in where their super was invested. Given that she was only working part time after successfully raising a family as a "stay at home mother", her super balance at the time of the Trio Capital fraud was a relatively modest \$35,000.

Being very conservative in her investments, her entire balance was initially, entirely invested in cash and fixed interest. She then elected to place a small amount in Australian Shares and an even smaller amount in Overseas Shares. At the time her superannuation was frozen as a result of the fraud, she thought that she had about 70% in cash and fixed interest, 20% in Australian Shares and 10% in Overseas Shares. Accordingly, when we learned about the fraud, we believed that her funds would be safe due to where she had asked that they be invested.

However, we then discovered that back in December 2007, the Trustees of the Fund had closed the Australian and Overseas shares options and transferred monies invested in those options into the My Super Balanced Pool. We understand that some of the money invested in the My Super Balanced Pool has been affected by the fraudulent activity.

My wife discovered that she had a financial adviser attached to the Plan who had been apparently accepting trailing commissions from her super investment. She never knew that she was paying commissions to a financial adviser and has never been contacted by this person. After learning about the Trio fraud in the media, she attempted to contact the financial adviser to ask 1) why he didn't alert her to the change in risk when her investment in Australian shares was switched to the My Super Balanced Pool and 2) to ask questions regarding how the fraud would affect her super account. On each occasion that she attempted to contact the financial adviser, the call was answered by an answering machine where she left a message. To this day, the financial advisor has never answered those calls.

Currently, about \$20,000 of her super has been recovered and she is waiting for the Acting Trustee appointed by APRA to calculate how much of the Government's compensation package is payable to her. However, of concern, the Acting Trustee has advised that an amount of \$8.2 million had been retained for liability purposes in relation to known or potential claims.

Since the Acting Trustee has been trying to unravel the Trio debacle, superannuation members' funds have been used to cover a myriad of costs associated with the process. These include, but are not limited to, the Acting Trustees own costs, fees paid to forensic auditors and fees paid to experts trying to reconstruct each superannuation member's account to arrive at a balance that each member would have had if the fraud had not taken place.

Why are the unimpaired funds in the Superannuation Plan being used to pay for these expenses? What about the various parties whose job it was to monitor the various Trio Capital Funds? Aren't they liable to pay for losses arising from their mistakes?

What about the trustees and the auditors? I understand from media reports that the Trio Funds were audited only weeks before the fraud was revealed and these audits did not detect the fraudulent activity. Again, I understand from media reports that organisations such as the NAB and KPMG were involved in monitoring the Trio funds. Surely, organisations such as NAB and KPMG would have professional indemnity insurance or similar to cover them for any mistakes made in undertaking their professional duties. I am sure that these organisations charged a fee for providing trustee and auditing services. Why aren't they paying for the Acting Trustee's expenses?

What about APRA and ASIC? What were their roles in this whole saga? I understand that the Trio fraud was brought to their attention by an investor who had concerns regarding the performance of the Trio Funds. How and why did APRA and ASIC fail in their regulatory duties?

Again, why aren't the various organisations whose job it was to monitor Trio, liable for the costs incurred by the Acting Trustee rather than the Acting Trustee having to use the unimpaired funds of members who have already had their superannuation stolen?

Hopefully, the Committee's inquiry will address the above issues and result in procedures being put in place that will prevent any future re-occurrence of the Trio debacle.

Yours Sincerely,

Stephen Bright