

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2014 - 2015

**Department/Agency: APRA**

**Question: SBT 7-11**

**Topic: Related Party Transactions**

**Reference: written - 27 October 2014**

**Senator: Ketter, Chris**

**Question:**

7. What investigations has APRA or its researchers undertaken into whether members of superannuation funds who use 'related parties' are getting value for money?
8. Is there any evidence which suggests that members in any particular sector are paying more than would generally be expected for related party transactions?
9. What ongoing surveillance has APRA done to ensure trustees and their representatives are acting in the best interests of members?
10. Is APRA updating earlier research (done in 2010 and 2012) on related party transactions?
11. Has APRA investigated whether or not there are remuneration arrangements in place for fund executives or trustees which inappropriately incentivise the use of related parties?

**Answer:**

7. – 8. Research published by the Australian Prudential Regulation Authority (APRA) on the impact of related party transactions on members' value for money has included *Australian superannuation outsourcing – fees, related parties and concentrated markets*<sup>1</sup> (2010), and *Superannuation and insurance: Related parties and member cost*<sup>2</sup> (2012). The papers are available through the APRA website and the views expressed in each of these papers are those of the authors. The findings in the papers are best taken in context, in light of the parameters and limitations of the research undertaken.
9. APRA's regular supervision activities seek to ensure that superannuation funds comply with the relevant legislation and Prudential Standards. Legislative changes over the past few years have resulted in enhanced trustee duties which have been complemented by the introduction of Prudential Standards, including in the areas of governance (*Prudential Standard SPS 510 Governance*) and conflicts of interest (*Prudential Standard SPS 521 Conflicts of Interest*). The objective of the governance standard is to ensure that an Registrable Superannuation Entity (RSE) licensee's business operations are managed soundly and prudently by a competent Board, which can make reasonable and impartial business judgements in the best interests of beneficiaries and which duly considers the impact of its decisions on beneficiaries. The conflicts of interest standard establishes requirements for the identification, avoidance and management of conflicts of duty and interest by an RSE licensee. APRA has been testing compliance with the new standards as part of its regular

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<sup>1</sup> [http://www.apra.gov.au/AboutAPRA/Documents/SA\\_WP\\_ASOFRP\\_072010\\_complete.pdf](http://www.apra.gov.au/AboutAPRA/Documents/SA_WP_ASOFRP_072010_complete.pdf)

<sup>2</sup> [http://www.apra.gov.au/AboutAPRA/Documents/SA\\_WP\\_SIRPMC\\_102012\\_ex.pdf](http://www.apra.gov.au/AboutAPRA/Documents/SA_WP_SIRPMC_102012_ex.pdf)

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supervision activities and APRA has also conducted a thematic review focused on implementation of the conflicts of interest prudential standard.

10. No.
11. Under APRA's Prudential Standard on governance, a Board Remuneration Committee must be established and the RSE licensee must have a Remuneration Policy that aligns remuneration and risk management. The Remuneration Policy must outline the remuneration objectives and the structure of the remuneration arrangements, including, but not limited to, the performance-based remuneration components of the RSE licensee. The Remuneration Policy's performance-based components must be designed to encourage behaviour that supports protecting the interests, and meeting the reasonable expectations, of beneficiaries and must be designed to align remuneration with prudent risk-taking. Monitoring compliance with this standard forms part of APRA's regular supervision activities.