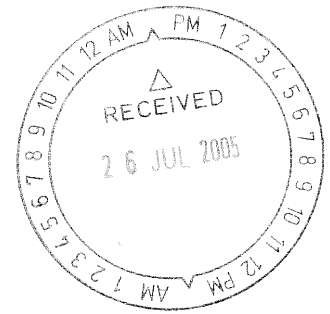


Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 31 May to 2 June 2005



Question: Bud 109

Topic: ASIC - Licensing Of Superannuation Raters

Page: Written

Senator Watson asked:

Is the licensing of rating agencies on ASIC's agenda?

Note: I believe raters should provide independent sources of quantitative qualitative information. Members and trustees need to be confident that commercial pressures do not influence rating outcomes.

Answer:

ASIC recognises the important role played by entities that rate superannuation investments. These entities can help members to evaluate the performance, costs and other features of their super fund and compare their fund against other funds. ASIC also recognises the need for super raters to give clear information about their level of independence.

ASIC currently regulates entities that rate investments by superannuation funds. These entities are required to hold an Australian Financial Services Licence, with an authorisation permitting them to give general advice.

This requires these entities to comply with a number of obligations. Since 1 January this year, this includes a direct, specific obligation to manage conflicts of interest appropriately. This means super raters must identify and evaluate conflicts of interest affecting their ratings and put in place steps to control, avoid and manage conflicts.

These requirements, set out in ASIC Policy Statement 181 *Licensing: Managing conflicts of interest* are based on the Commonwealth Government's CLERP 9 legislation.

Super raters are also required to tell clients how they are paid and disclose conflicts in their Financial Services Guide. These requirements are set out in s 942B of the *Corporations Act*.

If an entity breached these requirements, ASIC could suspend the licence and ban the person responsible from providing a super ratings service in the future.