

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 111

Topic: US rule 22c-1 of the *Investment Company Act 1940*

Hansard Page: E64

Senator Bushby asked:

Senator BUSHBY—...I understand that in the US rule 22c-1 of the Investment Company Act 1940 requires all mutual funds to unit price on a daily basis. Are you aware that, in other jurisdictions, there is a requirement for all super funds to unit price on a daily basis?

Mr Venkatramani—In Australia, in respect of unit pricing and the associated issue of crediting rates, trustees, as part of the risk management processes, are required to consider the pace with which members get in, get out and switch. In other words, we have said that you need to have an alignment between the way you distribute your earnings, which is what unit pricing and crediting rates do, and the frequency with which you do it. Therefore, APRA has been agnostic about whether unit pricing or crediting rates should be used, other than saying, ‘Please align your processes with the on-and-off movements that take place.’ So we have not been prescriptive about what people should do, other than to have risk management processes whereby trustees must recognise what is happening within the fund in terms of member characteristics: age, state, demography, on-and-off movements and other things.

Senator BUSHBY—I understand that, Mr Venkatramani. I have written here that in February you made a statement similar to the one that you have just made—and I will get onto that in a moment. However, there are other nations around the world in which there is a mandatory requirement to unit price on a daily basis. Even though we in Australia do not—

Mr Littrell—Perhaps I could respond. The Investment Company Act 1940 in the US refers to public mutual funds, which are like unit trusts in Australia; so it does not bind on private investment vehicles or necessarily on pension funds.

Senator BUSHBY—Are there other nations in the world where there is a requirement for them to do that?

Mr Littrell—I have not conducted a comprehensive survey.

Senator BUSHBY—Could you take it on notice to see whether you can find out, within reason, without having to travel the world to do so?

Mr Littrell—Yes.

Answer: (1) and (2) The OECD has advised that most, if not all, funds in Latin America and Eastern Europe report daily to the relevant supervisory agency in respect of asset values. While this is not the same as daily unit pricing to inform fund members for transfer/rollover/exit purposes, it does relate to daily valuation of fund assets.