

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates, 2 - 3 November 2005

**Question: SBT 9**

**Topic: APRA – Default Fund**

**Hansard Page: E116**

Senator Sherry asked:

APRA has not looked at any activity in this area? It seems to me that this is an area that is potentially wide open for abuse at a future date – well, from now on.

**Mr R Jones** – Why from now on?

**Senator Sherry** - Because of the choice of fund regime. The employer picks the default fund. They had not had the ability to do that in an unfettered way until the choice of fund regime came in. Just take it on notice. Have a look at it. I am just raising it as an issue, because I think potentially there may be problems down the track.

Answer:

ASIC administers s68A of the *Superannuation Industry (Supervision) Act 1993* (SIS Act). This provision outlines a general prohibition on kickbacks offered to employers, with some exceptions (r.13.18A of the SIS Regulations). This will enable ASIC to deal with some of the issues relating to employers' selection of default funds for super choice.

APRA will refer to ASIC any potential breaches of the kickback provisions which it identifies in its prudential supervision of funds.

The process whereby an employer selects a default fund is unlikely to be captured under APRA's prudential requirements. APRA focuses on the operation of the default fund.