

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: sbt 67(ASIC)
Topic: Wholesale Disclosure
Hansard Page: E34

Senator SHERRY asked:

Senator SHERRY—I understand that. My concern really focuses around disclosure when the person enters the wholesale area. The wholesale bulk purchase is generally at a lower fee. They cease to be eligible to be a part of that arrangement when they change jobs. What is the disclosure process in their being shifted from the wholesale to the retail arrangement? What authorisations are required? Does the individual formally have to be given a new disclosure product at that time about what the newer, higher fees will be? In addition, what is the process of authorisation, if any? There are a significant number of people in this situation who move from a lower fee to a higher fee. I just put that series of questions on notice and ask you to come back and explain to me what the current requirement is in this area. You are obviously aware of the issue. Perhaps we can explore on the next occasion how these issues can be dealt with.

Mr Cooper—Yes, I think we can do that. You would appreciate, of course, that with the expression ‘corporate master trust’ we are talking about numerous, different arrangements.

Senator SHERRY—Yes.

Mr Cooper—I am sure that we can give you generic information based on a certain number of assumptions— for example, that the member is not moved outside the trust. We can paint a landscape, but there are some millions of employees in these arrangements and they are all different.

Answer:

A member being transferred between sub-plans or divisions needs to be given significant event disclosure and a Product Disclosure Statement (‘PDS’) for the new sub-plan or division they are being moved to.

The significant event disclosure requirements should give such information as is reasonably necessary to understand the nature and effect of the change or event (section 1017B(4), *Corporations Act 2001 (Cth)*).

The PDS for the new sub-plan or division will contain product information, including fees.