

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: **sbt 69 (ASIC)**
Topic: **Consumer protection regarding default super funds**
Hansard Page: **E37**

Senator SHERRY asked:

I will raise two issues again just to put them on notice and ask whether you could have a look at them. You may be able to inform me whether you have carried out an examination or are contemplating any action. The issue of default funds under superannuation choice I have raised before and touched on it as a potential problem area. The employer is now able to select the default fund. Have you considered the consumer protection issues in those circumstances?

Mr Cooper—We have and I am sure we have spoken about this before. Unfortunately, some time has elapsed between then and now. I would have to take that one on notice and find out in more detail what our people have done in that area.

Senator SHERRY—Have you issued any guidelines at all in this area?

Mr Cooper—I would have to take that on notice as well.

Senator SHERRY—I regularly look at the APRA list of licensed entities—I do not want to name names at this stage—and I have noticed a couple of new superannuation entities and then tried to find, behind the name, some details of their creation. They would be a default fund arrangement; it may even be a monopoly arrangement because they preclude choice, depending on the industrial provision applied. I suppose my concern was that I was not able to identify what the particular fee structures were and other elements of these newly created arrangements—they are a default fund in large part. It seems to me that there is potential for abuse here, given the new provisions that now act, both federally and state. Perhaps you could give me something on notice and we could discuss it in more detail.

Mr Lucy—Yes.

Answer:

ASIC monitors fees and disclosure for all superannuation funds, including default funds.

Where there are newly created superannuation funds or newly created superannuation products, and when any superannuation product is offering interests to potential new members, the trustee of the relevant superannuation fund is required to produce a Product Disclosure Statement ('PDS') for that product.

Within five days of any recommendation on that product being made, the trustee is also required to lodge an in-use notice with ASIC notifying ASIC that the PDS for the relevant product is on the market and being circulated.

The in-use notice also requires superannuation trustees to provide ASIC with information about the fees for that product. That fee information in respect of superannuation PDSs is publicly available on the ASIC website (www.asic.gov.au) and is the subject of the recent *Monitoring superannuation fees and costs: an ASIC report* (refer to ASIC Information Release [IR 06–39]).