

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: sbt 78(APRA)
Topic: Investment funds investing assets
Hansard Page: E53-54

Senator MURRAY asked:

Again I am not sure you are right. Let us use your specific example of an investment fund or trust which is taking the assets, which are superannuation assets, and investing them. They are covered by the Managed Investments Act and there is a regulatory regime which covers them. As far as I am aware, clearing houses fall outside of the regulations which cover banks or finance houses, they fall outside the managed investment scheme regulation and they fall outside APRA's regulation. Perhaps you can clarify that for me but it does seem they are in a hole on their own if I may say so. Perhaps you would like to think about it and come back to us.

Mr Jones—I think we might have to, because it is an area that has been of interest to us and we have had some preliminary internal legal advice as to the roles and responsibilities that trustees have in their dealings with clearing houses for precisely these sorts of reasons.

Answer:

The Australian Prudential Regulation Authority does not regulate clearing houses. Trustees of superannuation funds are required by legislation to be licensed and their arrangements with administrators and other organisations that provide services to them are covered by other prudential measures. Trustees are required to comply with a number of prudential standards including Outsourcing and Risk Management, which provide APRA with the tools necessary to monitor the activities of trustees and their service providers, imposing additional license conditions on trustees where appropriate. APRA monitors emerging market innovations, identifies potential risks and alerts responsible entities to the need for effective controls. APRA has issued guidance to trustees and liaises with ASIC in respect of matters of mutual interest.