


**Senate Select Committee on
Superannuation and Financial Services**

**Main Inquiry
Reference (a)**

Submission No. 106

**Submittor: Watts Family Superannuation
Fund**
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Submission to the Senate Committee on Superannuation and Financial Services

The failure of APRA to fulfil its obligations with anything approaching the diligence and competence that I and my family should be entitled to expect has jeopardised the financial security that I have endeavoured to provide for our retirement years.

In December 1999 I received a redundancy package from Airservices Australia. After carefully considering many options I took what I thought was a responsible and conservative course of action and established a small APRA approved superannuation fund with Saxby Bridge as the adviser and Commercial Nominees of Australia as Trustee.

My reasons taking this course of action were as follows:

- 1/ I wanted to ensure my wife and I would have a financially secure old age, and not be a burden on anyone
- 2/ Our two children could also be members of a small APRA fund, giving them a repository for their various superannuation entitlements, and ensuring their accounts would be enhanced by any residual amounts in our accounts on our demise
- 3/ By establishing a small APRA fund I was afforded the extra security of an APRA approved and APRA regulated Trustee.
- 4/ As the Trustee had the authority and responsibility to veto inappropriate investments, and as the Trustee was APRA approved and regulated, my exposure to risk should be minimised, and at least commensurate with the expected returns.

By February 2000 we had deposited approx. \$424000.00 into the "Watts Family Superannuation Fund".

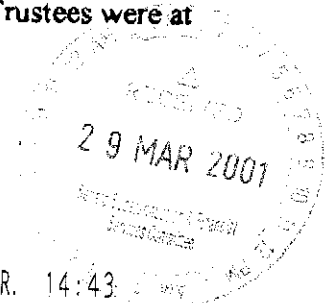
The procedure required by Commercial Nominees was for the funds to be initially placed in the Enhanced Cash Management Fund, and then transferred to selected investments as instructed.

On September 27th 2000 the last recommended investment was placed, leaving approximately \$100,000 in the Enhanced Cash Management Trust – referred to as "Cash at Bank" by Commercial Nominees.

Because of the volatility of the market it was considered prudent to leave this amount as cash, and forego the potential returns offered by less secure investments.

On November 15th 2000 I received advice from Commercial Nominees that my assets in the Enhanced Cash Management Trust (ECMT) had been frozen.

Information I have subsequently received indicates investments entirely inappropriate for a cash management trust were entered into, and the actions of the Trustees were at best grossly negligent.



I phoned Mr Earl Burgess at APRA and requested an APRA investigation and possible intervention. I was informed that APRA had no reason to doubt the integrity or competency of Commercial Nominees, and such action was not warranted at that time. A subsequent letter sent to Mr. Burgess remains unanswered.

I phoned Mr. Thomas Transfield at ASIC and was informed that the matter was outside ASICs area of responsibility.

I have since been led to believe that APRA may have been aware of problems with the ECMT as early as March 2000, and possibly January 2000.

APRA and ASIC finally intervened in February 2001.

Ferrier Hodgson were appointed Trustees of the ECMT to liquidate the ECMT and "maximise recovery of assets". PricewaterhouseCoopers were appointed Acting Trustee of my super fund.

My advisers, Saxby Bridge were negotiating with another Trustee to replace Commercial Nominees. I believe Saxby Bridge were not consulted prior to the appointment of PricewaterhouseCoopers. I know I wasn't.

Had APRA and ASIC acted with the diligence and competence I should be entitled to expect then this whole fiasco would never have happened.

I find it particularly distressing that I may now be expected to fund the damage control actions that have belatedly been instigated by these two government authorities.

I request that the Senate Committee recommend that the cost of the ECMT liquidator Ferrier Hodgson and the Acting Trustee PricewaterhouseCoopers be borne by APRA and ASIC.

I further request that the Senate Committee investigate the possibility of recompensing superannuation funds such as mine that stand to suffer substantial losses because of the inefficiency and inaction of APRA.



Eric Watts

(For and on behalf of the Watts Family Superannuation Fund)

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