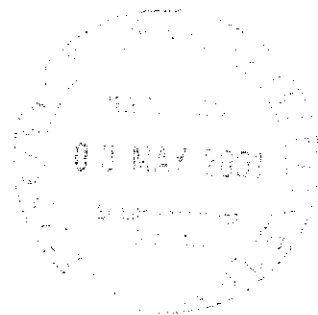


Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 121

Submittor: **Australian Prudential Regulation
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30 April 2001

Mr Peter Hallahan
Secretary
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

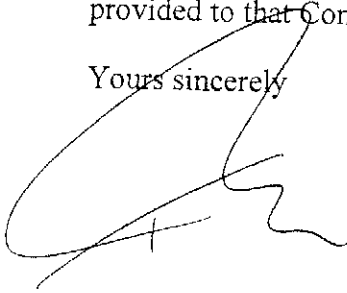
Dear Mr Hallahan

**SENATE ECONOMICS LEGISLATION COMMITTEE - CONSIDERATION OF
ADDITIONAL ESTIMATES - 21-22 FEBRUARY 2001**

I refer to APRA's attendance before the Committee on 21 and 22 February 2001 and enclose further responses to questions taken on notice.

Given the interest of the Senate Select Committee on Superannuation and Financial Services could you please advise whether you have any objection to the attached information being provided to that Committee.

Yours sincerely



Thea Rosenbaum
Company secretary



What is the number of excluded offer funds?

APRA has consulted with ASIC in relation to this question. Excluded offers are arrangements which have been excluded from the fund-raising requirements of the Corporations Law. Full details of the kinds of offers which are excluded from the obligation to prepare offer disclosure documentation are set out in section 708 of the Corporations Law. Reasons for exclusion can be either the small size and extent of an offer, the large minimum investment required, or the special expertise /qualifications of those to whom the offer is made. The Enhanced Cash Management Trust of which Commercial Nominees of Australia was the trustee was "excluded" from the Corporations Law because investments in the Enhanced Cash Management Trust were restricted to licensed securities dealers, superannuation trustees with more than \$10 million under trusteeship, persons controlling assets of \$10 million or more or persons investing \$500,000 or more.

As a consequence of this exclusion it is not possible to inform the Committee of how many arrangements such as these exist. Nor it is possible to answer the more limited question of how many superannuation funds invest in such vehicles. The routine annual information received from superannuation funds by APRA does not disclose the nature of each investment. It is only when on-site visits are conducted and enquiries made about the nature of individual investments that such detail is revealed. A quarterly survey is conducted of the largest 360 superannuation funds and from this survey information is available on their investments in "Wholesale Trusts"; a category which corresponds closely to excluded offers. The latest survey shows that these large funds held \$24 billion in "Wholesale Trusts" out of their total investments of \$337 billion.

What are the details of the superannuation funds formerly under the trusteeship of CNA with exposures to the impaired assets?

CNA was trustee for 22 corporate and public offer superannuation funds and close to 500 small superannuation funds. The total assets of these superannuation funds were around \$300 million. CNA was also the trustee for 13 non-superannuation trusts with assets of around \$100 million. Four of the corporate/public offer funds have exposures to impaired assets through either the Enhanced Equity Fund or the Enhanced Cash Management Trust and around 300 of the small funds have exposures to impaired assets through the Enhanced Cash Management Trust. The details are;

- AWERF has 46,000 members and assets of \$30 million with exposures of \$8 million to the Enhanced Equity Fund and \$0.8 million to the Enhanced Cash Management Fund.
- Miden has 200 members and assets of \$2.8 million with \$1.6 million exposure to the Enhanced Equity Fund.

- Network has 2,000 members and assets of \$7 million, of which \$2 million is invested in the Enhanced Equity Fund and \$50,000 in the Enhanced Cash Management Trust.
- Wealthy and Wise Master Plan has 50 members and \$600,000 in assets, of which \$7,000 is in the Enhanced Cash Management Trust.
- The total assets of the small funds are around \$80 million, of which \$16.8 million is invested in the Enhanced Cash Management Trust.
- These data are preliminary as June 2000 accounts are still to be completed.