

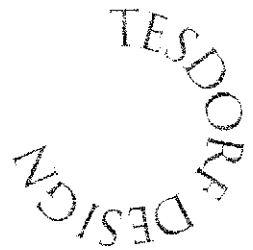
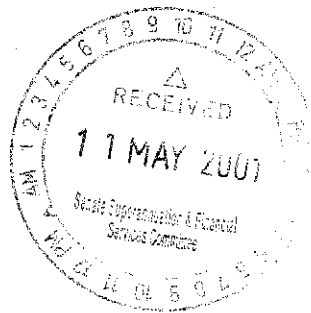


Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 159

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3 May 2001

Senate Select Committee on Superannuation and Financial Services
Parliament House Canberra
ACT 2600

Dear Sirs,

We are writing to you as the Committee set up to investigate the workings of the Superannuation and Financial Services in Australia to advise you of the adverse effects the recent CNAL Superannuation scandal has had upon myself and my wife. The CNAL affair was recently investigated by the Senate Committee on Superannuating and Financial Services under Senator Watson. Our Advisers Saxby Bridge made representations to this Committee on 30 March 2000.

The facts are, briefly, that CNAL (Commercial Nominees of Australia Limited) was until recently an approved APRA Superannuation Fund Trustee. Late in 1998 the attention of APRA and ASIC was drawn to irregularities in the running of the Enhanced Cash Management Trust (ECMT) run by CNAL for its customers in the Superannuation Trust. Despite auditing by Arthur Anderson, CNAL was continuing to invest customers' 'Cash' monies in various real estate ventures which lay beyond its regulatory limits. APRA did nothing until more than a year later in Nov. 2000. Its excuse was that it did not want to aggravate the problems. The result of doing nothing was that the problems were severely aggravated as CNAL continued to put clients' money into the ECMT to prop it up. By this time much value damage had been done to funds in the ECMT. In March, CNAL was advised by ASIC that it should no longer pay new customers' monies into the ECMT. This, CNAL ignored, and the order was not enforced by ASIC. This meant that even more funds were put at jeopardy by the inaction of APRA and ASIC.

My wife and I, had our funds invested in the ECMT by advisers Saxby Bridge in April 2000, after the ECMT was supposed to be closed to further investment. This was not enforced by APRA or ASIC

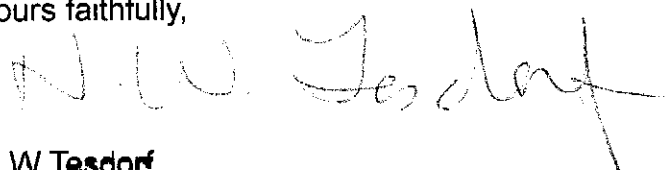
The initial audit results in November 2000 indicate that the ECMT funds are valued now at only 20% of their original value. To my wife and I this represents a loss of about \$80,000. The ECMT is now being examined and audited by Ferrier Hodgson who will report in May 2000.

Superannuation is something now that the Government forces workers to put their money into, and yet there is obviously insufficient regulatory expertise to keep the wolves from its doors. Both APRA and ASIC deny responsibility for the CNAL / ECMT disaster as each claims its field or responsibility is not involved. If people in Australia are to continue to have confidence in the Superannuation System, then such events as this have to be corrected using the existing Superannuation Legislation, which makes it possible when it is in the public interest. Clearly here the public interest has not been served by APRA or ASIC

This Set of Superannuation funds referred to above is now under the trusteeship of 'Oak Breeze' set up by APRA to replace CNAL. The staff working in this interim firm is largely drawn from CNAL, which gives one no further comfort. Investigations of the ECMT and Funds have dragged on under APRA and ASIC since November 2000.

There has been clearly in this case a complete breakdown of the regulatory activity of both APRA and ASIC in regard to protecting the people forced to invest in Superannuation. The interest of ASIC and APRA seems to have been to have been to protect the malefactors. Many nefarious persons will now clearly see the lack of proper regulation of Australia's giant Superannuation industry leaves it open to unlimited abuse.

Yours faithfully,



N.W. Tesdorf

11/11/2000

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