

Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 51

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Committee
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15 JUN 2000



The Institute of
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in Australia

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7 June 2000

The Chairman
Senate Superannuation and Financial Services Select Committee
Senator John Watson
Parliament House
CANBERRA ACT 2600

Dear Senator

RE: REGULATION OF FUNDS WITH LESS THAN FIVE MEMBERS

I am writing to you to highlight the concerns of The Institute of Chartered Accountants in Australia (The Institute) in relation to recent changes in the regulation of funds with less than five members. The Institute is one of Australia's peak professional bodies and our members represent many of Australia's peak business and finance professionals. These members act as advisors and key decision-makers in all facets of the superannuation industry.

The submission below represents the views of The Institute and has been prepared based on input from a variety of members in their capacity as employers, trustees, service providers and fund members of funds of all sizes.

Of particular concern is a number of areas where the legislation has changed causing discrepancies between the treatment of funds regulated by the ATO and those regulated by the APRA. During consultation on Superannuation Legislation Amendment Act 3 we were advised those funds of less than five members would continue to be treated in a similar manner for operational purposes. Since this time a number of amendments have occurred which cause a discrepancy between the treatment of the two classes of fund. These discrepancies are increasing the cost of operating funds regulated by APRA. Our concerns fall into a number of areas we have outlined each of these below with a short explanation of our concerns:

Lodgment levies

The levies payable for Self Managed Superannuation Funds (SMSF's) administered by the ATO are \$45 per annum. The proposed minimum levy for a Small APRA Funds (SAF's) is \$300 per annum. This difference in fees is a significant increase in the anticipated costs for the supervision of funds. It was indicated that all funds would benefit from the reduced regulatory costs as APRA was able to take a consolidated approach to fund regulation by monitoring the Approved Trustee.

Reporting requirements

As noted in previous correspondence SAF's have experienced a reduction of the reporting deadline from 9 months to 4 months. In addition to this funds are required to produce a cashflow statement which is a requirement not imposed on SMSF's. The reduced timeframe and increased reporting will increase the cost of account preparation and audit, without adding any value, as members of these funds have complete access to investment information on a regular basis.



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Senator Watson
6 June 2000
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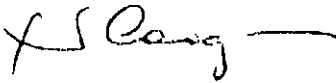
Information provision

Members of SAF's are required to be given new member information, annual member statements, annual member booklet and exit information. Previously the information to be provided was determined as a part of the agreement between the approved trustee and the members. This is an increase in the cost of operating these funds and the information does not often add value to the user who under the arrangement often have full access to any information requested.

We invite you to discuss the importance of considering the undertakings given during earlier consultations with your parliamentary colleagues. We also request that Treasury staff involved in the preparation of regulation and legislation are made aware of the need to consider the equity for all small fund members in future.

Should you wish to discuss any of the matters raised further, please do not hesitate to contact me on (ph) 03 9286 8732, (fax) 03 9286 8165, (email) david.n.coogan@au.arthurandersen.com, or Susan Orchard on (ph) 03 9555 4079, (fax) 03 9555 4084, (email) imojs@enternet.com.au.

Yours sincerely



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