

**House of Representatives Standing Committee on Economics
Review of the Four Major Banks (Second Report)
National Australia Bank (NAB)**

NAB12QW: Please provide copies of documents related to the overcharging of superannuation clients of \$35m between 2012 and 2016. Please outline steps taken by the bank in response to this failure.

Answer

This question concerns the Plan Service Fee (PSF).

The following documents have been provided in response. These include product disclosure statements and significant event notices:

Product Disclosure Statement (PDS) including the Fee Flyer

1. Annexure F: MasterKey Business Super (MKBS) PDS (including Fee Flyer – Annexure G), issue date of 21 November 2011 (pre SWiFT PDS)
2. Annexure H: MKBS PDS (including Fee Flyer – Annexure I), issue date of 19 November 2012

Significant event notice (SEN) relating to introduction of Plan Service Fee (PSF) to MKBS / MKPS (MasterKey Personal Super)

3. Annexure J: Template letter for MKBS and MKPS members about fee changes
4. Annexure K: MKBS Reference Guide dated 1 June 2012 (provided with the member letter – for MKBS members)
5. Annexure L: MKPS Reference Guide dated 1 June 2012 (provided with the member letter – for MKPS members)

SEN relating to transfer of ex-Aviva members to MKBS / MKPS

6. Annexure M: Template letter for members transferring to MKBS or MKPS
7. Annexure N: Employer Super Reference Guide dated 1 September 2012 (provided with the member letter, covers MKBS and MKPS)
8. Annexure O: Super Solutions Reference Guide dated 1 September 2012 (provided with the member letter, covers MKBS and MKPS)

SEN relating to transfer of TERP (The Employee Retirement Plan) members to MKBS / MKPS

9. Annexure P: Template letter for members transferring to MKBS
10. Annexure Q: Template letter for members transferring to MKPS
11. Annexure R: Reference Guide dated 5 February 2013 (provided with the member letter, covers members transferring to MKBS and members transferring to MKPS)

The PSF is for access to ongoing general advice and support services provided to plan members and for general services to the employer in relation to establishing and ongoing support of the plan. The level of fee and the services are agreed between employers and advisers, subject to maximum limits. The PSF was not for personal financial advice to members.

Beginning in 2012, ahead of FoFA requirements, NAB took the proactive decision to restructure its corporate super fees by taking commissions that customers could not change, and replacing them with one fee (a PSF) for the MasterKey Business Super and MasterKey Personal Super products. Our approach was intended to be customer-centric. While our intention with the proactive restructuring of corporate super fees, was to do the right thing in providing greater transparency for customers, we didn't execute the change well.

When NAB realised that communication to members around the introduction of the PSF within its MasterKey Business Super and MasterKey Personal Super product was not clear, we reported the issue to ASIC. We will also compensate affected customers. We made public announcements regarding this in October 2016 and February 2017, and noted that we expected the average

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compensation amount per customer to be approximately \$150; which is expected to be paid to all affected customers by June 2017.

NAB's superannuation trustee, NULIS Nominees, has commissioned an independent assurance review into its superannuation business. KPMG will conduct a 'forward looking' assurance review into NAB's superannuation business, with the first report to be provided by July 2017.

In relation to steps taken by NAB more broadly, enhancements have been made to strengthen the process and control environment when changes are made. Since 2013, the responsible superannuation trustees, with the administrator, have made significant improvements concerning:

- Product governance;
- Compliance management generally;
- Disclosure compliance processes; and
- Conflict of interest management.

Further to the above, the following actions will help avoid similar issues arising in the future:

- **New superannuation operating model:** The superannuation operating model of the new MLC Super Fund facilitates the consideration of fiduciary and commercial matters by a single Board (comprised of a majority of independent non-executive directors), enabling greater transparency and more effective decision making. One entity will now have oversight of all fees charged to members.
- **Exception reports:** Regular exception reports are monitored to help ensure that members are not being charged a PSF in circumstances where they should not.
- **Guidelines for fee changes:** Guidelines are being reviewed to help ensure that the way fees are charged and disclosed is captured across all member sub-categories; so as to identify groups such as advice fees and members with or without a linked adviser.
- **Review of governance policies:** Governance policies are also being reviewed to confirm whether any enhancements can be made as additional preventative measures. A substantial amount of work has been performed to update NAB's superannuation trustee's (NULIS) policies during the Successor Funds Transfer, including the development of a Product Governance Policy. Further enhancements to the policy framework are occurring as part of continuous improvement.