

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

13 – 14 February 2013

**Question: AET 58**

**Topic: MySuper**

**Hansard Page: Page 81-82, 14 February 2013**

**Senator CORMANN asked:**

**Senator CORMANN:** ...If you do not mind, I might just go back to MySuper for a moment: the fourth tranche of the MySuper bill and this whole issue of the product dashboard, which has been going around for quite some time. Again, it is particularly industry funds that have expressed a lot of concern in relation to this particular issue. Can you just talk us through (1) the concerns that were raised with you; (2) what your response is to those concerns; and (3) whether you are considering any changes to respond to those concerns.

**Mr Rollings:** The key legislation around the product dashboard was in the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Act. At the time that was in the parliament, the minister undertook—given that there were still some residual issues being raised by industry—to continue to consult with industry on issues relating to the product dashboard. That legislation specified five key elements of a dashboard to provide a simple expression of the key elements of a superannuation product for consumers to use to compare products in the market. It is fair to say that there have been some issues raised around at least three of those elements of the dashboard, the first one being around what metric would be used for a return target—whether it be a return target based just on a net investment return or a return target that would also net off other administrative costs. So there are some discussions around that. There is also a metric in the dashboard around historical performance of the product. Again, whilst there is general support for the concept of having a metric on historical performance, there are some ongoing discussions around what the right metric should be for that. Similarly, there is an element on liquidity which is designed to give consumers an idea of how readily they will be able to move their money from one product to another. Again, there is general consensus in the industry around having a liquidity metric but there is still some ongoing discussion around what the right metric might be. The other two elements are one pertaining to having a standard measure of risk—there is general consensus around that—and another metric around the fees charged by a particular product. Again, there is pretty broad consensus.

There have been ongoing discussions with industry around these issues. I think the general position of industry now is one of consensus around some potential changes to the legislation for the government to consider. Some of these issues also feed into APRA's reporting standards work. Again, there could be some changes coming out of these discussions with industry which APRA would contemplate.

**Senator CORMANN:** So the final position is not yet settled.

**Mr Rollings:** It is with the government to consider.

**Senator CORMANN:** But, listening to you there, there seems to be a lot of activity which may lead to changes.

**Mr Rollings:** From the discussions with industry, there is a high degree of consensus around the way forward. But, again, that will be a matter for the government.

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**Senator CORMANN:** But here we have legislation—I will say it again: it comes into effect on 1 July 2013. It has come through in four tranches, one after the other, in a pretty disjointed fashion. Even the things which were only legislated just before Christmas we are already now changing. Once we have legislated tranche 4, we will probably be changing that. Yet people are supposed to comply in less than four months. I think that sometimes there is not enough appreciation of how that is all received at the grassroots end, where people actually have to make it work.

The capital exemption for dual regulated entities is being removed in the fourth MySuper bill. Does the regulatory impact statement consider the impact of removing the capital exemption for dual regulated entities?

**Mr Rollings:** The Strong Super and MySuper reforms have complied with the government's best practice regulation requirements. The original—

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**Senator CORMANN:** That was not my question. My question was—yes or no—did the regulatory impact statement cover the issue I have just mentioned? It is clearly something which has significant implications. Either it did or it did not.

**Mr Rollings:** I was going to explain the process. There have been a series of decisions through the reforms. The original government response to the Cooper review had an exemption from the regulatory impact statement requirements. There were further decisions made in 2011 for which a regulatory impact statement was prepared and cleared by the Office of Best Practice Regulation. There was discussion of the dual regulated entities issue in that regulatory impact statement.

**Senator CORMANN:** Is that a long-winded way of saying, 'No, it did not'?

**Mr Rollings:** There was a discussion of this policy proposal.

**Senator CORMANN:** Did the regulatory impact statement assess the removal—

**Senator Wong:** Excuse me, Senator. Regulatory impact statements are published, so I was—

**Senator CORMANN:** Yes, I have seen it.

**Senator Wong:** Then you probably do not need to ask questions.

**Senator CORMANN:** I want to know why it was not covered. Why is he not telling me?

**Mr Rollings:** As I recall, in the appendix to that regulatory impact statement there is a discussion of this policy.

**Senator CORMANN:** It was not covered as part of the regulatory impact statement.

**Senator Wong:** That is not what he just said.

**Senator CORMANN:** It was not assessed.

**Mr Rollings:** There is a—

**Senator CORMANN:** I think you will find that—

**Senator Wong:** Senator! Let the officer of finish.

**Mr Rollings:** My recollection—and I am reasonably confident—is that there is a discussion of this policy decision in the appendix to that regulatory framework—

**Senator CORMANN:** I could not find it—

**Senator Wong:** Just relax!

**Senator CORMANN:** I could not find it on the list—

**Senator Wong:** Senator, no! No! Senator, please—

**Senator CORMANN:** This is—

**Senator Wong:** Can we allow officers to finish their sentences?

**Mr Rollings:** We can provide that to you—

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**Senator CORMANN:** We will come to a conclusion. There are other people who want to ask questions. I could not find—

**Senator Wong:** Frankly, that is your problem if you keep asking questions. But this gentleman is entitled to respond in the manner he sees fit and to the courtesy of allowing him to finish.

**Senator CORMANN:** We have got to the end of it. If you can show me where it is I would be very interested to see it.

**Mr Rollings:** Sure.

#### **Answer:**

The impact of removing the financial resource requirement exemption for dual regulated entities was considered on page 81 of the Regulatory Impact Statement on Stronger Super implementation.

APRA and ASIC will work together and with industry on how the respective resource requirements will be implemented in practice.