

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 215-216

Topic: Governance in Superannuation

Hansard Page: Written

Senator BUSHBY asked:

215. As APRA is planning to impose prudential standards on the superannuation industry, how does it view prevailing corporate governance and transparency practices in the superannuation industry?
216. How does APRA view conflicts of interest such as where trustees are directors of multiple superannuation fund boards?

Answer:

215. As highlighted by the Cooper Review, the compulsory nature of the superannuation industry makes it essential that those responsible for the management and oversight of superannuation funds are held to high standards of governance. The evidence presented to the Cooper Review suggested that the current legislative approach to governance requirements did not allow sufficient flexibility to respond to structural evolutions in the superannuation industry since 1993.

APRA considers that the majority of Registrable Superannuation Entities (RSE) licensees have sound governance arrangements in place that comply with the requirements in the legislation. However, there is always scope for improvement and the focus of the Australian Prudential Regulation Authority (APRA's) proposed governance prudential standard is on establishing minimum requirements for how RSE licensees govern themselves to ensure that they conduct their affairs with a high degree of integrity. The proposed minimum requirements reflect good practice and, where appropriate, the obligations that apply to other APRA-regulated industries.

216. APRA's draft *Prudential Standard SPS 521 Conflicts of Interest* (SPS 521) contains requirements that supplement and elaborate on the proposed amendments to the covenants in sections 52 and 52A of the *Superannuation Industry Supervision Act 1993* (SIS Act). The combination of the legislative requirements and SPS 521 means that directors of RSE licensees will be required to identify all other relevant duties that they may hold to ensure that they avoid or manage conflicts, as appropriate. A directorship on another RSE licensee board must be identified and listed on the RSE licensee's register of relevant duties. It will be left to the RSE licensee and the director concerned to determine whether the holding of multiple directorships results in an unmanageable conflict.