

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates
2017 - 2018

Division/Agency: Australian Prudential Regulation Authority
Question No: 74
Topic: Conflict of Interest Requirements
Reference: Hansard page 108 (30 May 2017)
Senator: Gallagher, Katy

Question:

Senator GALLAGHER: What I am trying to understand is this: when directors have a duty to a company to act in the best interests of the company but they are also trustees who are required to put the interests of beneficiaries above all other interests—how does that work when you have those two conflicting responsibilities? Does APRA have any guidance material on that? Do you provide advice on that?

Mrs Rowell: We have a prudential standard on conflict management. We require trustees to have frameworks and policies in place to manage actual and perceived or potential conflicts of interest. That is something that we talk to trustees about. We did a thematic review on it a couple of years ago. We provided some recommendations for improvements to industry practices as a result of that review. We are in the process of undertaking a slightly narrower scope around related party arrangements—a thematic review on that—which we expect to be able to provide some responses on later in the year. It is an area that we are keenly interested in because we think it is important that those conflicts are effectively managed by the superannuation industry.

[...]

Senator GALLAGHER: You talked earlier about looking at issues of fees and governance—I know you say across the board. Can you give me any comfort that you are looking at some of these issues that I have raised tonight?

Mrs Rowell: Yes. Our engagement with the industry touches on most of the things that you have raised. The degree to which we focus on those particular issues with any individual organisation will depend on the circumstances and what we think of their practices and their arrangements, but we focus on conflicts, fees, performance—all of those aspects—as part of our normal engagement with every superannuation entity.

Mr Glenfield: Specifically, our on-site review process will very much look at the conflict management around a group and how you manage a conflict within a group. As Helen touched on, we are doing a thematic at present on conflict management across industry, which will give us views on better practice, which we will share with industry when that review is complete. It is very much a focus.

Senator GALLAGHER: I hear you when you say it is about the members' best interests, I just guess there are so many risks attached to this growing industry. It is good to know that you are looking at it and we will look forward to talking with you again about it. If you could take those things on notice, when I asked for a bit more information, and particularly where you say you have had some concerns with the research that was released—again, it is very useful to understand other perspectives.

Answer:

Please refer to BET72.