

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 35-37

Topic: Industry Superannuation Fund Investment in Media Company

Hansard Page: 13-14, 20 November 2013

Senator WILLIAMS asked:

35-37. Senator WILLIAMS: Exactly, yes. Is ASIC aware of the significant investment by some Industry superannuation funds—using members' funds, I might add—to financially establish a media company to deliver an online newspaper called the News Daily?

Mr Medcraft: I am aware of that from reading about it in the media, yes.

Senator WILLIAMS: Does ASIC consider that this is this a sound and safe investment for industry superannuation funds? They are taking a substantial amount of workers' money to go into a new daily media set-up.

Mr Medcraft: I will take that on notice.

Senator WILLIAMS: I would appreciate it if you would have a look at that because you have to wonder what return is in it for the hardworking Aussies who are getting their super.

Mr Medcraft: You raise an interesting issue.

Senator WILLIAMS: On what basis do the regulators consider that the trustees of AustralianSuper, Cbus and Industry Super Holdings are meeting that sole-purpose test by investing in an online media company? Would you take that on notice as well, please.

Mr Medcraft: I will.

Senator WILLIAMS: Does ASIC have concerns in relation to a rise in conflict of interest of trustees choosing to invest in what seems to be, at best, a very marginal investment option being an online media company and, at worst, a blatant conflict of interest to promote their own views on superannuation?

Mr Medcraft: I will take that on notice.

Senator WILLIAMS: You would question why an industry super fund would use moneys to promote themselves. You would wonder what return was in it. If you could take that on notice, that would be good.

Answer:

35. *Does ASIC consider that this is a sound and safe investment for industry superannuation funds? They are taking a substantial amount of workers' money to go into a new daily media set-up.*

Within the superannuation sector, ASIC's role primarily concerns the relationship between superannuation trustees and individual consumers to ensure that there is appropriate disclosure, marketing and advertising material.

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On many occasions we have sought amendments to inappropriate advertising that may be misleading or deceptive. As a conduct and disclosure regulator we monitor such advertising for compliance with Corporations and ASIC Acts.

It is not generally ASIC's role to examine the suitability of their investments under the SIS Act. This would generally fall within the purview of the Australian Prudential Regulation Authority (APRA). ASIC and APRA have agreed to work together on any issues or concerns that arise with respect to The New Daily.

ASIC monitors super fund advertising as part of our supervision of misleading and deceptive conduct. A website like The New Daily with significant super fund advertising will be monitored as part of our broader surveillance work.

36. *On what basis do the regulators consider that the trustees of Australian Super, Cbus and Industry Super Holdings are meeting that sole-purpose test by investing in an online media company?*

We have been working closely with APRA on the issue of the appropriateness of funding the site. Our understanding is that APRA has made inquiries about the nature of the funding to determine whether this funding is in keeping with the spirit of, and covered under, the sole purpose test as set out in section 62 of the Superannuation Industry (Supervision) Act 1993 (Cth).

37. *Does ASIC have concerns in relation to a rise in conflict of interest of trustees choosing to invest in what seems to be, at best, a very marginal investment option being an online media company and, at worst, a blatant conflict of interest to promote their own views on superannuation? You would question why an industry super fund would use moneys to promote themselves. You would wonder what return was in it.*

As we do with other advertising generally, we will monitor the potential for content and editorial bias on superannuation reporting.

ASIC reviews the communications strategies of superfunds to their members. We do this to assist in improving the effectiveness of these communications as part of ASIC's financial literacy role. We also review this content to consider whether it is misleading. Types of member communication that we have seen from other funds includes substantial website and e-learning, calculators, seminars, blogs and newsletters.

In regards to advertising on the New Daily, we note that currently, all advertisements are for Cbus, Australian Super and ME Bank. The articles currently on the site appear to be neutral, and are not biased towards the interests of the industry superannuation sector. As such, the concerns in relation to conflict of interest are currently not readily apparent. The majority of superannuation articles appear to be focused on general superannuation education, or general discussion regarding changes occurring in the superannuation space.