

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates 1 - 2 November 2006

**Question:** sbt 79(APRA)  
**Topic:** Concerns with licensing  
**Hansard Page:** E54-55

**Senator SHERRY asked:**

Yes, with some arrangements, but were there concerns in the overwhelming majority of cases? You mentioned there were some concerns, but with how many of the entities that were licensed?

**Mr Jones**—I will have to take on notice how many there were where there were concerns. In fact, we may need a bit more precision in terms of whether the concerns were addressed during the licensing period or whether the concerns were such that they led to conditions being imposed on the licence.

**Senator SHERRY**—Let us just deal with the issue of conditions being imposed on the licence, because I take it that if you had concerns during the licensing process some of those concerns would have been dealt with to your satisfaction.

**Mr Jones**—Yes.

**Senator SHERRY**—So let us just deal with the area where there was a specific reference as part of the licensing process.

**Mr Jones**—My understanding is that we have already supplied the information that you requested in June as to the number of licences that had conditions imposed.

**Senator SHERRY**—Yes, it is in this area of the contracted arrangements.

**Mr Jones**—So specific conditions dealing with the licence holder and an outsourced provider?

**Answer:**

The circumstances under which APRA was and is able to issue an RSE licence are contained in section 29D of the *Superannuation Industry (Supervision) Act 1993*. APRA can only issue a licence if it has no reason to believe that the applicant would fail to comply with the RSE licensee law if the RSE licence were granted. Therefore, APRA was required to form a positive view of the applicant's ability to comply prior to the grant. It was not possible to issue a licence with specific conditions that acknowledged instances of current non-compliance and that required applicants to remedy them.

The Outsourcing standard applies to outsourced arrangements. It requires arrangements to be evidenced by a written agreement that complies with the minimum provisions of the standard. The standard requires that arrangements that were entered into before a licence was granted must be in compliance by the end of the transition period and any arrangements that were entered into after a licence was granted needed to comply immediately. As the operating standard forms part of the RSE licensee law, which licensees must comply with as one of the statutory conditions of their licence, it was not necessary to deal with any of these by way of a special condition.

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As part of the policies and procedures that APRA required applicants to have in place to meet the Fit and Proper Standard, applicants were required to have a framework in place to deal with actual and potential conflicts of interest. Where an applicant had an interest in a service provider with which it had contracted or intended to contract, particular attention was paid to the efficacy of the framework.