

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 519

Topic: Superannuation Funds – Multiple Directorships

Hansard Page: Written

Senator Bushby asked:

519. What is APRA's policy on super fund directors who hold multiple directorships in the super fund sector, and on how many occasions has APRA raised this issue and/or taken action with a fund which had a director in such a position, and with what results?

Answer:

519. APRA does not have a specific policy on multiple directorships in the super fund sector. Currently, where a director holds multiple directorships it is our expectation that the trustee will take appropriate action to manage any conflicts that might arise from holding multiple directorships.

The Stronger Super reforms will affect how registrable superannuation entity (RSE) licensees (RSE licensees) manage conflicts of duty. The key reform is the introduction of requirements applying to directors of RSE licensees and individual trustees to give priority to the interests of beneficiaries where a duty to those beneficiaries conflicts with an interest or other duty of the director or trustee.

Further, the legislative amendments passed by the Senate on 14 August 2012 provide APRA with a general prudential standards-making power in relation to superannuation in the *Superannuation Industry (Supervision) Act*. Such powers provide APRA with similar powers it has under the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995*.

APRA released a draft *Prudential Standard SPS 521 Conflicts of Interest* (SPS 521) on 27 April 2012 for public consultation, with submissions due on 20 July 2012. The key requirements of draft SPS 521 include a robust conflicts management framework, a conflicts management policy and the development and disclosure of up-to-date registers of relevant interests and relevant duties of the RSE licensee and all of its responsible persons, including directors.

These provisions will require all directors of RSE licensees to notify the RSE licensee where they hold other directorships, including directorships of other RSE licensees and act in accordance with both the new legislative covenants and the RSE licensee's conflict

management framework and policy where these directorships have the potential to conflict with the duty to beneficiaries.

Feedback received indicated broad support for the requirements of the prudential standard, seeking clarification only about a small number of areas in the standard. Submissions specifically sought further information about APRA's minimum expectations about the content of the registers and adequate means of disclosure; these matters will be considered further in draft guidance to be issued later in 2012 for consultation.

The answer to Question 518 shows the specific supervisory actions related to conflicts of interest that have been captured under APRA's supervisory reporting framework since 2007. These relate mainly to weaknesses in conflict policies and conflicts arising from relationships with service providers.