

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 517 - 518

Topic: APRA – Enforcement Actions

Hansard Page: Written

Senator Bushy asked:

517. How many enforcement actions has APRA taken in the last three years in relation to flawed unit pricing and asset valuation practices in superannuation funds, and without naming the entities concerned, what were the outcomes for each (fines, court action, disqualifications, asset freeze, enforcement undertakings etc)?
518. How many formal and informal actions (please separate and define formal and informal) has APRA taken in relation to unresolved conflicts of interest issues in relation to super fund governance during the past three years, and what were the results of taking such action?

Answer:

517. There have been no enforcement actions taken against any superannuation funds in the last three years in relation to flawed unit pricing and/or asset valuations.

However, where the Australian Prudential Regulation Authority (APRA) has identified concerns surrounding the practices of a superannuation fund, it will make recommendations or require changes in practices. Recommendations are generally aimed at moving the trustee's practices closer to best practice; where required changes in processes point to deficiencies in the trustee's operations that expose the members to unacceptable risk, the changes in processes are mandated. Non-compliance with requirements could culminate in enforcement actions being instigated.

All identified instances of flawed unit pricing or asset valuations errors have, to date, led to the payment of compensation by the fund concerned.

Examples of specific supervisory actions under this heading captured under APRA's supervisory reporting framework are set out in the table below.

Valuation and Unit Pricing issues since 2007*		
Fund Type	Requirement	Recommendation
Corporate	2	2
Industry	3	7
Public Sector	-	-
Retail		3
Total	5	12

\*These figures do not include recommendations and suggestions that individual APRA supervisors have raised with trustees as part of routine supervision activities.

518. Conflict of interest issues have been robustly debated with all segments of the industry for many years. APRA's expectations as set out in [Draft Prudential Practice Guide – Management of Conflicts of Interest](#) were circulated for industry consultation in April 2009. APRA did not finalise this Prudential Practice Guide pending the outcome of the Stronger Super reforms.

APRA has recently released a discussion paper on proposals for the development of prudential standards, including in relation to conflicts of interest. Since 2009 APRA has continued to promote the practices articulated in the draft prudential practice guide, however APRA has relied on moral suasion rather than formal interventions.

The table below sets out specific supervisory actions captured under APRA's supervisory reporting framework since 2007 that include but are not limited to conflicts of interest.

Conflict of Interest issues since 2007*			
Fund Type	Requirement	Licence Variation/ Enforcement	Recommendation
Corporate	-	-	6
Industry	1	2	3
Public Sector	1	-	1
Retail	-	1	
Total	2	3	10

\*These figures do not include recommendations and suggestions that individual APRA supervisors have raised with trustees as part of routine supervision activities.