

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 832

Topic: Industry Super Funds advertisements

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Senator Bushby asked:

Senator BUSHBY: Has ASIC run its eye over the current industry fund superannuation advertisements to ensure that they comply with previous guidance to super funds and listed entities?

Mr Medcraft: Not that I am aware of, but we will take that on notice.

Senator BUSHBY: In doing so, I refer you to the Australian Securities and Investments Commission's finding in 2005 that the comparisons in the ads that were running at that time were misleading because they assumed the fee differential would remain unchanged. They said that past performance, on which projections were made, was not a reliable indicator of returns. ASIC gave some directions to industry super funds at that point about their advertisements. In the past months, advertisements have been appearing that look very similar to the ones that were running then. I would be very interested in knowing whether you have taken any interest in those and, if you have, whether you have taken any action or will look into it.

Mr Medcraft: I will take that on notice.

Answer:

We understand this to be a reference to the Industry Fund Services Pty Ltd (IFS) "Compare the Pair" advertising campaign. The assumptions behind this advertising campaign are provided to IFS by SuperRatings. The advertising is comparing retail funds with industry funds on the basis that industry funds do not pay commissions to advisers. There may be other differences between the funds.

ASIC does not approve advertisements before they are run by any issuer. However, ASIC may take issue with advertising if it appears to be misleading or deceptive. When these advertisements were originally run in 2005, ASIC was concerned with some of the statements made, including that the projections were insufficiently qualified. ASIC entered into an Enforceable Undertaking with IFS who included additional disclaimers in their advertising material to indicate that fees and charges may change over time and this would have an impact on the fee outcomes outlined in the advertising: see MR 05 – 148 *Industry Fund Services agrees to change advertising*.