

5 November 2014

**By email:** [maan.beydoun@asic.gov.au](mailto:maan.beydoun@asic.gov.au)

**cc:** [ged.fitzpatrick@asic.gov.au](mailto:ged.fitzpatrick@asic.gov.au)

Mr Maan Beydoun  
Senior Specialist  
Investment Managers and Superannuation  
Australian Securities and Investments Commission

Dear Mr Beydoun,

**Re: Draft ASIC Class Order: Disclosure of Fees for superannuation and managed investment scheme responsible entities**

AustralianSuper welcomes the opportunity to provide feedback to the draft Class Order before it is finalised.

**About AustralianSuper**

AustralianSuper is one of Australia's largest super funds and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 2 million members and manage over \$78 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for members and we have a keen interest in ensuring that disclosure of fees to members is uniform across the superannuation industry.

AustralianSuper fully supports and commends ASIC on having the foresight to consider the issue of fee disclosure in superannuation afresh. Whilst not all members analyse fees themselves, consistent fee disclosure across the superannuation industry is important in promoting both consumer understanding as well as promoting greater competition and efficiency within the superannuation industry.

AustralianSuper has commended ASIC's work on fee disclosure our submission to the Financial Systems Inquiry, and fully support the disclosure of fees of underlying assets.

We have considered the draft Class Order and provide the following comments:

- Clause 1(a) Indirect costs – suggest that this definition only apply to those investment costs that are not already included in the definition of investment fee.
- Clause 1(a)(a) Indirect costs – we support the definition of indirect costs including those amounts that “are or relate to” the investment of a member as it is intended to have a wider, catch-all application in relation to indirect costs.

- Clause 3(b) Switching fees – It is possible to have a switching fee apply where the member has not actually switched investment options. This may occur where a number of products are offered under one investment option. This is unlikely to be an issue in relation to MySuper investment options.
- Clause 3 – Commencement – We suggest that the changes apply upon next update of the PDS, whenever that may occur, but in any event, not later than one year from the commencement date of the Class Order.

Other issues:

- AustralianSuper contends that it is necessary to provide some regulatory guidance alongside the Class Order when it is executed and released. It is important that trustees understand that extra level of inquiry required in relation to underlying assets, and what effect it has on fee disclosure. With this in mind, we suggest that case examples can be shown in such guidance (refer attachment 'A'). Such examples should have an accompanying narrative that explains how Clause 1(a) of the Class Order applies in such scenarios and changes the fee disclosure to be made. We would be happy to provide more detailed examples for guidance in the future.
- AustralianSuper assumes that ASIC and APRA have regular consultations on matters of superannuation disclosure and that APRA will be aware of the new requirements in the class order. In order for this disclosure to work effectively, it is important that APRA expectations about disclosure of underlying fees and costs for reporting purposes are consistent with those of ASIC as reflected in the Class Order.

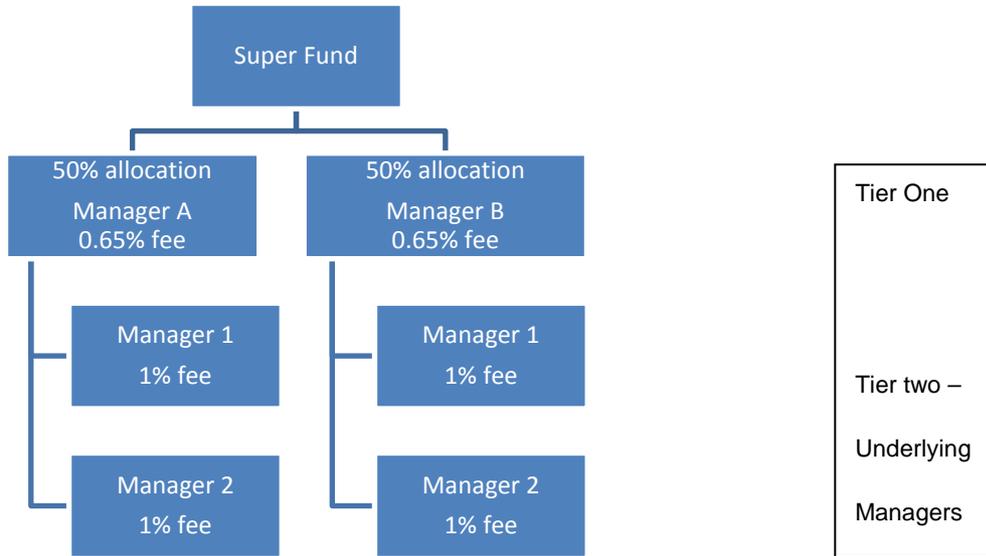
Please do not hesitate to contact Louise du Pre-Alba on 03 8648 3847 if you wish to discuss this further. We are happy to provide further information on request.

Yours sincerely



Louise du Pre-Alba  
Head of Policy

ATTACHMENT 'A'



Source: C+BUS

**Indirect costs - full disclosure of manager fees for a representative member with \$50,000:**

+Tier One Manager fees	0.65% x \$50,000 =	\$325
+Tier Two fees	1.00% of \$50,000 =	\$500
= Total Investment manager Fee		<u>\$825</u>

**In contrast, reporting at only the first tier of investment manager fees (so, not disclosing other indirect costs that reasonably ought to be known):**

+Tier One fees	0.65% x \$50,000 =	\$325
= Total Investment manager Fee		<u>\$325</u>

Compliance with the Class Order would mean that the definition of 'indirect costs' in Clause 1(a) of the Class Order would be utilized, resulting in the capturing of tier two management fees as shown above. This means that an additional 1.00% of fees would be disclosed to members, resulting in a total investment manager fee of \$825 as described in this example, instead of \$325.