

3 June 2014

Manager
Financial System Assessment Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: supervisorylevies@treasury.gov.au

Dear Sir/Madam

Submission on Proposed Financial Industry Levies for 2014-15

Thank you for the opportunity to make a submission on the Proposed Financial Industry Levies for 2014-15

Russell Investments (Russell) is a global asset manager and one of only a few firms that offer actively managed, multi-asset portfolios and services that include advice, investments and implementation. Working with institutional investors, financial advisors and individuals, Russell's core capabilities extend across capital markets insights, manager research, Indexes, portfolio implementation and portfolio construction.

Russell has more than \$286 billion in assets under management (as of 31 December 2013) and works with 2,500 institutional clients and independent distribution partners and millions of individual investors globally. As a consultant to some of the largest pools of capital in the world, Russell has \$2.6 trillion in assets under advisement (as of 30 June 2013). We have four decades of experience researching and selecting investment managers and meet annually with more than 2,200 managers around the world. The Russell Global Indexes calculate over 700,000 benchmarks daily covering 85 countries and more than 10,000 securities.

In Australia we manage the Russell SuperSolution Master Trust with around 70,000 members and \$6 billion of net assets. We also manage the Russell Pooled Superannuation Trust with around \$9 billion of net assets.

Comments in relation to April 2014 Response Paper

We support the conclusions from the Response Paper released by Treasury on 16 April 2014.

Particularly in relation to the equitable treatment of PSTs, we believe that PSTs should be levied at a lower rate than superannuation funds for the following reasons:

- PSTs require less supervisory effort than superannuation funds (as observed in Conclusion 4),
- A significant component of current levies relates to the recovery of costs for implementation of SuperStream via the temporary SuperStream levy component. SuperStream has no relevance for PSTs and they should not be required to contribute to this component of the levy cost,
- Assets of PSTs are included in the base calculation for superannuation funds that invest into PST vehicles, which sees these funds and their members potentially being levied twice on the same assets.

Implications for Levy Methodology

The paper for Proposed Financial Industry Levies for 2014-15 outlines 2 potential options in relation to PSTs. We note that Option 1 proposes a levy for PSTs that is identical to other superannuation funds, while Option 2 proposes a reduced levy for PSTs.

We strongly support Option 2 as being the most equitable allocation of supervisory levies across the superannuation industry and entity types, consistent with the conclusions reached in Treasury's Response Paper of 16 April 2014. Option 1 would represent a continuation of the past inequitable treatment of PSTs in particular and we don't believe this appropriately responds to the significant issues identified by Treasury.

Yours sincerely



David MacKenzie
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Russell Investments