

s 22

From: s 47F [redacted]@fsc.org.au>

Sent: Sunday, 22 May 2022 10:03 AM

To: Chalmers, Jim s 22 [redacted]

Cc: s 22 [redacted] s 22 [redacted]
[redacted]@fsc.org.au>

Subject: FSC Incoming Government Brief

Dear Treasurer

Re: Incoming Ministerial Briefing on Reform Priorities in Financial Services

s 22 [redacted]

I look forward to working with you and the incoming Government on your election commitments and to identify policies that will grow the financial services industry. I also welcome Labor's commitment to stability and certainty for the financial services sector and its consumers. The attached initial briefing provides a summary of the key priorities for the sector and industry's positions on areas that will require action in the near term, due to either legislative requirements or public commitments.

As you would appreciate the financial services industry has been through significant regulatory reform over the past few years, and as such we recommend you focus on ensuring that recently legislated changes to financial services do not impose an excessive regulatory drag on the economy. In this context, this briefing also highlights areas to improve productivity in the sector given its significant contribution to our economy.

I would welcome the opportunity to consult with you further and meet at your earliest convenience.

We have also provided a copy of this brief to Mr Stephen Jones MP in anticipation of his confirmation as Minister for Financial Services and Superannuation.

Please feel free to contact me on s 47F [redacted] at any time.

Regards

Blake Briggs | Chief Executive Officer

Financial Services Council

m: s 47F [redacted]@fsc.org.au

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22 May 2022

Dr Jim Chalmers
Treasurer
Parliament House
CANBERRA 2600

Dear Treasurer

Re: Incoming Ministerial Briefing on Reform Priorities in Financial Services

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Yours sincerely

s 47F

BLAKE BRIGGS
CHIEF EXECUTIVE OFFICER

SUPERANNUATION

1. Deferring expansion of the Your Future, Your Super performance test until consultation

- Under the previous Government’s original announcement of the Your Future, Your Super reforms, a 1 July 2022 start date has been proposed for the application of the annual performance test to Trustee Directed Products (TDPs).
- In broad terms, TDPs are accumulation products in a superannuation fund regulated by APRA where the investment strategy is designed and controlled by the trustee, and where the investment strategy covers multiple asset classes.
- Application of the test to TDPs is more complicated than MySuper products.
 - Many TDPs operate on platforms, which may also be known as wraps, that allow members to exercise consumer choice and receive financial advice within the fund to select and combine investments from multiple products, which may include multiple TDPs, to construct their own individual superannuation portfolio.
 - Without appropriate design to account for these issues the performance test could result in double counting of platform administration fees and advice fees against multiple trustees directed products combined in a single portfolio.
- From a practical perspective, implementing an annual performance test for TDPs products brings significant administrative and operational complexities. Funds are currently unable to determine how to plan and respond for the performance test outcomes because there is no clarity over which products will fail the test, as final regulations have not been released or consulted on.
 - For example, the MySuper performance test was applied to 80 MySuper investment options. However, APRA-regulated superannuation funds offer around 568 choice products, with approximately 9,000 distinct investment options.
 - In our view, this would mean Government, APRA and industry have what is effectively an unworkable timeframe in which to conduct and finalise consultations on the scope, application and implementation of the annual performance test for TDP.
- **The FSC recommends that a formal consultation process to understand and to properly implement the application of annual performance testing to Trustee Directed Products is undertaken, and the test for trustee directed products is deferred until 1 July 2023.**
- **Noting Labor’s concerns regarding how the performance test applies to faith-based and ESG orientated superannuation products, a deferral also provides Labor the opportunity to review whether the performance benchmarks are appropriate following APRA’s second assessment of MySuper products later this year.**

- The FSC also believes a number of new laws have built on the existing stock of regulation, increasing the regulatory burden without checking if they are inconsistent or superseded obligations. Specific examples include:
 - **Removing unnecessary regulatory costs from the superannuation system:** Given the YFYS reforms will have a single standardised performance measure across the industry to reduce complexity for end users, and a single comparison website through the Government's YourSuper website there is a strong case to remove MySuper product dashboard and cease plans to extend the dashboard further, cease the APRA heatmaps, and remove the member outcomes assessment.
 - Each of these disclosures have different regulatory requirements that all conflict, present information to consumers that require different or varied calculations, and result in increased cost for industry with limited consumer benefits in practice.
 - The introduction of the Design and Distribution Obligations further support the case for removing these added regulatory burdens.
- **The FSC recommends that Government runs a process to identify fixes for outstanding issues with financial services laws legislated in the last parliament and to remove obsolete obligations which have been superseded.**

From: [Premetis, Spiro \(Financial Services Council - Unclassified\)](#)
To: s 22
Subject: Re: FSC Media release - operation of YFYS performance Test
Date: Thursday, 7 July 2022 3:55:36 PM
Attachments: [FSC media release - FSC welcomes review into Your Future, Your Super.pdf](#)

Hi s 22

Thank you, our members think this is a very sensible announcement and look forward with working with you through the review on these important issues.

Please find attached a copy of the FSC's media release.

Cheers

Spiro

Spiro Premetis | Executive Director – Policy and Advocacy
Financial Services Council

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Level 5, [16 Spring Street | Sydney NSW 2000, Australia](#) | ABN: [82 080 744 163](#)

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The FSC conducts its meetings, and requires its members when participating in its meetings to conduct themselves, in accordance with all legal obligations. Please refer to [this link](#) which sets out the FSC rules for conduct of meetings and the FSC competition law compliance statement.



MEDIA RELEASE

Thursday, 7 July 2022

FSC WELCOMES REVIEW INTO YOUR FUTURE, YOUR SUPER

The Financial Services Council (FSC) welcomes the Government's decision to pause the extension of the Your Future, Your Super (YFYS) performance test beyond MySuper products for 12 months, and to review the YFYS laws.

FSC Executive Director of Policy and Advocacy Spiro Premetis said: "The FSC has long advocated for a performance test for superannuation products that accurately reflects investment performance and member experience.

"Given a range of complexities with applying the test to a broader and more diverse range of superannuation investment options, the pause is the right outcome for consumers.

"Proceeding with the test without further consultation could have resulted in consumers being given misleading information about their superannuation funds' performance."

Further consultation should consider areas which undermine the performance test from being applied fairly, such as adopting inaccurate asset class benchmarks and the double counting of administration and advice fees for members who choose multiple superannuation products for their portfolio.

"There is now adequate time to address these complexities to ensure the performance test is properly designed to deliver on its promise of strong consumer outcomes in the investment returns of superannuation products.

"The broader review of YFYS will provide an opportunity to examine any unintended consequences of these important reforms, such as ensuring consumers have the option of selecting superannuation funds that align with broader goals such as ESG investing."

The FSC also welcomes the Government's commitment not to unwind the stapling measures of the YFYS laws.

"Stapling is an important consumer protection and a key recommendation of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the Productivity Commission's report into the efficiency and competitiveness of the superannuation system."

- ENDS -

Media Contact: Kylie Adoranti - 0423 715 955 - kadoranti@fsc.org.au

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds

management businesses, superannuation funds, life insurers and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing \$3 trillion on behalf of more than 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world.



Blake >

Fri, 10 Jun, 12:11 pm

Hey, just checking in on YFYS regs. Not sure if you've made a decision yet, but we'd give you clear public support if you paused the test to consult and reviewed the benchmarks. I think there is pretty wide consensus there are problems to work through and time is required, not least issues with reflecting actual consumer experience, and the impact of surging commodity prices on ESG/Climate options. Please give me a call if you have an update or questions. Blake.

From: [Premetis, Spiro \(Financial Services Council - Unclassified\)](#)
To: s 22
Subject: RE: Follow up
Date: Tuesday, 31 May 2022 11:37:21 AM

Hey s 22

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There were also a few key areas I would really appreciate an initial steer on, particularly around the Your Future, Your Super performance test – as industry is currently dealing with a high level of uncertainty on next steps.

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Cheers

Spiro

Spiro Premetis | Executive Director – Policy and Advocacy
Financial Services Council

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From: s 47F
To: s 22
Subject: RE: REQUEST FOR SENIOR MEETING - Treasurer and BlackRock, CFS
Date: Friday, 10 June 2022 4:23:37 PM

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A particular topic that meeting with you and the Treasurer (if available) could cover is the application of the Your Future Your Super Performance test from a practical industry perspective, s 22

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Kind regards

s 47F

Director | Legal, General Counsel Australia | **BlackRock**

Phone: s 47F

From: s 47F

Sent: Monday, 6 June 2022 2:22 PM

To: s 22 @treasury.gov.au s 22 @treasury.gov.au>

Subject: REQUEST FOR SENIOR MEETING - Treasurer and BlackRock, CFS

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Both through the Financial Services Counsel (FSC) and directly with Minister's Offices and the Treasury, we found it useful to share our practical industry experiences on issues such as the APRA performance test with Government to lead to better policy outcomes. s 22

We are proposing that two senior industry leaders travel to Canberra to discuss the application of the APRA performance test and other issues related to asset management. It would be good to meet in person with senior figures in light of the new Government and legislative agenda. The meeting is proposed with:

1. Andrew Landman, Head of BlackRock Australasia and FSC Board:
<https://fsc.org.au/about/fsc-people/directors/andrew-landman>
2. Rob Coombe, Chair – Colonial First State Investments Limited:
<https://www.cfs.com.au/about-us/corporate-profile/media/CFS-appoints-executive-chairman-elect.html>

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Happy to discuss.

Kind regards

s 47F

Director | Legal, General Counsel Australia | **BlackRock**

Phone: s 47F

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