

EXPLANATORY STATEMENT

Issued by authority of the Minister for Small Business and Assistant Treasurer

Corporations Act 2001

Superannuation Legislation Amendment (Transparency Measures) Bill 2015

Superannuation Legislation Amendment (Transparency Measures) Regulation 2015

Subsection 1364(1) of the *Corporations Act 2001* (the Corporations Act) provides, in part, that the Governor-General may make regulations prescribing all matters required or permitted by the Corporations Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Corporations Act.

The Superannuation Legislation Amendment (Transparency Measures) Bill 2015 (the Bill) makes amendments to the Corporations Act increasing the amount and quality of information available to superannuation fund members, employers and other stakeholders.

The two measures contained in the Bill, portfolio holdings disclosure (PHD) and choice product dashboards, will achieve an appropriate balance between improved consumer outcomes and reduced industry compliance costs. PHD is aimed at increasing the market, as well as members', awareness of what specific investments are being made by superannuation funds. This will enable members and analysts to better assess the level of diversification and risk in particular products.

The PHD regime requires superannuation funds to disclose sufficient information to enable the identification of assets held directly, through associated entities and by the first non-associated entities of the RSE licensee, as well as the value of these assets. This information is required to be provided in a manner prescribed through Regulation.

Product dashboards provide a summary of information for consumers about a fund's MySuper and choice products. The aim of the dashboard is to help consumers assess whether a particular investment option meets their objectives and allow them to compare a particular product with others.

MySuper products are already subject to the requirement to produce a product dashboard. The Bill makes amendments to the Corporations Act requiring a trustee of a regulated superannuation fund with five or more members to produce a choice product dashboard for its fund's 10 largest choice investment options, as measured by funds under management. An additional power is provided to prescribe by regulation how the dashboard must be displayed on the fund's website, and how information on the dashboard is to be set out.

The purpose of the Superannuation Legislation Amendment (Transparency Measures) Regulation 2015 (the Regulation) is to give effect to the PHD and choice dashboard measures set out in the Bill.

With respect to PHD, the Regulation prescribes that the portfolio holdings information that must be disclosed under subsection 1017BB(1) of the Corporations Act must be organised in a table. In addition, each investment option must have its own table that sets out specified information. The Regulation prescribes the column headings of the table, the information that must be set out in accordance with each column heading and the format of the information in the table.

With respect to product dashboards, the Regulation sets out a range of detailed content requirements for MySuper and choice product dashboards. Further amendments specify the ordering of the elements on both MySuper and choice product dashboards and prescribe the text used to describe the elements on the dashboard. The Regulation also specifies how MySuper and choice product dashboards should be displayed on a fund's website.

Two additional dashboard elements are prescribed in the Regulation – an investment mix pie chart and a simple superannuation estimator.

These requirements will ensure that the product dashboards are beneficial for consumers and allow them to make informed decisions about superannuation products.

The requirement to include product dashboards in periodic statements is repealed and replaced by a requirement to provide a website link to the relevant choice or MySuper dashboard.

Finally, product dashboards are limited to those choice investment options where the trustee retains absolute discretion to replace or vary the financial products or other property held in the investment option. This ensures that there is no burden on the superannuation industry in circumstances where product dashboards are not appropriate or feasible.

Details of the Regulation are set out in [Attachment A](#).

The Regulation is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Schedules 1 and 2 of the Regulation commence on 1 July 2016.

ATTACHMENT A

Details of the Superannuation Legislation Amendment (Transparency Measures) Regulation 2015

Section 1 – Name

This section provides that the title of the Regulation is the Superannuation Legislation Amendment (Transparency Measures) Regulation 2015 (the Regulation).

Section 2 – Commencement

This section sets out the commencement dates for the various parts of the Regulation.

Schedule 1 containing the amendments relating to product dashboards commences on 1 July 2016.

Schedule 2 containing the amendments relating to portfolio holdings disclosure (PHD) also commences on 1 July 2016.

Section 3 – Authority

This section provides that the Regulation is made under the *Corporations Act 2001* (Corporations Act).

Section 4 – Schedules

This section provides that each instrument that is specified in a Schedule to the Regulation is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

Schedule 1 – Product dashboards

Item [1] – Subsection 7.9.01(1)

A new definition of *dashboard reporting standard* is inserted in subsection 7.9.01(1) which sets out a list of definitions used in Part 7.9 of the *Corporations Regulations 2001* (Corporations Regulations). The definition refers to the meaning of the term given in subregulation 7.9.07P(2). This section has been inserted to indicate that dashboard reporting standards will be made for both MySuper products and qualifying choice investment options.

Item [2] – Division 2E of Part 7.9

Existing Division 2E, which sets out the information required to be disclosed by MySuper product dashboards, is repealed and replaced by new Division 2E. Within the replacement Division 2E, Subdivision 2E.1 will contain the provisions relating to product dashboards. It broadly replicates the previous provisions with some new requirements. However, the new Subdivision 2E.1 will now apply to all MySuper products as well as to qualifying choice investment options that require a product dashboard.

Item [2] 7.9.07L

New regulation 7.9.07L states that Subdivision 2E.1 is made under section 1017BA of the Corporations Act.

Item [2] 7.9.07M

This regulation excludes some choice investment options from the definition of *qualifying choice investment option* in subsection 1017BA(5) of the Corporations Act, based on a power provided in paragraph (b) of that definition. *Qualifying choice investment options* are required under section 1017BA to prepare a product dashboard. Regulation 7.9.07M excludes from the dashboard regime a choice investment option where the trustee does not have absolute discretion to vary or replace the financial products or any other property allocated to the investment option. This provision intends to exclude investment options that require a member's input when determining the investment option's asset allocation.

- An example of a situation where a dashboard would not be required under this clause is where a member chooses their own asset allocation, for example from a platform. Another situation where a dashboard would not be required is if a trustee selected a broad asset allocation for an investment option but a member could vary the percentage of those assets. However, if there was a set asset allocation but the trustee could vary the percentage of those assets if he or she wished, a dashboard would be required for the set asset allocation.
- An example of a situation where a dashboard would be required under this clause is where a trustee has invested in numerous financial products and other property, including financial products over which the trustee has no control (for example, an exchange traded fund). Since the trustee can control the share of the investment option in which it invests in a financial product, a dashboard would be required in this circumstance.

Item [2] 7.9.07N

The order of the elements on a product dashboard and prescribed text to describe these elements is determined in Regulation 7.9.07N. This regulation is included to improve the comparability of product dashboards to ensure that information can be found in approximately the same area of the page and that the language used to describe the dashboard metrics is consistent. Requirements are similar to the current example product dashboard provided in ASIC guidance. Requirements are as follows:

- There must be an overall heading containing the words 'MySuper dashboard' for a MySuper product, including a lifecycle stage of a MySuper product. For choice products, the word 'dashboard' must be included in the heading.
- Under the heading, prescribed text must be inserted clarifying that the dashboard is based on a representative member with a \$50,000 balance. The reader is also encouraged to use the dashboard to compare the investment option with other options.

- Under this statement prescribed text must be provided recommending that the reader go to ASIC's MoneySmart website to obtain more information on superannuation. A link to the website (or any future replacement website) must be inserted within or near this text.
- Under this link and text, four prescribed text boxes must be placed, setting out a statement of fees and other costs, the level of investment risk, the return target and the actual return achieved. Detailed requirements relating to each of these boxes are as follows:
 - The statement of fees must set out a dollar figure per year and a corresponding percentage number calculated using a balance of \$50,000. This dollar figure and percentage must be broken down into investment fees (expressed as a percentage of \$50,000), administration and advice fees (expressed as a dollar figure), and indirect costs (expressed as a percentage of \$50,000).
 - The level of investment risk must be stated, as well as the number of years out of every 20 years, in which negative returns can be expected.
 - The return target must be expressed as a percentage per year as well as a percentage per year above inflation for a stated period, after fees and taxes. There must also be a prescribed warning that future returns cannot be guaranteed.
 - The actual return must be stated as a percentage per year. In addition, the 10 year average actual return must be provided, expressed as a percentage per year as of the 30 June of a specified year. The 10 year average return target for the period must be provided, again expressed as a percentage per year. Prescribed text must be added warning that higher returns can be expected to lead to more years of negative returns.
 - A note states that the content of the boxes is subject to the requirements in regulations 7.9.07P, 7.9.07Q, 7.9.07S and 7.9.07T.
- Under these boxes, a comparison graph must be set out as prescribed in new regulation 7.9.07R with a prescribed heading.
- Under this graph, prescribed text must be displayed warning that past performance is not necessarily an indicator of future returns.
- Under this text, an investment pie chart as prescribed in new regulation 7.9.07U must be provided, with a prescribed heading.
- Under this pie chart, prescribed text must be inserted stating that the investment mix displayed in the chart represents the strategic asset allocation for the product or option. The text should then direct the reader to the Product Disclosure Statement for more details.
- Within or near this prescribed text a link to the relevant Product Disclosure Statement must be provided.
- An interactive superannuation estimator must be provided next to the pie chart as prescribed in new regulation 7.9.07V, with a prescribed heading.

- Under the estimator, prescribed text must be provided stating that the estimate is based on the fees charged and target returns for the product or option based on a \$50,000 balance as shown on the dashboard.

Funds are required to comply with the order of information and the text in subregulation 7.9.07N(1), but have discretion with respect to font, background and other such design matters. Funds can also include links to additional information or hover text containing additional details, at their discretion (see regulation 7.9.07W).

Subregulation (2) informs the reader that an example of a product dashboard that is compliant with the requirements in subregulation (1) is set out in Schedule 8E of the Corporations Regulations.

Item [2] 7.9.07P

This regulation replicates the previous MySuper regulation in relation to the return target but extends the requirements to qualifying choice investment options.

The return target mentioned in paragraph 7.9.07N(1)(e) must be calculated in accordance with any relevant dashboard reporting standards and must relate to the ten-year period starting at the start of the current financial year.

Subregulation (2) extends the definition of *dashboard reporting standard* to indicate that reporting standards will be provided for both MySuper products and qualifying choice investment options.

The subregulation explains that it is a reporting standard prepared under section 13 of the *Financial Sector (Collection of Data) Act 2001* that contains requirements relating to the preparation of product dashboards. Section 13 of the *Financial Sector (Collection of Data) Act 2001* provides a general power, subject to a number of conditions, for APRA to issue reporting standards.

A note to subregulation (2) states that, as an example, APRA could issue a dashboard reporting standard for MySuper products, including lifecycle stages, and another that only deals with qualifying choice investment options (including related lifecycle stages).

Item [2] 7.9.07Q

This regulation replicates the previous MySuper regulation in relation to the return but extends the requirements to qualifying choice investment options. It amends the name of the return to ‘actual return’ to distinguish it from the ‘target return’.

Subregulation (1) makes it clear that the average actual return referred to in paragraph 7.9.07N(1)(e) must be calculated in accordance with any relevant dashboard reporting standards and must cover the period during which the MySuper product or choice investment option (including lifecycle products or options) have been offered to investors.

In the case of a MySuper product, including a lifecycle product, this period must include the time during which a predecessor product has been offered to investors, if there is such a predecessor product. The subregulation makes it clear that the calculation can only be based on whole financial years during which the product or option was offered.

Subregulation (2) limits the length of the required period for working out the average actual return to a maximum of the last complete ten financial years

A definition of *predecessor product* is provided in subregulation (3). The definition adopts that provided in regulation 9.46 of the *Superannuation Industry (Supervision) Regulations 1994*, and states that a ‘predecessor product’ should have, in relation to a particular MySuper product, the same characteristics as outlined in subregulation 9.46(2) – that is, no increase in fees, charges or insurance premiums, no reduction in insured benefits and no change in the investment strategy. The 30 June 2013 date indicates the date from which MySuper products were allowed to be offered by superannuation funds.

Item [2] 7.9.07R

This regulation replicates the previous MySuper regulation in relation to the comparison between the return target and return but extends the requirements to qualifying choice investment options. Additional requirements for the presentation of the comparison graph are prescribed to increase comparability of the graph and ensure the information is displayed accurately and consistently.

The comparison graph referred to in paragraph 7.9.07N(1)(f) must comply with the requirements in subsection (2) and with any relevant dashboard reporting standards. It must cover the period for which the average actual return is calculated, as set out in regulation 7.9.07Q.

Subregulation (2) sets out a number of detailed requirements with respect to the format of the comparison graph. A number of detailed formatting rules are provided. These rules set out the format and scaling of the axes of the graph, requirements with respect to labelling and keys to explain the data contained in the graph, the provision of a column representing the actual return for each year with appropriate labelling of values, as well as the formatting of lines representing the moving average return target and the moving average actual return.

Item [2] 7.9.07S

This regulation replicates the previous MySuper regulation in relation to the level of investment risk but extends the requirements to qualifying choice investment options.

The level of investment risk referred to in paragraph 7.9.07N(1)(e) must comply with any relevant dashboard reporting standards, cover the current financial year and use the relevant risk label prescribed in the reporting standards.

Item [2] 7.9.07T

This regulation replicates the previous MySuper regulation in relation to the statement of fees and other costs but extends the requirements to qualifying choice investment options.

The regulation also adds additional disclosure requirements for the reporting of fees and other costs on the dashboard, to provide consumers with a more detailed understanding of how their fees and costs are calculated (in particular, the relationship between fees and costs and a representative member’s account balance). The regulation also specifies how a fee or cost must be reported if (as may be the case for qualifying choice investment options) a range of fees are charged.

The statement of the particular fees and costs, as well as their total amounts, required under paragraph 7.9.07N(1)(e) must comply with any relevant dashboard reporting standards. Where they are based on a range of amounts, the highest fee or cost in the range must be used for both the particular fees and costs and their total amounts. They must be based on the current financial year, be expressed in dollar terms and, in the case of the total amounts, also as a percentage of the \$50,000 balance prescribed in paragraph 7.9.07N(1)(b). The total fees and costs must include the highest fee or cost as required by paragraph (d). The particular fees and other costs must either be expressed in hover text or else be accessible using a single short and clearly visible link from the dashboard.

Paragraph 1017BA(1)(c) of the Corporations Act requires that fees and other costs information is updated within a period prescribed by regulation. Subregulation (2) sets this period at 14 days after a change to those fees or other costs.

Item [2] 7.9.07U

Consumer testing of the product dashboard commissioned by ASIC indicates that consumers were interested in knowing, in broad terms, how the assets of their superannuation fund were invested.

To maintain comparability, standardised investment mix categories are required to be specified for inclusion in the pie chart. The following categories could be used to divide superannuation fund investments into broad categories for the pie chart. As a starting point, APRA’s asset class definitions reflected in *Reporting Standard SRS 533.0 Asset Allocation* could be used to define the below categories.

Cash	Listed Property
Fixed income	Unlisted property
Domestic equity	Infrastructure
International equity	Other

The categories and definitions of the categories for the pie chart will be contained in APRA reporting standards. The investment mix pie chart referred to in paragraph 7.9.07N(1)(h) must comply with any relevant dashboard reporting standards.

Item [2] 7.9.07V

Consumer testing of the product dashboard commissioned by ASIC indicated that participants who claimed to pay less attention to financial matters were highly engaged when provided with an interactive tool to allow them to assess their superannuation balance at retirement.

Regulation 7.9.07V requires an interactive superannuation estimator be provided on a product dashboard, to increase engagement with the dashboard and to promote the consideration of whether a particular superannuation product will provide an adequate retirement income.

The estimator provided as required by paragraph 7.9.07N(1)(k) must comply with any instructions issued by ASIC. A power is provided for ASIC to make such instructions by legislative instrument.

Item [2] 7.9.07W

Regulation 7.9.07W has been included to ensure the dashboard is clear and easy to understand by consumers. The regulation requires consistent reporting of dollar amounts and percentages and prescribes that no additional information is included on the dashboard, unless that information is provided in links or hover text.

The content of a product dashboard cannot go beyond what is required in subdivision 2E.1. Links to websites or hover text are however permitted.

Rules relating to rounding of dollar figures (nearest whole dollar) and percentages (one decimal place) are provided.

Item [2] 7.9.07X

This regulation has been included to ensure that interested consumers can easily search for and print product dashboards for their own information or for comparison purposes. More prescriptive online reporting of product dashboards is intended to replace a previous requirement (discussed below) to provide a product dashboard to all superannuation fund members in periodic statements.

A number of detailed requirements apply to the way a product dashboard is displayed on a fund's website. The dashboard must be able to be reached with no more than two clicks from the home page. The links used must be short and clearly visible, and include the word 'dashboard'. The dashboard must be provided in a format that can easily be printed on an A4 page. A note sets out an example of a fund's home page with a single link to a product dashboard, in which case that link must be short and clearly visible, and must contain the word 'dashboard'.

Item [3] Paragraph 7.9.20(1)(o)

The requirement to include product dashboards in periodic statements in paragraph 7.9.20(1)(o) of the Corporations Regulations is repealed. To reduce compliance costs for superannuation funds, this requirement has been replaced with more prescriptive online disclosure of product dashboards and requirements to ensure dashboards can be found online by consumers and printed (regulation 7.9.07X). Instead of the dashboards themselves, trustees must instead provide a website link to relevant choice or MySuper dashboards. This requirement does not apply to exit statements.

Item [4] After Schedule 8D

A new Schedule 8E has been inserted, containing an example of a product dashboard. This example is included not as a template for superannuation funds, but as a demonstration of a dashboard that is consistent with the new reporting requirements.

Superannuation funds are free to determine the specific design of their product dashboards, as long as the prescribed ordering and text and the requirements for the prescribed chart are maintained.

Item [5] Part 6A of Schedule 10A

Part 6A replicates the provisions in former Subdivision 2E.1 of the Corporations Regulations setting out the MySuper product dashboard requirements. This part is no longer required and is repealed.

Schedule 2 – Portfolio holdings disclosure requirements

Subsection 1017BB(3) of the Corporations Act requires the trustee of a registrable superannuation entity (RSE) to publish information regarding the RSE's portfolio holdings in accordance with regulations if regulations are made for that purpose. As such, RSEs will be required to make information relating to investments of assets publicly available. The information will be required to be provided on the RSEs website in an area that is accessible to the public at all times.

To ensure that the information required is able to be effectively used for the intended purpose, the information is required to be provided in a table format. The table will capture direct investments made by the RSE, which will include the investments in financial products of either associated and non-associated entities, and other property.

Section 1017BB(1) of the Superannuation Legislative Amendment (Transparency Measures) Bill 2015 (the Bill) sets out the required information that is to be collected and disclosed in respect to financial products or other property.

Subsection 1017BB(1A) of the Bill sets out the assets to which the operation of subsection 1017BB(1) applies.

- In this regard, the requirement covers any investments that are made by the RSE, an associate of the RSE or in the first non-associated entity of the RSE. The information required must enable the identification of each investment option, each financial product and other property allocated to each investment option, and the value of the investments.

Consistent with the current law, when considering assets of associated entities, the information that is required must result in the identification of final assets (full look through). However, the operation of subsection 1017BB(1) only requires the initial investment (and its value) in non-associated entities to be disclosed.

Item [1] at the end of Division 2E of Part 7.9

New Subdivision 2E.2 has been inserted into the regulation for the making portfolio holding information publicly available.

Item [1] 7.9.07Z

New Subdivision 2E.2 has been made for the purposes of Section 1017BB of the Act, which outlines the PHD obligations.

Item [1] 7.9.07ZA

To ensure that the information required to be disclosed in relation the RSE's portfolio holdings is provided in a useable format, the trustee, or the trustees, of the RSE must organise the information as follows:

- In a table that is formulated to deal with an investment option, which has a heading containing the name of that investment option.
- The table is required to be made up of six columns with the following headings, with these heading in bold font:
 - number for and the investment level of the investment option (Column 1);
 - financial product or property allocated to the investment option (Column 2);
 - number of units held in a financial product or other property (Column 3);
 - number of units held in the final product (Column 4);
 - price per unit (Column 5); and
 - total value invested (Column 6).
- When including any information that relates to direct investments by the RSE in Columns 1, 2 and 6 the RSE is required to make information bold.
- In relation to Column 1:
 - the RSE must use a method to identify and distinguish the different levels at which investments (through financial products or property) are made in relation to a RSE's members contributions. This method must be used for all the RSE's investment options.
 - The different levels of financial products or property are to be set out from the highest to lowest as follows:
 - : investments made directly by the RSE in a financial product or property (initial direct investment);
 - : any subsequent investments into financial products or property (related direct investment), when an initial direct investment is made into a financial product or property owned by an associated entity (first associated entity) using the initial direct investment;
 - : any subsequent investments into financial products or property, when an investment is made by associated entity (first associated entity) into a financial product or property owned by an associated entity (second associated entity) using the related direct investment.
 - using the method chosen, the table must list sequentially the products or property in each of the different levels.
 - before listing the next product or property in a particular level, subsequent investments that have been made in relation to the product or property that is being identified, are to be listed before moving to the next product or property.

- In relation to Column 3, the number of units listed are the units of a financial product or property that has made a subsequent investment using the initial or related direct investment.
- In relation to Column 4, the number of units listed are the units of a financial product or property where no subsequent investments have been made using the initial or related direct investment.
- In relation to Column 6, the final row of the table is to be in bold and provide a total of the initial direct investment for the investment option.

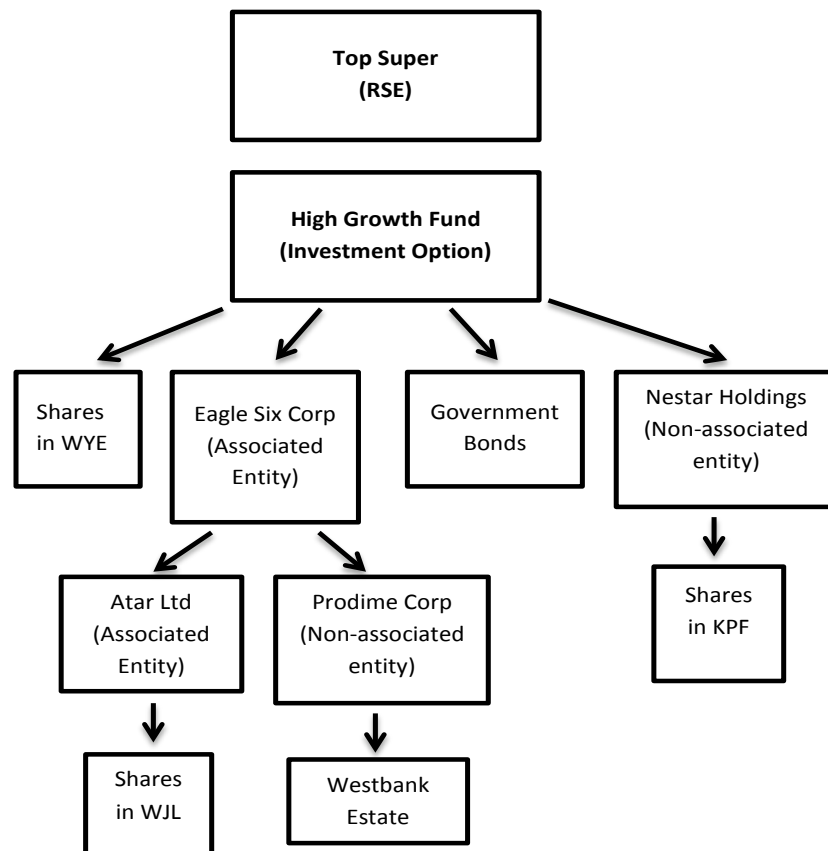
Item [1] 7.9.07ZB

When seeking to disclose investment products that are derivatives as defined in the Corporations Act, the information is incorporated such that the value of the product reflects the requirements of any rules in force under section 901A of the Corporations Act that relate to financial statements and derivatives.

Example 1.1

PHD REGIME DISCLOSURE REQUIREMENTS FOR TOP SUPER'S HIGH GROWTH FUND

Diagram 1.2



Top super has directed \$100 million of its member contributions into its High Growth Fund investment option.

High Growth Fund subsequently directed the \$100 million as follows:

- \$10 million in WYE shares;
- \$20 million in Government bonds;
- \$50 million in Eagle Six Corp (an associated managed investment scheme); and
- \$20 million in Nestar Holdings (a non-associated managed investment scheme).

Subsequently:

- Eagle Six Corp directed \$20 million (of the \$50 million) into Atar Limited (an associated entity) and \$30 million in Prodime Corporation (a non-associated entity); and
- Nestar Holdings directed \$20 million into KPF shares.

Finally:

- Atar Limited directed \$20 million into WJL shares; and
- Prodime Corporation directed \$30 million into the Westbank Estate commercial property.

Example table:

Portfolio holdings information for growth fund A

Number for, and investment level of, each financial product or property allocated to the investment option	Financial product or other Property	Number of units held in financial product or other property	Number of units held in final product or other property	Price of unit	Total invested
Growth Fund A					\$100,000,000
1	WYE (Shares)		100,000	\$100	\$10,000,000
2	Eagle Corporation Scheme ABC	500,000		\$100	\$50,000,000
2(A)	Atar Limited	100,000		\$2,000	\$20,000,000
2(A)(1)	WJL (Shares)		400,000	\$50	\$20,000,000
2(B)	Prodime Corporation		6,000	\$5,000	\$30,000,000
3	Government Bonds		20,000	\$1,000	\$20,000,000
4	Nestar Holdings	1,000,000		\$20	\$20,000,000
Total					\$100,000,000