

1 September 2021

Treasury
Langton Crescent
PARKES ACT 2600

Via email: superannuation@treasury.gov.au

Dear Sir/Madam,

Superannuation Portfolio Holdings Disclosure

CPA Australia and Chartered Accountants ANZ represent over 200,000 professional accountants in Australia and New Zealand. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

This current consultation contains updated exposure draft regulations and a related explanatory statement in relation to portfolio holdings disclosure due to come into effect in December 2021. These now include the following requirements for superannuation funds, which will:

- mandate delimited file formats to facilitate web publication of information
- allow cash and bank bill investments to be aggregated by the relevant institution
- sub-divide infrastructure and property into directly held and unitised investments and require percentage ownership for directly held assets, and
- remove requirements for disclosure of maturity dates and counterparty names for derivatives held.

The draft explanatory statement has been updated to note that, in addition to the mandatory disclosures, registrable superannuation entities (RSEs) are free to provide supplementary information regarding the portfolio holdings of the RSE's products in separate public disclosure.

CPA Australia and Chartered Accountants ANZ support these draft regulations. The amendments will provide a sensible way of disclosing the asset holdings of superannuation funds to members, and provide transparency for regulators, ratings agencies and other key stakeholders.

We note that, although the draft regulations provide for disclosure of details of property and infrastructure assets held by RSEs directly or jointly with other owners, where assets are held via a trust, this degree of transparency regarding the specific assets owned by the fund is limited. Unfortunately, this is a limitation imposed by the governing legislation. Where assets are held via a trust, the name of a trust is unlikely to provide much information to a member of a superannuation fund regarding the investments of that trust – particularly if the trust is unlisted.

We also note that there is a degree of lost information regarding derivatives, as a result of the proposed changes. The submissions received by Treasury during the Your Future Your Super draft regulations consultation in relation to derivatives, showed several concerns in relation to the disclosure of derivatives, including the impact of offsetting positions, and the risk to illiquid positions from other market participants.

We note that the draft regulations will remove the requirements for disclosure of maturity dates, as well as counterparty names. However, we believe that this obscures two areas which we believe are of considerable interest to members of funds:

- The degree of concentration of counterparty risk, in the event that a fund is dealing predominantly with a small number of counterparties, and
- Where there are naturally offsetting positions taken for synthetic portfolio construction purposes, the intended net position, in addition to any basis or counterparty risk inherent.

This submission makes no recommendations in relation to these matters; however, we consider that the intended outcome of the portfolio holdings measure is for these two matters to be more visible to members. Consultation should be undertaken with the industry and relevant service providers to ensure that information can be provided in a way that is of a standard comparable to the holding of physical assets.

For further information in relation to our submission, please contact Richard Webb, Policy Advisor Financial Planning and Superannuation at CPA Australia at richard.webb@cpaaustralia.com.au or Tony Negline, Superannuation Leader at Chartered Accountants ANZ at Tony.Negline@charteredaccountantsanz.com.

Yours sincerely

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Advocacy and Professional Standing,
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