

28 July 2022

Retirement, Advice and Investment Division
The Treasury
Langton Crescent
Parkes ACT 2600

By Email: superannuation@treasury.gov.au

Dear Sir/Madam,

Superannuation Annual Members' Meeting Notices

The Financial Services Council (**FSC**) welcomes the opportunity to comment on Exposure Draft *Superannuation Industry (Supervision) Amendment (Annual Members' Meetings Notices) Regulations 2022 (Draft Regulations)* outlining proposed changes to the disclosure requirements of Registrable Superannuation Entity (**RSE**) Licensees in relation to Annual Members' Meeting notices.

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 FSC has examined the three changes proposed within the Draft Regulations. In the time available for consultation, the FSC has not identified any implementation issues for FSC superannuation members in complying with these proposed changes.

We also make the following observations with respect to two aspects of the proposed changes:

- Removal of the requirement for itemised disclosure for certain categories of expenses; and
- Alignment of the definition of 'related party' with that used in the Australian Accounting Standards.

Removal of itemised expense disclosure to members

The draft regulations propose to repeal itemised disclosure of any expenses within the following expense categories that RSE Licensees need to provide to accompany notices of annual member meetings to all superannuation fund members:

- promotion, marketing and sponsorship expenses;
- political donations;
- payments to industrial bodies; and

- related party payments.

We note that RSE Licensees are separately required to disclose similar data to APRA as part of APRA's ongoing Superannuation Data Transformation project. Under *Reporting Standard SRS 332.0 Expenses (SRS 332)* made on 15 September 2021, RSE Licensees must disclose itemised information including for the following expense categories for each annual reporting period on and after 30 June 2022:

- marketing related expenses;
- sponsorship;
- payments or donations to industry bodies;
- payments or donations to political parties;
- payments or donations to trade bodies; and
- payments to a related party.

The SRS 332.0 expense categories are broadly comparable to those which RSE Licensees must currently disclose itemised expenses to members. We understand that APRA plans to publish fund-level expenses data for these expense categories at an aggregated level once the 'best endeavours' reporting period for SRS 332.0 ends¹, which is currently set for periods ending on and after 1 July 2023.

We also note that the definition of 'aggregate promotion, marketing or sponsorship expenditure relating to the entity for the year of income' set out under the Draft Regulations 2.10(2)(b) only captures external expenditure on promotion and marketing or sponsorship. As any internal expenditure on these activities would not therefore be included under this definition, we suggest that the label be amended to make clear it refers to payments to external parties only.

We further note that contracts may not specifically identify an amount to be spent on promotion, marketing or sponsorship. It may be worthwhile for the explanatory material to indicate that in such circumstances it would be expected that RSE Licensees would identify an amount consistent with APRA reporting requirements under SRS 332.

Alignment of related party definition

The draft regulations propose to change the definition of 'related party' to align with the definition of a related party set out in *AASB 124 Related Party Disclosures (AASB 124)*. As noted by the Exposure Draft Explanatory Statement, the current 'related party' definition is a bespoke definition. In contrast, the AASB 124 definition is more widely used and recognised by industry participants.

The exact impact of the proposed change in the 'related party' definition will depend on the specific circumstances and arrangements of each RSE Licensee.

As mentioned above, SRS 332 requires RSE Licensees to provide APRA with itemised information for payments to a 'related party'. The SRS 332 'related party'

¹ See APRA Response Paper titled '*SDT Publications and Confidentiality*', published 25 July 2022.

definition is contained in *SRS 101.0 Definitions for Superannuation Data Collections (SRS 101)* and currently refers to the bespoke 'related party' definition. Should the regulations be made as proposed, our expectation is that APRA would naturally look to revise the 'related party' definition set out in SRS 101 to ensure consistency of reporting.

We would be happy to answer any questions you may have on this submission. Please feel free to contact Aidan Nguyen on ANguyen@fsc.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S. Premetis". The signature is stylized with a long horizontal stroke at the end.

Spiro Premetis
Executive Director
Policy and Advocacy
Financial Services Council