



16 August 2022

Director, Member Outcomes and Governance Branch  
Retirement, Advice and Investment Division  
Treasury  
Langton Cres  
Parkes ACT 2600

### **Superannuation Performance Test Treatment of Faith Based Products- Submission**

Crescent Wealth Super Member Services Pty Ltd (the promotor and investment manager of the Crescent Wealth Super Fund- “**Crescent Wealth**”) is writing this letter in response to the Treasury Laws Amendment (Measures for later sitting) Bill 2022; Faith based products (**exposure draft**) and the explanatory memoranda released on 20 July 2022.

As outlined in it’s submission (attached to this letter) Crescent Wealth notes that;

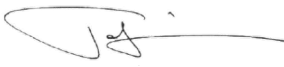
1. The introduction, scope and thrust of the changes introduced by the Government and regulators to reform and improve the superannuation industry (and system) are welcome and needed to improve outcomes for members of superannuation funds in terms of cost, investment performance, and service.
2. It appears that policy makers and regulators are at a junction in terms of superannuation policy - as to whether faith based funds in general have the ‘right to remain’ or are able to be maintained under the current policies.
3. It supports the faith based products fine tuning and the proposed subsequent amendments contained within the *Treasury Laws Amendment (Measures for a later sitting) Bill 2022: Faith – based products to the Superannuation Industry (Supervision) Act 1993* (the “**Act**”).
4. Whilst the proposed changes to the Act are welcome; we urge and recommend that given the nature, processes and extra costs of faith based funds, that further and expanded amendments to the Act be considered (further fine tuning). We believe such further changes to provide such fine tuning (and tolerances) to elements of the Act will assist in creating a more level playing field for faith based funds and are indeed necessary given the

nature and costs of superannuation based on faith based principles. which are set out in our submission.

If you have any questions, queries or need any amplification on the contents of this letter or submission, please contact Mr Talal Yassine - [talal.yassine@crescentwealth.com.au](mailto:talal.yassine@crescentwealth.com.au).

Kind Regards

**CRESCENT WEALTH**



Talal Yassine OAM

Managing Director



Dr John Hewson AM

Director



Mr Nick Whitlam

Director



Emeritus Prof Di Yerbury AO

Chair

## Section 1- Background

Crescent Wealth was founded in 2011 and received RSE authorisation in 2013.

Our mission is simple: to ensure all Australians can protect and grow their retirement wealth through Islamic super without compromising their core values and beliefs.

We were founded to be different to conventional funds. We are international pioneers in Sharia compliant pension funds and have focused on building the services to provide a viable alternative and authentic shariah compliant option for one of the fastest growing cohorts in Australia - the Australian Muslim community.

In accordance with the Sharia standards, our approach actively avoids investments in industries such as gambling, alcohol, tobacco, weaponry, and interest-earning organisations (including all banks and insurance companies). We focus on profitable, asset-based investments that contribute to the advancement of humanity, forge community engagement, and cement responsible investing as an accessible option for all Australians.

Superannuation is important to all Australians and is already the second most important asset (after one's home) if not the most important asset- for those who don't own a home.

Given the recent legislative and regulatory changes by the previous and of course the current Government to continue down the path of reform, improvement and change (which in principle Crescent Wealth supports) there does appear to be some unintended consequences, nuances and processes which put at risk any Faith based fund remaining in operation.

This is particularly the case for Crescent Wealth given;

1. It was founded in 2011 and fully in operation only from 2015;
2. The Australian Muslim community is fast growing in number but relatively young and economically and socially disadvantaged;
3. It provides for a particular community with specific religious & cultural needs and backgrounds
4. It is not likely to reach (in any case scenario) \$30 billion of funds under management which appears to be the current thinking about minimum size for economies of scale by policy makers;
5. The relatively onerous costs, both direct and indirect of ensuring investment is authentically sharia compliant on every level and audited against the global Islamic standards as set out by Accounting and Auditing Organisation for Islamic Financial Institutions (<http://aaoifi.com/shariaa-standards/?!lang=en#>)
6. The investment universe and the lack of availability of reasonable priced Shariah compliant products (given the lack of depth and strength of Sharia compliant markets) across the globe makes our task more difficult, expensive and onerous.

We therefore recommend that Treasury consider expanding the current exposure draft to include matters related to section 52(9), 52(10A), 52 (11) and 52 (12) set out in further detail below.

## Section 2- Recommended Changes

We recommend that Treasury consider amending the draft exposure to include a section which ties together the Your Future Your Super requirements, with other section 52 of the Act requirements and carves out faith based funds from additional tests- and allows APRA and the trustee to determine appropriate and congruent measures of costs, investment performance and other related matters.

The addition we are proposing to the Exposure Draft is as follows;

*If:*

*the trustee of an entity offers a faith-based product, and*

- (a) APRA has not revoked its determination in relation to that product pursuant to section 60N, and*
- (b) APRA has not issued a supplementary determination pursuant to section 60O that the requirements of section 60D(1) have not been met in relation to a financial year,*

*then:*

- (c) the fact that the investment strategy for the faith-based product accords with faith-based principles will not by itself result in the trustee of the entity breaching subsection 52(2)(c) or the director of a corporate trustee of the entity breaching subsection 52A(2)(c); and*
- (d) the financial interests of the beneficiaries of the entity who hold the faith-based product are taken to be promoted by the trustee for the financial year for the purpose of subsection 52(9) and for the avoidance of doubt subsections 52(10A) and (11) and paragraphs (a), (b) and (e) in subsection (12) have no application in relation to the faith-based product for that year”*