

CORPORATE SUPERANNUATION ASSOCIATION

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By Email: FSRcomments@treasury.gov.au

Manager
Investor Protection Unit
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir,

FSR Refinements

We refer to the proposed refinements to the FSR legislation which were issued by the Parliamentary Secretary to the Treasury for public comment on 11 October 2005.

The Corporate Superannuation Association represents the interests of some 35 large corporate superannuation funds. We have reviewed the proposed changes as they affect corporate funds and have identified two major areas of interest. These are:

- Proposal 3: This would permit the issue of a short form PDS, supplemented by full information available in printed form or in other easily accessible media such as the internet;
- Proposal 10.1: This would permit product providers to give general advice in respect of their own products, subject to certain provisos.

In general, we support the changes and comment on the following points of detail.

Short form PDS

We note that the approach favoured in the draft regulations would require the short form PDS to contain a summary of the information required to be included in the full PDS. This differs from the Proposals Paper in which the idea was first put forward, which favoured the provision of "core information".

We would like to register our preference for the “core information” approach. We believe that the current proposal, which will require a summary of detailed information, will be very hard to implement because of the difficulty of distilling complex information and legislative requirements into a form which is meaningful and not misleading. The provision of specified core information, on the other hand, could be used to enable consumers to obtain information about key features of a product in comprehensible form, with methods of easy access to more detailed information flagged in the document.

The adoption of the summary approach is likely to result in a continuation of the current situation of providers issuing extensive documents. The current situation already permits the use of shorter documents but providers have preferred to provide larger documents in an attempted to limit their potential liability. An effective regime of short form PDS’s will only emerge if there is clarity in relation to the content. We believe this is will require the content to be mandated.

Another advantage of specifying core information is that this could lead to the use of a consistent approach which in turn will permit consumers to more easily compare products. (This approach is required under fee disclosure regulations where a mandated approach has resulted in a uniform approach to permit easy comparison.)

Provision of general advice and existing licensees

We welcome the proposals to ensure that certain general advice does not constitute the provision of financial advice and in particular we welcome the proposal to permit product issuers to provide general advice (subject to the given constraints outlined in the overview of Proposal 10.1) without the need for an AFSL.

Our only issue in relation to this proposal is that we would like to clarify what would be the status of existing corporate funds who have obtained an AFSL in order to provide general advice to their members. Would such members, if they wished, be able to abandon their licences? Would there be penalties if they did so? Would there be other implications?

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We thank you for the opportunity to comment. Any questions on the above should be referred to myself on (03) 9504 8399 or to John Cann on (03) 9620 5155.

Yours faithfully

Elizabeth Goddard
Research Officer, Corporate Superannuation Association