The Association of Superannuation Funds of Australia Limited
ABN 29 002 786 290
ASFA Secretariat
PO Box 1485, Sydney NSW 2001
p: 02 9264 9300 (1800 812 798 outside Sydney)
f: 02 9264 8824
w: www.superannuation.asn.au

asfa
the voice of super

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Principal Adviser Superannuation
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: financialassistancelevy@treasury.gov.au

EXPOSURE DRAFT – FINANCIAL ASSISTANCE LEVY TO RECOUP GRANTS MADE TO SUPERANNUATION FUNDS

The Association of Superannuation Funds of Australia (ASFA) would like to provide this submission to the Treasury in relation to the exposure draft regulations made under the *Superannuation (Financial Assistance Funding) Levy Act 1993*.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

Draft Regulations

ASFA fully supports the government decision to compensate the victims of fraud from the collapse of Trio Capital Limited. The assistance granted under Part 23 of the *Superannuation Industry (Supervision) Act 1993* is important to help maintain confidence in the superannuation system.

ASFA wishes to make the following comments:

1. ASFA recommends a longer period to pay the levy than what is provided for in the exposure draft where the levy is due and payable 28 days after the commencement of the regulations. Instead ASFA calls for a payment date that is a minimum of six months from the commencement date of the regulations.

2. Whilst ASFA supports the need for the levy, we believe the formula used to calculate the amount payable by funds, which will undoubtedly be passed on to members, should be revisited from an equity perspective. In particular, we believe that setting the maximum levy amount at $500,000 could lead to inequitable outcomes for members.

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This issue is best explained by way of an example:

A fund with $5 billion in funds under management would have their levy (calculated as $988,500 based on the 'applicable rate' of 0.0001977) capped at $500,000. If this fund has 750,000 members, the levy payable by each member would be $0.67.

In contrast, a fund with $1 billion in funds under management would be subject to a total levy of $197,700. If this fund has 15,000 members, the levy payable by each member would be $13.18.

Whilst we recognise that no formula will generate completely identical outcomes for members of different funds, ASFA contends that the formula proposed in the draft legislation will have particularly negative consequences for members of some funds. As such, we believe the proposed formula should be revisited to ensure more equitable outcomes between all superannuation fund members.

One possible way to do this is to increase the proposed maximum levy amount of $500,000 and reduce the 'applicable rate' of 0.0001977 accordingly so as to spread the burden more equitably across fund members but still enable the Government to recoup the required $55 million total compensation amount.

We thank you for providing us the opportunity to make this submission and more generally for the opportunity to participate in the Treasury consultation process.

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If you have any queries or comments regarding the contents of our submission, please contact Tony Keir, Senior Policy Adviser on (02) 8079 0815 or by email tkeir@superannuation.asn.au.

Yours sincerely

D. Graus

David Graus
General Manager, Policy and Industry Practice