

Submission No: 201308

5 March 2013

## **SUBMISSION TO APRA REGARDING THE DISCUSSION PAPER: PRUDENTIAL GUIDANCE FOR SUPERANNUATION**

ASFA is in agreement with this focus of the initial prudential practice guides (PPGs) being on what APRA consider to be the areas most important for MySuper authorisation: governance, fit and proper, conflicts of interest, investment strategy, risk management, insurance, operational risk financial requirement, outsourcing and business continuity management.

As an overall comment, ASFA recommends that a new section be included in each PPG setting out APRA's expectation regarding an RSE licensee's use of the PPG and how the RSE licensee should interpret terminology which indicates that APRA has a firm view on a particular matter.

ASFA has made a range of recommendations in this submission in relation to each of the draft PPGs. However, there are four key issues which we believe are the most important:

- **Insurance arrangements [SPG 250]** – ASFA's view is that, either paragraph 40 of SPG 250 should be deleted entirely or the focus of the paragraph should be altered to specify the items that should be **considered** by trustees (as opposed to listing further items that should be included in the insurance contract). However if paragraph 40 is to be retained, it should make reference to something other than the "insurance arrangements" (eg. possibly to the trustees' "insurance documentation" which would be broader than just the insurance policy document/contract).
- **Board committees [SPG 510]** – ASFA recommends that the section on Board committees be reviewed such that clearer direction is provided on the appointment of non-directors to Board committees.
- **Board performance assessment [SPG 510]** – ASFA recommends that the wording of paragraph 25 be revised to remove the inference that external Board reviews conducted on a frequency of more than 3 years are unacceptable to APRA.
- **Offshoring [SPG 231]** – ASFA recommends that, with respect to investment management agreements, the guidance be expanded to state that it is sufficient for APRA to review the RSE licensee's risk management framework with respect to offshoring investments prior to their first investment offshore but not with respect to each and every subsequent change.