

Submission reference: 2015/21

31 July 2015

Governance requirements for RSE licensees: proposed amendments

As stated in our recent submission to Treasury, ASFA supports the introduction of new section 86 of Part 9 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) which requires RSE licensees of all APRA-regulated superannuation funds to have at least one-third independent directors, with one of these directors serving as an independent chair.

However, ASFA does not support the proposed requirement that a majority of both the Board Audit Committee (BAC) and Board Remuneration Committee (BRC) be independent directors. In ASFA's view, while it is reasonable to require at least one independent director to be appointed to the BAC and BRC, beyond this, it should be up to each RSE licensee to decide how best to structure their committees.

Similarly, we do not support the requirement that the chair of the BAC and BRC must be an independent director. In our view, these committees should be chaired by the director who is most suited to that role, regardless of whether or not they are an independent director.

In addition, we have concerns with APRA's proposed timeframe for RSE licensees to prepare and approve a transition plan. In our view, and confirmed by feedback from our members, the industry needs 12 months from the finalisation of the requirements (including the prudential standards) to fully consider and prepare a transition plan that will ensure an orderly and timely adoption of such significant changes. As such, ASFA recommends that RSE licensees be given until 31 December 2016 to prepare their transition plan and have it approved by the board.

Our submission discusses issues regarding some limbs of the definition of 'independent', including what constitutes a 'material relationship'.

We have also provided some initial recommendations around APRA's proposal to update existing guidance in certain areas to support sound governance practices by RSE licensees. ASFA will be providing further feedback to APRA as part of its consultation with industry in relation to updating the prudential standard on governance (SPS 510) and the development of the new transition prudential standard (SPS 512).