

MEDIA RELEASE

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SIS Act prohibits inducements – ISA's claims nonsensical

Claims by Industry Super Australia (ISA) that financial institutions can offer incentives to employers for the selection of default funds are nonsensical the Financial Services Council said today.

Andrew Bragg FSC Director of Policy said: "ISA's claim is irrational because the Superannuation Industry Supervision Act explicitly prohibits inducements. The Act includes broad-based provisions which prevent superannuation funds and related entities from offering enticements to employers when selecting default funds."

"This applies just as much to retail funds as it does to union-owned industry funds," Mr Bragg said.

These suggestions by ISA are a smokescreen which is designed to divert the public's focus on the union dominance of default superannuation."

"Many Australians are not benefiting from competition because of the conflicted Fair Work Commission process for default superannuation."

"The best outcome for consumers is that all super funds be forced to compete for default superannuation contributions."

"Industry funds are afraid of full and open competition for default superannuation," he said.

"No one should be afraid of competition and lower fees."

"The Fair Work Commission selection process has nothing to do with competition or merit. It only entitles unions and employers, which own industry funds, to make submissions on which funds are chosen for each award. It's a closed shop."

Mr Bragg also said: "The Financial System Inquiry interim report stated that "the selection of default funds in awards largely reflects precedent and is not subject to a competitive process."

"Superannuation funds that offer competitive products and provide good service to their members have nothing to fear from competition."

EDITORS NOTE

Section 68A of the Superannuation (Supervision) Act is outlined below.

68A Conduct relating to fund membership

(1) A trustee of a regulated superannuation fund, or an associate of a trustee of a regulated superannuation fund, must not:

- (a) supply, or offer to supply, goods or services to a person; or
- (b) supply, or offer to supply, goods or services to a person at a particular price; or
- (c) give or allow, or offer to give or allow, a discount, allowance, rebate or credit in relation to the supply, or the proposed supply, of goods or services to a person; on the condition that one or more of the employees of the person will be, or will apply or agree to be, members of the fund.

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.2 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.