

**Monday, 4 February 2019**

**Regulators must act on Royal Commission recommendations to protect members in for-profit super funds**

Today's release of the final report of the **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Banking Financial Services** is an historic opportunity to restore the community's trust in financial services and prioritise consumer best interests ahead of banking profits and executive bonuses, **the Australian Institute of Superannuation Trustees** said.

**AIST CEO Eva Scheerlinck** welcomed Commissioner Hayne's emphasis throughout his final report on the need for retail super fund directors to abide by the best interests duty, which included a key recommendation for civil penalties to apply if this duty is breached. However, she warned that unless the regulators acted on the report's recommendations, reformed their culture and more forcibly policed and enforced the law, nothing would change and members of retail super funds would remain at risk.

"What we saw in the Royal Commission, from the banks and other for-profit super funds, were examples of an absolute betrayal of their customers who trusted them with their superannuation. Directors who ignore their duty to act in members' best interests need credible deterrence to bad behaviour so civil penalties are long overdue," Ms Scheerlinck said.

"As Commissioner Hayne succinctly put it, the concept of acting in members' best interests is not hard to understand. The banks and 'for-profit' super funds must be forced to abide by this fundamental principle and if they break the law the community has a right expect that they are properly held to account," she said.

Ms Scheerlinck noted that the Commissioner had referred a number of instances of systemic misconduct in the for-profit super sector to both APRA and ASIC and she urged both regulators to act swiftly to protect members of those funds.

Commenting on other key recommendations on superannuation, Ms Scheerlinck said the recommendation to ban cross-selling by banks of super products was welcome and long overdue.

"The hearings revealed that many consumers were switched into bank-owned super funds that were not in their best interests, so the law needs to be very clear that such hawking is illegal," she said.

Similarly, Ms Scheerlinck welcomed the recommendation to ban grandfathered commissions on profit-super funds, which the hearings had shown were still hurting members and impacting on their retirement outcomes.

Ms Scheerlinck said AIST agreed with the strong theme in the final report that regulators should do more to enforce existing laws and that a change of regulator culture was required.

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*AIST is the peak body for the \$1.3 trillion profit-to-member superannuation sector which includes industry, corporate and public-sector funds.*