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AIST recommends improved financial system regulation and policy alignment

The Australian Institute of Superannuation Trustees (AIST) today said that a more co-ordinated regulatory framework was required to ensure that Australia's financial sector and our retirement income system continued to deliver long-term benefits to consumers and the nation.

In its submission to the **Financial System Inquiry**, AIST has recommended an enhanced role for the Council of Financial Regulators (CFR) to co-ordinate the delivery of effective regulation and an aligned superannuation policy agenda with a long-term focus. Importantly, this proposal would retain the existing separation of consumer protection and prudential supervision between the 'twin peaks' of ASIC and APRA, as well as recognise the ATO as an important third peak in its regulation of the rapidly expanding self-managed superannuation sector.

AIST CEO Tom Garcia said AIST supported the distinct role of all three regulators involved in superannuation – namely the APRA, ASIC and the ATO - however there needed to be more formal co-ordination between these regulatory bodies to ensure efficiency and prevent unnecessary and costly red tape.

"The reform process of recent years had seen a blurring of lines and some overlap between the three regulators," Mr Garcia said. "We need to ensure that areas of duplication and overlap are identified and that regulatory requirements are applied in the most efficient manner and always in the best interests of members."

AIST recommended that the Council of Financial Regulators also be given responsibility for developing benchmarks on sustainability, adequacy and longevity to ensure Australia's superannuation system is delivering on its primary objectives.

Mr Garcia said a nationally-accepted definition on what is an adequate retirement income would help governments better define the role of superannuation and measure its current and future performance.

"If we can get bi-partisan agreement on benchmark measures for key issues like adequacy and sustainability, then hopefully we can avoid some of the short-term policy tinkering of the past and move to a system that has a clear and considered long-term focus".

Other key AIST recommendations include:

- APRA and ATO to have the power to supervise systemic risks (including technology risks) across pooled super funds and SMSFs respectively
- ASIC to have an enhanced consumer protection role
- Support for diverse governance structures within the super sector

A copy of the AIST submission is available on the following link to the AIST website:

http://www.aist.asn.au/media/12727/2014_3_31_submission_FSI_Initial_submission.pdf

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AIST is the peak industry body for the \$600 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.