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22 June 2015

Mr Richard McMahon
Lawyer
Deposit Takers, Credit and Insurers
Australian Securities and Investments Commission
By email to: Richard.McMahon@asic.gov.au

Dear Richard,

Re: ASIC's proposals to remake Class Orders [CO 04/909] Agency Banking and [CO 05/681] Transitional Relief for Deposit Providers – PDSs and Periodic Statements

Thank you for the opportunity to comment on ASIC's proposals to remake [CO 04/909] and [CO 05/681]. The following submission will focus on the proposals relevant to Industry Super Australia's (ISA's) stakeholders, in particular Member's Equity Bank (ME).

The following submission is in ISA's capacity as the policy advocacy body for 15 of the largest Industry SuperFunds, many of whom are shareholders in ME. ME was established in 1994 and is owned by some of the largest Industry SuperFunds in Australia, with more than \$200 billion in funds under management.

ISA's support for continuation of CO 04/909 Agency Banking and CO 05/681 Transitional Relief for Deposit Providers – PDSs and Periodic Statements is based on the fact that their operation eases unnecessary and burdensome compliance requirements on authorised Deposit-taking Institutions (ADIs) at no cost to consumers.

1.1 [CO 04/909] Agency Banking

ISA supports the continuation of [CO 04/909] which allows agents of ADIs to arrange for the issue of a basic deposit product without being formally appointed as an authorised representative or licensed under the *Corporations Act 2001*.

By providing greater access to basic banking to consumers through agents such as Newsagencies, Chemists and Post Offices, [CO 04/909] is particularly beneficial to consumers in regional areas where there are few or no branches.

It is our view that [CO 04/909] does not adversely impact consumers for the following reasons:

- [CO 04/909] provides the same protections that consumers would receive had they dealt with the product issuer or issuer's authorised representative, and
- It does not narrow the obligations of the deposit provider.

1.2 Relief for deposit providers [CO 05/681]

ISA supports the continuation of [CO 05/681] which provides relief from the requirements that:

- The inclusion of a termination value in a periodic statement for a deposit product.

- A Product Disclosure Statement for a deposit product includes the interest rate payable on deposits.

Disclosure of termination values

ISA supports the view that the disclosure of termination values on periodic statements by issuers of deposit products under s1017D(5)(b) is a burdensome requirement.

While the class order purports to address legal uncertainty regarding this obligation, a failure to rely on it does not, in our view, negate compliance where the closing balance and the termination value are the same amount and the closing balance is disclosed in the statement.

ISA agrees that disclosing both the termination value and closing balance would be likely to cause confusion to consumers, particularly where the termination value is no different to the closing balance, which is often the case. Requiring disclosure of both the termination value and closing balance would not add any value to consumers and would result in unnecessary compliance costs for ADIs currently relying on this relief.

Disclosure of interest rates in PDSs for deposit products

ISA's view is that the requirement to disclose interest rates in PDSs is likely to be burdensome for ADIs by creating unnecessary costs for product providers to update interest rate information in PDSs. Further, in practice, the requirement acts as a disincentive to changes to interest rates which would be beneficial to consumers.

It is our view that [CO 05/681] effectively addresses the issue of transparency for consumers in relation to the interest rate payable on deposits by requiring that:

- The PDS states how a person may find out the applicable interest rate, and
- The person responsible for the PDS takes reasonable steps to allow a person to find out the interest rate in a simple, free and convenient way.

While ME's current products are exempt from the legal requirement to provide a PDS, ISA supports relief from the requirement to disclose interest rates in PDSs on the basis set out in CO 05/681.

Please contact Ailsa Goodwin on (03) 9923 7172 to arrange a meeting or if you have any questions about this submission.

Yours sincerely



Robbie Campo
Deputy Chief Executive