

## APPENDIX B

Supervisory Controls	ISC Supervision of Public Offer Super Funds - SIS Act 1993	ASC - Supervision of Unit Trusts	ALRC/CASAC Collective Invest Review - Unit Trusts	ISC Supervision of life offices	RBA - Banks
Financial Requirements for Market entry	Approved Trustees (ATs) must have \$5 m NTA or equivalent or custodian arrangements.	Managers must have surplus liquid funds of \$50 000 or NTA of \$20 000 in order to conduct the securities business of the trusts.	Single responsible entity to have capital equal to 5% of the value of assets, min \$100 000 and max \$5m.	Continuing paid up capital or eligible assets not in statutory funds of at least \$10m.	Minimum (tier 1) capital of \$50m. Applicants must also satisfy requirements including ownership, management, structure of business, capital adequacy.
Composition and Quality of Management	ATs need to demonstrate financial and administrative capacity to be approved by ISC.	Trustees must be independent of managers. Trustees are approved by the ASC subject to conditions that they have ability and resources to perform duties. Managers must be competent and of good fame and character. ASC may impose covenants on trustees and managers.	A single responsible entity for each unit trust who must obtain special license which requires demonstration of suitability and capacity. At least half of entity's directors be non-executive.	Names, addresses, qualification and experience of management team to be given to the Commissioner. Disqualified persons must not hold certain positions in the company.	Directors are required to be familiar with RBA prudential policies and with their responsibilities to depositors. Directors and Senior Management are required to have proven records of integrity, experience and competence to handle the range of their banks' business.
Solvency	Funds may be subjected to some solvency restrictions.	No solvency standards for unit trusts but trustees must maintain adequate buy-back arrangements. Managers as licensed dealers have to lodge a financial security (performance bond) of \$20 000 with the ASC.		Solvency standard based on an actuarial analysis of each statutory fund.	Maintenance of a capital to risk-weighted asset ratio of not less than 8%.
Liquidity	No liquidity requirement for Approved Trustees. On the other hand, Trustees must formulate and implement an investment strategy for the funds that takes into account liquidity of fund's investments.	Managers must maintain at all times surplus liquid funds of \$50 000, or NTA of \$20 000, or 5% of adjusted liabilities. Managers are subject to a covenant to maintain adequate buy-back arrangements.			Maintenance at all times of 6% of Australian dollar balance sheet assets (less capital) in Australia in the form of specified prime high quality liquid assets (PAR). Banks must also satisfy the RBA regarding their management systems for controlling liquidity.
Investment	Investments consistent with sole purpose test; Restrictions on in-house investments and borrowing or lending to members;	Related to the types of securities that the manager can deal as part of manager's dealer's licence or to arrangements with another licensed securities	Generally, a scheme will not be able to borrow more than 10% of the value of the scheme property. Scheme operator not allowed to	A statutory fund cannot invest more than 2.5 % of the total value of the assets of the fund in a related company other than a subsidiary of the life company	Limits placed on banks' credit exposure to any one client or groups of related clients. Limits applied to foreign exchange exposures and to

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	Investment strategy that takes account of risk return and diversification.	dealer. Unit trust moneys must not be lent to or invested in managers or trustees of trusts, or unregulated funds.	guarantee the liability of another person or provide an indemnity or use the scheme assets to pay indemnity insurance premiums.	without the Commissioner's approval.	equity holdings (other than for trading purposes). Banks are required to have management systems which address industry, sectoral and country exposures.
Administration	Maintenance of accurate and accessible accounting records. Accounts and statements must be audited annually by an 'approved auditor'.	Statutory covenants are imposed on trustees and managers in respect of matters such as auditing, valuation, keeping of accounts, register of interests in the trust and brokerage and commission paid.	ASC should consider whether the administrative measures in an application for a unit trust licence are likely to detect and prevent contraventions of the law or the scheme constitution.	Each life company must have an audit committee to ensure its statements are effective and the company has a proper system of management and financial controls. Each company must establish statutory funds.	A bank must maintain appropriate management systems to monitor and limit all risk exposures. Banks must also satisfy the RBA about the soundness of their operational arrangements.
Reporting to Regulator	Audited annual returns to the ISC.	Continuous reporting obligations and annual report to ASC.	ASC to be given: <ul style="list-style-type: none"> <li>. Half yearly reports;</li> <li>. Audited certificate of compliance with licence conditions.</li> </ul>	ISC must be given certain financial statements, reports and statistical returns.	Regular detailed prudential reports (predominantly quarterly) to the RBA. Banks are also required to produce audited financial statements.
Disclosure of information and Reporting to investors	Prescribed information to be given before a member joins a fund, on entry, annually and on exit.	Prospectus for invitation to subscribe to unit trust, annual statement of account and copy's of auditor's report to unitholders.	Investors have right to: <ul style="list-style-type: none"> <li>. receive annual reports and audited accounts on request;</li> <li>. apply to a court for an order permitting lawyers or auditors to inspect the scheme's books.</li> </ul>	Policyholders must be given certain information before and after becoming policyholders.	
Investigations	ISC has powers to require production of documents, assistance of persons and access to premises, appoint individual to investigate the financial position of the entity.	Similar powers to those under the SIS Act.	Similar powers to those under the SIS Act.	Similar powers to those under the SIS Act.	RBA teams visit banks at regular intervals to review their systems and controls relating to asset quality and market risk. Banks' external auditors also supply annual reports to the RBA covering aspects of banks' systems and controls.
Intervention and Prosecution	ISC has powers to: <ul style="list-style-type: none"> <li>. require ATs to appoint persons to investigate the fund;</li> <li>. freeze the fund assets;</li> <li>. issue stop orders in respect of regulated documents; initiate court actions; remove trustees and appoint and give directions to acting trustees.</li> </ul>	ASC has powers to: <ul style="list-style-type: none"> <li>. revoke trust deed or trustee or manager's dealer licence;</li> <li>. issue stop order on issue of securities;</li> <li>. require manager to provide specific information;</li> <li>. issue a banning order against persons; initiate civil actions.</li> </ul>	ASC to have powers to: <ul style="list-style-type: none"> <li>. apply to a court for the arrest of a person on suspect of crimes relating to schemes;</li> <li>. call investors' meetings;</li> <li>. revoke a scheme's operator's licence;</li> <li>. appoint a temporary operator.</li> </ul>	ISC has powers to give directions to a company, to apply to a Court to place the company under judicial management or be wound up.	RBA has powers to: <ul style="list-style-type: none"> <li>. place conditions on banks' banking authorities;</li> <li>. to have regulations established covering banks;</li> <li>. examine banks to assume control and carry on the business of banks.</li> </ul>

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