MLC SUBMISSION TO THE FINANCIAL SYSTEM INQUIRY

Executive Summary

I.0 Introduction

MLC is a subsidiary of, and the retail financial services division of Lend Lease Corporation, and manages funds of more than A$16bn on behalf of over 1,000,000 Australians.

MLC believes that positioning of Australia as a financial centre, and improving the savings record of Australians is contingent upon:

- **Efficiency:**

  MLC believes efficiency will come from new market players and regulatory change needed to support niche players, and ensure a consumer will view them with the same regulatory support as the dominant players.

- **A regulatory structure that recognises:**

  ◊ The international trend toward financial conglomeration,

  ◊ the propensity of consumers to save is linked to confidence in institutions being financially sound, and hence there is a need to prudentially supervise all financial service providers,

  ◊ the changing patterns of consumer behaviour and preferences eg. the growth in market linked managed funds as savings vehicles,

  ◊ that a well regulated environment balances the benefits to the consumer of regulation and is not a burden to the cost structure.

- **Consumers having a better understanding of financial products and services.**

  That via education the financial services market is demystified. This entails a commitment by all stakeholders to improving the understanding by consumers and their financial advisers to set realistic expectations of what particular financial products and services, can deliver.

- **Incentives being provided to savers.**

  That in the context of what is socially justifiable, incentives are provided to those with the capacity to save on the presumption that ultimately savings incentives reduce the burden on the social welfare net.

2.0 Key Recommendations

2.1 From the perspective of consumers, the benefits of financial deregulation following the Campbell Committee (1981) and the Martin Review Committee (1983), have included a broader range of financial services and products, increased number of suppliers, greater convenience, and lower cost; making financial service providers more responsive to the financial preferences of Australians.

Increased competition remains desirable in enhancing consumer choice and efficient delivery of financial services.

2.2 MLC believes that the forces of deregulation, changing patterns of consumer behaviour and the diversification of the business activities of product providers, requires a supervisory regime that recognises that the traditional market segmentation based on product has diminished, and that continually balances the cost of consumer protection measures against the benefit.

MLC believes the market for financial services has globalised and is segmented by the consumer, either retail or institutional/professional.

2.3 To accommodate market developments particularly the international trend to financial conglomeration, MLC considers that harmonisation, and hence a lower cost base for delivery of services could be achieved by restructuring the existing regulatory regime.

Statutory authorities responsible for regulations and prudential supervision should include:

- A Central Bank with responsibility for both monetary policy and prudential supervision of all banks, building societies, credit unions and their associated support services. MLC recommends that the internal structure of the Central Bank and relevant legislation reflect this dual responsibility and ensures appropriate accountability.

- A single insurance, superannuation and collective investment prudential supervisor and regulator. This regulator should have an independent Board of Directors.

- One regulator responsible for all corporate governance encompassing compliance with Corporations Law.

- An authority that has responsibility for regulating the marketing of retail financial products and services, including licensing and conduct of distributors, product disclosure, and consumer protection.
  This regulator should also have an independent Board of Directors.

MLC recommends that this authority not be part of any broader based government consumer protection agency, but focus solely on financial services.

2.4 Financial conglomerates are increasingly a major feature of financial services in Australia, as institutions continue to develop the infrastructure to compete internationally. However, barriers exist that do not allow some domestic institutions to participate in banking.

MLC proposes that regulatory and supervisory practices adapt to the increasing international incidence of non-bank holding companies atop conglomerates[1], and accommodate this structure in Australia.

If the concern of regulators and government is contagion risk, the past experience of some Australian banks with poorly performing finance company, managed fund or merchant banking subsidiaries, illustrates that where the market is confident that assets of subsidiaries are held separately from those of the Bank, there is little evidence of contagion. Given the lack of anecdotal evidence, MLC believes that with the appropriate controls a holding company with subsidiaries, both financial service and non-financial service business, poses no greater contagion risk than the current arrangements.

In terms of systemic risk, MLC believes that continued diligence and appropriate controls applied by the Central Bank to banking institutions and the payments system can maintain the current low levels of this risk.

In the interests of increasing competition, MLC recommends the Inquiry consider alternative ownership models that will allow institutions to participate in all financial services.

2.5 In the area of savings initiatives, MLC supports superannuation as the preferred vehicle of national savings and the Government proposal to empower the individual by providing choice. Choice should extend to both fund and investment choice.

On the basis that there is some evidence that superannuation has been a substitute for other forms of saving, MLC believes that consideration needs to be given to an alternative concessionally taxed savings vehicle that directs its investment to specific productive areas of the economy, via the financial markets.

This initiative could be financed by establishing a taxation regime that favours saving rather than consumption, and does not provide tax deductions for the interest costs associated with less productive investment in residential property.

[1] Council of Financial Supervisors Annual Report 1995 pp28-30

2.6 In terms of distribution of financial products, MLC supports the concept of a single distributors licence under which the licensee will be entitled to distribute any kind of financial product (subject to pre-conditions such as product competencies). This universal licensing structure encompasses a process common to all financial products and services, one set of principles for the provision of advice, the making of a sale and the information that must be provided by an adviser, to the retail consumer.

2.7 MLC believes that there needs to be greater harmonisation of product disclosure rules across all financial services, with a focus on consistency and ease of comparison from the consumers perspective. The disclosure principles need to be applied regardless of the mode of distribution.

2.8 In considering the impact of technology and of technology providers on financial services, MLC is supportive of a legal, regulatory and supervisory environment that facilitates the transacting of commerce electronically, and is flexible enough to accommodate changing technological standards. MLC supports policies directed at ensuring no organisation or supplier is given or achieves a monopolistic environment around technology.

2.9 Capital adequacy: Recent evidence of a superannuation Master Trust being unable to finance its operations, should be considered as a warning signal to consumers and to regulators of superannuation and collective investment providers.

MLC suggests that the minimum capital requirements for providers of these vehicles be an amount of not less than AUD$10m. MLC believes this is a base minimum required to fix system and operational difficulties, ensuring a reasonable measure of protection for the consumer.

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Submission to the
Financial System Inquiry

from

MLC Ltd

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1.0 MLC

MLC was founded over 100 years ago, from the incorporation of Citizens Life Assurance Company Ltd.

Initially, the company issued a range of life assurance contracts.

Today, the range of services has diversified to include retirement funds, unit trusts, home loan and savings facilities, life and general insurance.

MLC has grown to be one of Australia's leading manufacturers and distributors of financial services to Australian families and small businesses.

1996 saw a change in name from MLC Life to MLC Ltd (hereafter referred to as MLC), to reflect its diversity of financial services activities.

MLC is a subsidiary of, and the retail financial services division of Lend Lease Corporation, and is a significant part of the mechanism for facilitating flows of resources from savers to investors; managing funds of more than A$16bn on behalf of over 1,000,000 Australians.

2.0 Summary of Conclusions and Recommendations

2.1 From the perspective of consumers, the benefits of financial deregulation following the Campbell Committee (1981) and the Martin Review Committee (1983), have included a broader range of financial services and products, increased number of suppliers, greater convenience, and lower cost; making financial service providers more responsive to the financial preferences of Australians.

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3.0 Stocktake of Financial Deregulation

Characteristic of the changes that have occurred since the recommendations of the Campbell (1981) and Martin (1983) inquiries are:

1. The development of innovative financial products and services, increased availability of finance and improved access for consumers to the financial system. Markets are national, and consumers do not differentiate on product lines but are segmented on a retail or institutional basis. This has been accompanied by greater transparency in pricing of financial services and reduced margins for suppliers.

2. The presence of financial conglomerates or “one-stop” shops for financial services. Banks offer cash management trusts, managed investment products, superannuation, financial planning, securities and futures broking services, and insurance products. Similarly, life offices offer a range of products outside their traditional “risk” business including single premium insurance bonds, unit linked investment products, financial planning services, non life investment products, superannuation, cash management trusts, and home loan facilities.

   Unfortunately the regulatory system classifies these financial conglomerates as fundamentally different in nature, and needs to adapt to the changing needs of the market-place.

3. Significant growth in the size and complexity of the financial markets, matched by increasing consumer awareness and involvement.

   Primarily as a result of the taxation environment, this awareness has not been matched by an improvement in the savings record of Australians.

MLC recommends:

- A review of the regulatory regime, to streamline the supervisory practices, and to rebalance the benefits and costs of an overly prescriptive compliance and consumer protection regime.

- A review of the remaining ownership barriers to banking, to increase competition and ensure competitive equality

- New savings vehicles

- Consistent principles be applied to product disclosure and distributor licensing.

4.0 Regulatory Regime

New regulation in the past decade has increased both prudential and consumer protection.

MLC recognises the importance of such protection, particularly in a global environment where international capital markets have become more integrated, and capital more mobile.

However, a by-product of the emphasis on prudential and consumer protection has been regulatory and supervisory fragmentation, particularly as financial houses have expanded their traditional range of products and services.

Existing regulatory structures are having an uneven impact on institutions, inhibiting attainment of competitive neutrality.

Current examples include:

- Products and services with similar features and risks being regulated by different regulatory bodies eg. market linked superannuation trusts (ASC) and market linked superannuation funds (ISC), with different capital and disclosure requirements;

- the similarity in prudential standards of bank and non-bank deposit taking institutions such as building societies and credit unions, but different levels of Government 'protection'.

To reduce some of the overlap and duplication that have evolved under the present regime, MLC supports reorganising the resources of the regulatory and supervisory bodies to encompass a clear delineation of their roles and responsibilities, based upon a model that combines both institutional and functional regulation.

The model is based on the premise that the regulatory structure should aim to:

- Ensure systemic stability,
- promote efficiency in financial markets,
- protect the integrity of deposits,
- provide consumer protection against fraud and deceptive conduct,
- strive for competitive neutrality.

With this background and objectives, MLC's preferred position on regulatory structure is:

A. A Central Bank

MLC recommends that the Central Bank have two responsibilities which are reflected in its internal structure:

(i) The formulation and implementation of monetary policy,

(ii) The prudential supervision of all deposit taking institutions.

On the basis that the function of protecting deposits and the integrity of the financial system is paramount to financial market and economic stability and that the quantitative prudential standards determined by AFIC for building societies and credit unions are modelled on those issued for banks by the RBA, and follow those endorsed by the International Basle Committee, the Central Bank should be responsible for prudential supervision of all 'banking' type institutions. This would absorb the supervisory activities of AFIC and various State regulatory bodies.

The Central Bank's prudential supervision should extend to selected special service providers, where deposit taking institutions have amalgamated resources to maintain access to the payments system, and other banking support services.

The benefit to consumers is in confidence in the deposit taking system, and in the greater choice that would result from building societies and credit unions being able to compete on the basis of equivalent security of deposit. Competition for deposits would remain, such things as cash based collective investment vehicles, and finance company and corporate debentures providing the risk spectrum.

B. An Insurance Company and Collective Investments Company Supervisor

A statutory authority responsible for the prudential supervision and regulation of all Life and General insurance companies, Superannuation and Collective Investment providers. This would combine the current responsibilities in this area of the ISC and the ASC. It should be responsible to the Federal Treasurer.

Consistent with the structure of the Central Bank, this regulator would have its own Board, that assumes responsibility for the conduct and accountability of the regulator. MLC believes that the Board should be independent and employ the expertise of past senior management from the financial services industry.

The benefits for consumers would accrue via providers of these product manufacturing and distribution services being able to reduce the costs of complying with the requirements of two regulatory entities.

MLC believes that in an increasingly competitive collective investments and insurance environment, there is already evidence that lower production costs are providing cheaper services to consumers. This is manifest in the fall in upfront and annual management fees, and in insurance premiums in recent years.

C. Corporate Supervisor

The third authority would assume responsibility for the ASC functions of corporate governance and compliance with Corporations Law, for all corporate entities.
It would oversee the activities of capital markets not covered by the Insurance Companies and Collective Investments Supervisor (such as stock and futures exchanges), and the Retail Marketing Authority described below.

D A Retail Marketing Authority

A statutory authority that has responsibility for regulating the marketing of retail financial products and services, including consistent principles and philosophies on product disclosure, consumer protection and redress; and for the licensing and conduct of intermediaries who distribute the products.

This Authority would have an independent Board, employing the expertise of past senior management from the financial services industry together with government representation.

The benefit to the consumer is consistent and meaningful product disclosure, and a dedicated advocate. MLC notes that there is already in place a quantity of consumer protection law, administered by a number of agencies. The establishment of a single authority is an attempt, from a financial services perspective, to bring all administration into one organisation, to achieve greater efficiency.

Given the rapidly evolving and complex nature of financial services, MLC recommends that this authority not be part of any broader based government consumer protection agency.

MLC acknowledges that the establishment of this Authority could be perceived to be contrary to the aforementioned criticism of too much consumer protection. MLC believes the risk of over protective measures can be controlled by regular cost/benefit analysis of the role, effectiveness and jurisdiction of the Authority, and providing ‘sunset’ clauses into its mandate to ensure that the consumer protection remains pertinent.

MLC believes that the above model will assist in harmonising and achieving economies in the supervision of products and distributors with a similar/identical type of risk and function; would obviate the need for an additional ‘umbrella’ supervisor for any of the regulators; and continue to provide a protective framework for retail consumers.

5.0 Financial Conglomeration

The reallocation of capital between deposit taking institutions and superannuation/investment houses from the later half of the 1980's, is in part, illustrative of consumers exercising their right to chose their own savings and investment managers and vehicles, and of a market that has evolved to meet consumer preferences.

To cater for these preferences, in a financial services environment that is continually evolving, globalising, and experiencing rapid technological innovation in the manufacturing and delivery of financial services, MLC believes that barriers should not prohibit any provider, who can demonstrate the appropriate financial and other qualifications, from providing any financial service. This will open the retail financial market to broader participation by domestic and international service providers.

More competition in Banking

In principle, MLC supports an ownership structure in financial services that allows an entity to participate in any business enterprise. For financial conglomerates that do not include a Bank, corporate structures vary widely reflecting less restrictive ownership; however for conglomerates with Australian incorporated banking businesses, virtually all cases the Bank acts as the holding company for all financial services subsidiaries.

To permit greater competition, MLC recommends that a new set of guidelines and criteria be applied to ownership structures of banking institutions. It is apparent to date that the RBA preference is for a Bank to be the regulated and supervised entity. MLC believes that the integrity of the payments system, the safety of depositors' funds, and low systemic risk can still be maintained while still allowing more flexible ownership structures.

Increasingly as institutions expand their activities, international trends are for holding company structures for group interests, and a regulatory system that has adjusted to accommodate the trend[3]. The supervised entity remains the bank or bank subsidiary in the group, so with appropriate restrictions and prudential supervision, overall systemic risk remains unaffected.

In terms of systemic risk, particularly default in the payments system, MLC believes that the continued drive to real time net settlement systems, together with the continued diligence of regulators, is sufficient as a way of reducing systemic risk.

Other concerns, such as contagion from a subsidiary or group company, have not been evident judging by the past and recent experience.

For example, a number of national banking entities have experienced trading difficulties in subsidiary finance, merchant banking, travel agency and funds management businesses, with no visible contagion risk to the parent.

[3] Council of Financial Supervisors Annual Report 1995 pp 28-30

‘Prima facie’, this would suggest that provided the market believes banks remain well capitalised, stringently supervised and that the Bank operates independently of other group businesses, there is limited contagion risk.

This would imply that with the appropriate controls and supervision, known to the market, the perception by regulatory authorities of the contagion risk to a banking business from subsidiary operations, is overstated.

To reduce both systemic and cross-contagion risk while facilitating greater competition in the banking environment MLC recommends however:

- A code of conduct for financial service providers, including prohibition on related company lending

- That the appropriate ’Chinese walls’ and other constraints exist between related entities. ‘Other constraints’ could include access by the Central Bank to information of unsupervised entities in the group, capital requirements and a ‘fit and proper person’ test.

These constraints could be imposed as a formal statutory requirement and would permit the Holding company to have both financial service and non-financial service enterprises.

Broader participation in banking has also been restricted by shareholder provisions in the Bank Shareholding Act. These provisions imply that it is prudent to have a broad-based shareholding in a banking business, presumably on the basis that such a shareholding is insurance,ie. becomes a potential source of new capital, if there is a capital shortage or crisis within the Bank.

MLC questions the logic of assuming en masse, rationale investors are likely to commit new capital under these circumstances, and therefore that the logic of a broad based shareholding as insurance, is misguided.

If the Bank Shareholding Act continues to limit shareholdings to 10%, MLC recommends that some flexibility be afforded, and that under appropriate circumstances, the Act permit 100% ownership, or shared ownership, subject to the Treasurer’s approval.

A secondary issue is the relevance of the size of a Bank relative to a subsidiary business, and an implied concern from regulatory authorities that an existing provider of non-bank retail financial services, if involved in a start-up or small banking venture, may have less concern for the viability of that business.

MLC would point out that an number of investment houses in Australia, with banking licences, have cash management and market linked funds management businesses of much greater size than their retail banking operations.

An alternative to the above structure is to allow Banks to own both financial service and non financial service entities.

MLC would assert that if regulatory authorities are adamant that either of the above models is unsatisfactory because of systemic risk, and that

contagion risk to the financial system from subsidiary businesses is a real concern, then a consistent application of this concern would mean that no banking business would be permitted to have a subsidiary enterprise.

Protection of depositors

MLC is of the view that the perceived protection of bank depositors provided by the RBA's sometimes described Lender of Last Resort (LLR) facility, is privilege afforded to banks that requires review.

If non-bank deposit taking institutions are denied banking licences, MLC believes that it is in the public interest to:

- have the extent of the depositor provisions' within the Banking Act explained fully so that any misconception in the public domain is rectified as to the extent and nature of any 'guarantee'.

- classify all institutions which provide financial products which guarantee 100% return of capital as Deposit Taking Institutions.

- ensure that all Deposit Taking Institutions be placed in the same competitive environment ie: either all DTI's receive the benefit of the RBA's depositors protection or they do not.

Access to the Payments System

MLC applauds the recent reforms to the Australian Payments System instituted by APCA and is of the opinion that any further reforms in this vital economic area should be based on maintaining the stability and integrity of the payments system for the benefit of all participants, be they consumers, providers or regulators.

Given the inextricable links between Deposit Taking Institutions and the Payments System occasioned by the need to provide the depositing public with access to their funds, MLC believes that all DTI's should have unrestricted access to the payments system provided they are subjected to and comply with uniform and harmonious prudential and regulatory supervision standards.

However, MLC is firmly of the view that any new competitors wishing to gain direct access to the payments system must be able to demonstrate the same degree of financial soundness and prudential responsibility as DTI's to ensure the future stability and integrity of the system and therefore the Australian economy.

MLC is concerned at the potential impact of technological advancements with particular emphasis on the imminent explosion of the use of the Internet for commercial purposes and its capacity to obfuscate the Australian payments system as well as the control of international central banks over the global payments system.

Mergers and Acquisitions

In principle, MLC supports a structure that allows any business enterprise, to acquire or be acquired, subject to the acquiescence of the Federal Treasurer.

The criteria that might be applied in merger or acquisition activity include a test that the activity does not give an institution an unreasonable dominance in the Australian market, and that the end consumer remains a beneficiary of the activity.

6.0 Other Issues

Building a savings culture in Australia

Since the introduction of the Superannuation Guarantee Charge, growth in superannuation has been nearly twice the growth rate of the Australian economy. However, national savings as a percentage of GDP shows little improvement. While MLC favours the 'status quo' with respect to the tax concessions offered in the superannuation arena, the recently proposed changes to superannuation may see an improvement in the Budget position, but are likely to have a negative impact on national saving.

It is apparent that Australia needs an alternative savings vehicle with tax concessions, to deal with the fundamental problem of national savings. An option is to provide incentives in longer term non-super voluntary saving, drawing on the experience of tax-advantaged special purpose savings vehicles in the UK.

Historically these vehicles have provided domestic equity to fund local business development (via the sharemarket).

A more recent innovation is investment in corporate debt securities.
Special purpose savings vehicles have the potential to provide both an incentive to domestic savers, and to be additional vehicles to finance by (debt or equity) Australian businesses, and reduce a reliance on international finance.

In principle, a model for these savings vehicles could be characterised by:

- Restricted investment into local equity or corporate bond markets,
- A minimum investment period
- Investor access to capital after a qualifying period for specified purposes eg. first home buyers, export business etc,
- Flexibility to contribute on a limited pre-income tax basis,
- Concessional tax treatment on income and capital gains.

To offset the tax concessions on these vehicles, MLC suggests consideration could be given to:

- Amending the current tax rules that allow the deduction of interest expenses incurred in investment in existing residential property assets, on the basis that capital can be more productively employed elsewhere in the economy. Given the flow-on economic benefits of expenditure on construction of new properties, an exemption might be considered for financing costs in constructing residential property.

- A shift in a taxation regime to focus on taxing expenditure/consumption rather than saving.

Superannuation - Member Choice

As a principle, MLC supports empowerment of the individual.

This implies the right of the individual to direct the investment of his or her retirement savings, to the asset or institution of choice. Individuals have different investment profiles and in many cases it is inappropriate for employers or trustees to determine an employees investment need.

Providing investor choice is a contribution to developing both the individual and a national savings culture and would create greater ownership and a sense of responsibility in the individual to provide for their retirement.

MLC believes that a determinant of the success of member choice will be a government, union and industry commitment to educating the investor

In an environment of flexibility and choice, MLC believes it is inappropriate to direct institutions to particular asset selections or investment policies, rather the onus should be on enforcing adequate and appropriate disclosure of key investment details to existing and potential investors.

Capital Adequacy

To conduct the business of banking or life assurance a supplier is required to meet minimum capital standards to ensure benefits are payable to customers. By contrast, businesses that offer unit linked collective investments (non-life) are not required to reserve or provide capital within a fund on the basis that the investor bears all of the investment risk.

However, as the recent problems with a Master Fund have highlighted, investors are also bearing the operational risk of providers, as the capital required to establish and operate a business providing collective investment vehicles is not onerous.
MLC recommends that the capital required by an entity offering collective investments, particularly retirement savings funds, be increased to an amount that is significant enough to fix system and operational problems a supplier might experience.

Minimum paid-up capital of $10m would balance the need to provide some investor protection, while not imposing substantial entry barriers.

Technology

While it is not possible to accurately predict the future impact of technology on financial service providers or consumers, MLC supports reform that allows product information, investment communication, and the transaction of all financial services, to be conducted electronically; as a basis for offering financial services more efficiently to the domestic market, to international markets, and as an added convenience to consumers .

In principle, MLC recommends that all providers of such financial services via technology to the Australian retail consumer be subject to the same regulation and supervision and that no provider be afforded a monopolistic position by virtue of technology.

The Licensing of Financial and Investment Advisers

Independent of the supervisory and regulatory model adopted, simplification of licensing of distributors of financial products and services is required.
MLC has contributed to the position outlined by LISA/FPA/AIMA, proposing one form of licence for the distribution of financial products and services, with product specific conditions and the following principles:

- The pre-conditions to licensing should not represent a barrier to entry but establish the ability to appropriately conduct a distribution business of the kind or size contemplated by requiring a limited amount of liquid funds to support initial operations and concentrating upon matters such as the standing of the management, resources, experience and business,

- Any product distributor should be able to deal in any kind of financial product, as chosen by the distributor (subject to product specific pre-requisites, such as passing appropriate competency tests),

- The licence should be issued to the principal distributor and not the distributors' employees and agents,

- liability for misconduct (including penalties) should apply to both the principals and the individual advisers,

- There should be common remedies and penalties in relation to misconduct by distributors, regardless of the type of product,

- In the interests of consumer protection, an adviser should not be able to act for more than one licensee an adviser should either be a licensee or act for one licensee,

- Rationalisation of the provisions of relevant legislation including the: Corporations Law; Superannuation Industry (Supervision) Act; Insurance (Agents and Brokers) Act; Life Insurance Act, Trade Practices Act, Consumer Credit Code, Finance Brokers Act, and the Financial Institutions Code.

Product Disclosure

MLC has been a contributor to the disclosure proposal prepared by the joint LISA/IFA/AIMA.

To assist retail consumers make informed choices, MLC believes greater harmonisation of product disclosure rules is required across all financial services and products.

As a principle, harmonisation should focus on consistency between like products and ease of comparison from the consumers' point of view.

For example all lending institutions would be obliged to disclose the effective annual rates of their products, while investment product providers would report both dimensions of their investment results being the return achieved, and the variability(risk) of those returns.

It is assumed that the products to be regulated will include:

- all insurance products;
- securities traded on secondary markets;
- retail collective investment products;
- deposit products (whether issued by a bank or a NBFI)
- Real Estate residential investment properties

MLC's supports the view that :

- regardless of the mode of distribution, regulation focus upon a requirement that sufficient information be provided to enable the consumer to make an informed decision to purchase, or exercise rights under, a product.

- regulation should not prescribe the form and content of disclosures beyond specifying the minimum categories to be addressed; and specifying minimum presentation requirements to allow comparison of products, such as the key words describing the minimum disclosure categories to be used in headings (eg. "benefits").

The manner in which disclosures are made should be such that:

- a permanent record of the disclosure is made (whether in writing or in other electronic form);

- a copy of the disclosure record is given to, or is accessible by, the consumer;

- a consumer can readily determine whether it is complete (e.g. page numbering);

- it is easily read (i.e. minimum print size and "plain language");

- related materials are grouped together or adequately cross-referenced (e.g. disclaimers); and

- it is readily comparable with other products that can meet the same needs or objectives (as exampled above).

Information should be provided:

- prior to application

- annually (a report on performance provides a practical measure of successful/appropriate funds management and allows consumers to “police”: the service provider);

- on request (limited to information about their own contract and not about the fund or the producer)

- on exit or termination.

The minimum disclosures that appear to be relevant to a purchasing decision appear to be:

- purchase pre-conditions (e.g. minimum amounts);
- the benefits to be provided (including guarantees, if any; the basis upon which the benefit is calculated; and historical performance data);
- charges and fees;
- pre-conditions for, and consequences of, early termination;
- identity; contact details; history and current status of the product provider; details of complaint mechanisms.