



27 August 2015

Mr Jason McNamara
Executive Director
Office of Best Practice Regulation
Department of Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: helpdesk @obpr.gov.au

Dear Mr McNamara

Regulation Impact Statement – final assessment second pass

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the Government's election commitment relating to superannuation governance (OPBR ref: 16729). The regulatory burden to business, community organisations and/or individuals has been quantified and offsets have been identified and quantified using the Regulatory Burden Measurement framework. These have been agreed with your office.

I am satisfied that the RIS addresses the concerns raised in your letter of 25 August 2015. Specifically, the RIS has been refined to ensure that the problem section provides a clear explanation of the problem that is being addressed. In particular, the problem section now includes:

- the explicit definition of independent director that is contained in the *Superannuation Industry (Supervision) Act 1993*;
- current data on the proportion of independent directors in the affected Registrable Superannuation Entities;
- information pertaining to historical instances where directors have not acted in members best interests; and
- information that illustrates the importance of independence (through independence of mind and diversity of worldview) to effective governance.

The RIS has also been refined to reflect the nature of the benefits that the proposed options will provide to fund members. In particular, it has been made clear that while the requirement for increased independence in superannuation funds is fundamental to improving governance, and thus improving member outcomes, the full benefit of the proposed options will only be identified over the longer term.

Finally, the RIS has been refined to ensure that there is a balanced discussion in respect of the comments received through consultation. In particular, comments received on:

- the initial discussion paper and exposure draft legislation that criticise the fundamental premise that independent directors improve governance and thus member outcomes, which has been included in the consultation section of the RIS; and
- the assumptions underpinning the cost analysis, which indicate that the costs are outlined in this RIS do not capture the full impact of the proposed changes, which has been included in the impact analysis section of the RIS.

Accordingly, I am satisfied that the RIS now meets best practice consistent with the *Australian Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely



Meghan Quinn
Division Head
Financial System and Services Division
Treasury