



October 26th, 2006

AUSTRALIAN BANK ENCOURAGES PARLIAMENTARY INQUIRY TO ACT WITHIN THE INTERESTS OF CONSUMERS

Members Equity Bank (ME), the only Australian bank to make a submission to the Federal Government's Joint Parliamentary Inquiry into Superannuation, has appeared before the Parliamentary committee (25/10/06) in support of the Industry Superannuation Funds and their "fee for service" financial planning model.

The committee received over 80 submissions and ME is one of only thirteen witnesses to present at Hearings conducted by the Committee this week.

Stephen Palethorpe, Principal Research Officer Parliamentary Joint Committee on Corporations and Financial Services, said the committee chose a balance of interesting submissions with a point of difference to present at the hearings.

"Members Equity Bank is in a unique position to present to the committee. Its close alliance with the Industry Superannuation Funds and the terms of reference made Members Equity Bank a suitable candidate for the hearing".

Tony Beck, Executive Manager of Workplace Business who represented the Bank said the submission emphasised the critical role that Industry Superannuation Funds (ISFs) play in providing a dignified retirement for working Australians.

"The ISF model is unique and based on fundamental principles of;

- **Trustee governance.** Employer, Union and independent trustees working co-operatively together solely in the interests of fund Members;
- **All Profits to Members.** ISFs return all earnings, net of operating costs to members' accounts. Unlike retail funds that distribute a share of profit to shareholders, ISFs return all profits to members;
- **No Sales Commissions.** ISFs do not pay sales commissions. This means that members' returns are not eroded by having to pay commissions to financial planners.

"The public hearing was a valuable opportunity to present our views on a very topical issue.

"It is clear that the retail sector and financial planners in particular are seeking to use the inquiry to promote their own sectional interests. ME stressed the need for the inquiry to act with the interests of consumers as the principal concern", he said.

The main arguments of ME's submission concentrated on the following terms of reference:

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- **Term of reference 1:** Whether uniform capital requirements should apply to trustees;

ME believes that current capital requirements are adequate, and that there would be no benefit to members by the imposition of changed or more onerous capital adequacy requirements.

- **Term of reference 4:** The role of advice in superannuation;

ME believes there should be no commissions payable on Superannuation Guarantee Contributions (SGC)—legislative intervention is required to protect consumers from conflicts inherent in the advice from advisors in receipt of commissions and incentives to promote particular products.

- **Term of reference 11:** Whether promotional advertising should be a cost to a fund, and therefore its members;

ME considers that in the context of a choice of fund environment, promotion and advertising costs are a necessary and legitimate cost of running a superannuation fund.

- **Term of reference 12:** The meaning of the concepts “not for profit” and “all profits to members”;

ME submits that the terms “all profits to members” and “not for profit”, are appropriate to describe Industry Superannuation Funds on the basis that earnings, net of taxes, fees, and costs are paid to members as a crediting rate on superannuation balances.

Members Equity Bank (ME) works in partnership with the ACTU, affiliated unions and various industry superannuation funds to deliver a fair deal to working Australian families. ME is 100% Australian owned and is committed to providing exceptional customer service.

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For further information contact:

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