



Angel Place
Level 18, 123 Pitt Street
Sydney NSW 2000
Australia

GPO Box 4171
Sydney NSW 2001

Phone 02 9229 3171 (direct)

Email [REDACTED]

6 March 2019

Kathy Neilson
Senior Lawyer, Investment Managers & Superannuation
Australian Securities and Investments Commission
Level 5, 100 Market Street, Sydney NSW 2000

By email: feeandcostdisclosure@asic.gov.au

Dear Ms Neilson

Review of RG 97: Disclosing fees and costs in PDSs and periodic statements

Perpetual welcomes the opportunity to be able to provide feedback on ASIC's latest proposals to make changes to the fees and costs disclosure regime, as outlined in the ASIC Consultation Paper 308 (CP308) and Draft Regulatory Guide 97 (RG97) provided in January 2019.

Rather than follow the order of CP308, this submission will focus primarily on the following key areas relating largely to the presentation of fees and costs disclosure within and across PDSs and periodic statements since it is our view that getting this aspect right is **fundamental** to aiding consumers' ability to not just read, but actually understand, the information provided:

1. Correlation between PDS and periodic statement disclosure
2. Presentation of 'Fees and costs summary' table
3. Assumed \$5,000 contribution for the example of annual fees and costs
4. Cost of product information for each investment option required to be included in the PDS
5. Closer alignment between disclosures for superannuation and managed investment products
6. Required content should be both relevant and meaningful
7. Fees and costs information that may be incorporated by reference
8. Consumer Advisory Warnings.

Some or all of Perpetual's views expressed in this document may also be replicated in any separate submission you receive from the Financial Services Council (FSC), to which the writer will have contributed. However, in the event of any conflict, the views expressed in this document should prevail from Perpetual's perspective. The FSC submission is also expected to deal with some of the more important technical issues pertaining to individual disclosure requirements, which are intentionally not covered in any detail in this submission. Perpetual will also provide to FSC any relevant requested cost of implementation data for aggregation with that provided by other FSC members in its submission.

In this document, the term 'member' includes both the holder of a superannuation product and investor in a managed investment product unless the context suggests otherwise.

1. Correlation between PDS disclosure and periodic statement disclosure

In Perpetual's view, it is critical that there is an obvious correlation between the presentation of fees and costs information in a PDS and subsequently issued periodic statements. There is no such correlation at present (nor has there been historically). Without this correlation, it is virtually impossible for a member to reconcile what they were told they would be charged in the PDS with what they've actually been charged, as subsequently reported in periodic statements.

For example, it is now proposed by ASIC that a superannuation product PDS will be required to disclose ongoing annual fees and costs to be split into administration fees and costs, investment fees and costs and transaction costs (net) in the 'Fees and costs summary' (currently fee template) but periodic statements will still require a split between how the fees and costs are charged (ie fees deducted directly from the member's account and fees and costs deducted indirectly from their investment) rather than mirroring the PDS categories, which could span both direct and indirect charging methods. For example, an administration fee could comprise a fixed dollar amount charged directly to a member's account as well as a percentage-based amount incorporated in the unit price for an investment option and, hence, deducted indirectly from the member's investment.

Please refer to Annexure "B" for further information and Annexures "C" and "D" for illustrations showing how fees and costs disclosures in PDSs and periodic statements could be structurally aligned.

It is acknowledged that achieving this correlation will require significant changes to periodic statements predominantly, incurring commensurate costs. Therefore, it is vital that an appropriate amount of time be afforded to product issuers to make the necessary system changes in an orderly manner (see 'Proposed timeframe for implementing changes' below for further information).

2. Presentation of 'Fees and costs summary' table

Simplicity of presentation is considered to be the key to consumers' understanding and Perpetual generally supports ASIC's proposed changes. Whilst the modified format now proposed is a good starting point, details regarding how and when fees and costs are charged are considered secondary to the actual amounts of the fees and costs. It is therefore suggested that the 'Fees and costs summary' table could be further streamlined if the details relating to how and when paid became prescribed sub-components 'Annual fees and costs' and 'Member activity-related fees and costs' or 'Investor activity-related fees and costs' within the 'Fees and costs details' section (currently known as 'Additional explanation of fees and costs') rather than having this detail in the current third column of the 'Fees and costs summary' table. Please refer to Annexures "C" and "D" for illustrations of the proposed requirements and format for the 'Fees and costs summary' tables and structure for the 'Fees and costs details' section.

3. Assumed \$5,000 contribution for the example of annual fees and costs

Given the example is intended to illustrate ongoing annual fees and costs based on a prescribed investment balance (generally \$50,000), it is counter-intuitive for the example to have to assume a member-initiated transaction. For this reason, it is suggested that the assumed \$5,000 contribution be removed from the managed investment product example rather than (re)included in the superannuation product example. In doing so, disclosure consistency is still retained between managed investment and superannuation products. Please refer to Annexures "C" and "D" for illustrations of the proposed fee example disclosure requirements and alternative format.

4. Cost of product information for each investment option required to be included in the PDS

The example of annual fees and costs provides the cost of product for the relevant product or required investment option (eg typical balanced). For products with a large number of investment options, the requirement to include summary cost of product information for each investment option will add considerable bulk to the disclosure for little perceived benefit as it's unlikely that an investor would be considering investing in more than just a few of the investment options available. Since the cost of product for each investment option must be calculated using the same method as for calculating the prescribed example, this could easily be calculated by the reader for any other investment option they may be considering if the calculation basis was shown in the example (ie the reader would simply need to substitute the fees and costs used in the example with those relating to the particular other investment option/s). Please refer to the proposed example templates in Annexures "C" and "D" for illustrations of this potential alternative approach.

5. Closer alignment between disclosures for superannuation and managed investment products

It is commendable that ASIC has recognised the benefits of alignment, to the extent possible, between fees and costs disclosures across superannuation and managed investment products. Such consistency will obviously greatly assist issuers of financial products in obtaining relevant information from external parties (eg a superannuation fund trustee obtaining required data from responsible entities of underlying MIS interposed vehicles) for including in their own PDSs and/or providing such information to upstream product issuers. Alignment of fees and costs disclosure requirements would also greatly assist with the potential development of a standard data collection template to replace the plethora of varying templates currently being used by different industry participants.

The current non-aligned situation is particularly problematic in the common scenarios where either a superannuation product investment option invests into an underlying managed investment product or where a managed investment product is offered as an accessible financial product on a superannuation platform because the disclosure requirements are different.

- **Net transaction costs** – In this regard, if ASIC's proposed inclusion of a separate line item for 'Transaction costs (net)' in the 'Fees and costs summary' table in both superannuation and managed investment product PDSs goes ahead, this will obviously help to resolve the existing disparity whereby net transaction costs currently need to be included as part of total indirect costs for superannuation products but not as part of (indirect) management costs for managed investment products. However, such alignment could also be achieved without requiring net transaction costs to be included at all in the 'Fees and costs summary' table by simply removing the current requirement for these to be included as part of total indirect costs for superannuation products and requiring transaction costs to be disclosed in the 'Fees and costs details' section only for both superannuation and managed investment products.

Perpetual is reasonably ambivalent regarding the positioning of this disclosure. On the one hand, net transaction costs obviously do impact investment returns for all members, so there is some merit for them to be included in the 'Fees and costs summary' table together with the other annual fees and costs that a member will incur regardless. However, it could also be argued that because transaction costs are a necessary expense of producing returns, disclosure in the 'Fees and costs summary' table gives undue prominence in isolation of information about their relationship to returns (ie there is no correlation of the potential benefit to the cost). Furthermore, transaction costs are not unique to investing through a fund structure. In fact, individual investors are likely to incur higher transaction costs when investing in assets directly since they are unlikely to have the same economies of scale as a fund manager. If transaction costs are required to be included in the 'Fees and costs summary' table, there is a real danger that members could disregard a fund/investment option on the basis of its relatively high net transaction costs, which could be to their detriment in situations where those higher net transaction costs may be correlated to higher returns. For example, an actively managed fund with a greater turnover of assets is likely to have higher transaction costs than a passively managed fund (eg index fund), but with the expectation of higher performance. Therefore, if net transaction costs are required to be included in the 'Fees and costs summary', at the very least there should also be the requirement to include a footnote warning the reader not to consider transaction costs in isolation of potential investment returns (please refer to Annexures "C" and "D" for draft wording). A similar warning could also be included in the 'Fees and costs details' section if, ultimately, that's where net transaction costs disclosure is required instead. It is noted that the third paragraph in the Consumer Advisory Warning already touches on this issue, but at a very high level only.

- **OTC derivatives** – With ASIC's latest proposals, there is still a continued inconsistency between superannuation and managed investment products in relation to the treatment of costs relating to OTC derivatives that are used for non-hedging purposes. Furthermore, it is not always absolutely discernible regarding whether an OTC derivative is being employed for hedging or non-hedging purposes, so perhaps any fee and cost disclosure requirements should apply to all OTC derivatives regardless of their purpose (or not at all). The FSC submission is expected to cover this issue in more detail.

Notwithstanding the above paragraphs, there are valid reasons for some inconsistencies in terminology, such as use of the terms 'member' and 'account' for superannuation products and 'investor' and 'investment' (as a generic term since not all investors will hold an account) for managed investment products. To avoid consumer confusion, these subtle variances need to be considered when determining any prescribed wording, such as in the 'Fees and costs summary' and Consumer Advisory Warnings. Please refer to Annexure "A" for further details and Annexures "C", "D" and "E" for appropriate contextual usage.

6. Required content should be both relevant and meaningful

Given the large volume of information that readers are expected to absorb, it is extremely important that all disclosure is both relevant and meaningful. Reconsideration, therefore, should be given to the relevance and meaningfulness of the following content which is currently required to be provided.

- **Property operating costs, borrowing costs and implicit transaction costs** – Since the relevance and meaningfulness of property operating costs, borrowing costs and implicit transaction costs were certainly challenged by industry previously on the basis they were distortive and potentially misleading, it is acknowledged and appreciated that ASIC proposes to no longer require disclosure of these costs in PDSs and periodic statements.
- **Gross transaction costs** – For both superannuation and managed investment products, only the net transaction costs of a fund/investment option are incurred by all members. Where buy/sell spreads are applied against member-initiated transactions to recover associated transaction costs, those amounts are paid separately by only the transacting members. If a fund/investment option doesn't have a buy/sell spread, gross transaction costs will be the same as net transaction costs since there will be no offsetting amounts paid by the transacting members. Therefore, on the basis that buy/sell spreads and net transaction costs are both disclosed, there is no need or relevance for also disclosing gross transaction costs.
- **Counterparty spreads** – Counterparty spreads remain a concern and should also be excluded from transaction costs. They are not objectively certain and are therefore potentially distortive/misleading, which goes to the heart of the relevance and meaningfulness of disclosing these costs. The FSC submission is expected to also cover this issue in more detail.
- **Tax benefits passed on to members** – PDSs generally are required to disclose fees and costs inclusive of the net effect of GST (ie gross of tax and stamp duty amounts less any applicable RITCs).

On this basis, for example, an administration fee for a superannuation product may be disclosed in the PDS as \$10.00 per month. If the fund receives a 15% tax deduction on this amount and passes that benefit on to the member, then the amount actually incurred by that member will be only \$8.50. For periodic statements (superannuation products only), only the \$8.50 effective amount charged should be required to be captured in the summary of total fees and costs section. Without this simplification, there will always remain the potential for a member to think that the tax benefit they have received from the fund has implications for their personal income tax return. The proposed periodic statement layout in Annexure "C", including footnote 1 thereto, illustrates how this approach could easily be implemented.

However, the issuer should be permitted, but not required, to itemise any fees or charges where a tax benefit to the fund may be passed on to members in the transaction listing section of the statement. For the above example, the transaction could be reported (depending on how it's actually processed) as either:

Gross administration fee	\$10.00 (as per PDS disclosure)
Tax benefit	\$ 1.50 (assuming tax benefit is passed on to the member)
Net administration fee	\$ 8.50 (as per net amount only included in the summary section)

OR

Administration fee	\$10.00 (gross amount charged if tax benefit is not passed on to the member); or \$ 8.50 (net amount charged only, if tax benefit is passed on to the member).
--------------------	---

The provisions contained in RG 97.126 should be amended accordingly, including to differentiate between compulsory and voluntary disclosures in the respective areas of periodic statements.

It should also be noted that this issue is not relevant at all to managed investment products, which simply don't receive any tax benefits in relation to fees and costs that the responsible entity otherwise might be able to pass on to investors. Accordingly, the provisions contained in RG 97.234-235 should be deleted.

- **Buy/sell spread dollar amounts reported on periodic statements** – Unit prices for a fund/investment option are typically calculated by:
 1. establishing the net asset value
 2. mid prices – dividing the net asset value by the number of units on issue to determine the mid price
 3. entry prices – adding an allowance for relevant buying transaction costs (buy spread) to the mid price to determine the entry unit price
 4. exit prices – deducting an allowance for relevant selling transaction costs (sell spread) to the mid price to determine the exit unit price.

For calculating dollar amounts reported for buy/sell spreads in the summary section of periodic statements, the following formulae are therefore relevant regardless of the actual apportionment of buy/sell spreads across entry and exit prices:

- For ‘in’ transactions where units are allocated at the entry price:
Dollar value of buy/sell spread on transaction = (Entry price – mid price) x number of units allocated.
- For ‘out’ transactions where units are redeemed at the exit price:
Dollar value of buy/sell spread on transaction = (Mid price – exit price) x number of units redeemed.
- For ‘in’ or ‘out’ transactions where units are allocated or redeemed, as applicable, at the mid price (eg reinvestment of distributions or in specie transfer of assets where no transaction costs are incurred) or where there is no buy/sell spread:
Dollar value of buy/sell spread on transaction = Nil.

It is recommended that this calculation methodology be included in RG97 to ensure uniformity across the industry.

By applying this methodology, the dollar amounts reported for buy/sell spreads in the summary section of periodic statements would be reflective of the actual amounts incurred on relevant transactions which have occurred during the reporting period. For example, if a fund/investment option has a buy/sell spread of 0.10%/0.10% and a contribution of \$1,000 is made during the reporting period, then the dollar amount of the buy/sell spread would be reported as \$1.00 based on the 0.10% buy portion only of the total 0.20% buy/sell spread. The total 0.20% buy/sell spread should not be applied to that contribution for dollar buy/sell spread reporting purposes, even though the exit unit price used to determine the withdrawal benefit at the end of the reporting period will include the 0.10% sell portion of the buy/sell spread, since doing so would include a cost that has not actually been incurred at that time. If that \$1,000 was subsequently withdrawn in a later reporting period, the statement for that later period would report a buy/sell spread of \$1.00 based on the 0.10% sell portion only of the total 0.20% buy/sell spread which was actually incurred on withdrawal.

- **Performance fees** – Perpetual supports removing the distinction between performance fees and performance-related fees. The proposed methodology for calculating estimated performance fees for PDS disclosure (ie generally by reference to the average of the performance fees charged over the previous five financial years) is certainly better than the current differing approaches between performance fees and performance-related fees. However, perhaps a cleaner and more durable position would be to calculate estimated performance fees based on a prescribed assumed level of outperformance (eg 1% outperformance above the fund’s performance hurdle) accompanied by disclosure (eg in the ‘Fees and costs details’ section) of historical performance fees charged (eg details for each of the previous five years and the average over that period) to put the estimated amount into context. This alternative approach reflects a fund manager’s expectation that it will be entitled to charge performance fees from time to time (else the fund is unlikely to have such a fee structure) and would have the benefit of making the PDS disclosure enduring since the estimate is not subject to yearly volatilities. It would also overcome the need for a different approach in certain situations, such as where a fund with a performance fee doesn’t have a five-year history.

7. Fees and costs information that may be incorporated by reference

At present, certain fees and costs information which can be incorporated by reference in shorter PDSs cannot be incorporated by reference in long PDSs. This includes amounts which are required to be included in the 'Fees and costs summary' table (currently fee template). If the proposed required inclusion of transaction costs (net) in this table goes ahead, it becomes impracticable if these amounts cannot be updated annually (ie to reflect transaction costs incurred in subsequently completed financial years during the life of the PDS) via an incorporated document regardless of the PDS type. The same applies to updating buy/sell spreads via an incorporated document, since these are often reviewed periodically (eg at least annually in light of the past year's transaction cost experience) to ensure that they remain reflective of the actual costs of transactions initiated by members (ie they are adequately covering these specific transaction costs only and not subsidising other transaction costs which should rightfully be borne by all members, such as normal portfolio trading costs not associated with any particular member-initiated transactions).

8. Consumer Advisory Warnings

Whilst obviously not as important as the above issues, the proposed rewrite of Schedule 10 of the Corporations Regulations 2001 would seem to be an opportune time to attend to a few 'tidy up' changes. Please refer to Appendix "E" for details of proposed edits and rationale.

Additional information

Further details covering the above points 1-8, including rationale and templates illustrating the consequential proposed alternative disclosure approach, are provided in the following attachments:

- Annexure "A": Presentation of fees and costs disclosure in product disclosure statements and periodic statements – proposed changes and rationale
- Annexure "B": Aligning fees and costs disclosure across product disclosure statements and periodic statements
- Annexure "C": Fees and costs disclosure templates for PDSs and periodic statements – superannuation products
- Annexure "D": Fees and costs disclosure templates for PDSs and periodic statements – managed investment products
- Annexure "E": Consumer Advisory Warning – marked-up proposed changes and rationale.

Proposed timeframe for implementing changes

It is recommended that a transitional period of not less than two years is provided from the time revised requirements are finalised in Schedule 10 amendments. This will allow issuers to minimise the inevitable significant costs of making relevant changes by:

- not forcing out-of-cycle PDS rolls
- allowing sufficient time for an orderly and holistic implementation of any systems changes required for periodic statements.

Whilst there may (continue to) be non-misalignment between PDS and periodic statement disclosures during the transitional period, product issuers should be able to implement the revised fees and costs disclosure requirements at any time before a specified deadline date without any need to formally 'opt in' early (ie all product issuers would simply need to comply by the deadline date).

Further information

Please feel free to contact me if anything in this submission requires clarification.

I would also welcome any further opportunity to discuss with you personally all or any of the matters raised.

Yours sincerely

David Flegg
Senior Manager, Product Disclosure
Legal, Compliance & Company Secretariat

Presentation of fees and costs disclosure in product disclosure statements and periodic statements – proposed changes and rationale

DISCLOSURE	PROPOSED CHANGE	RATIONALE
GENERAL		
Super versus MIS products	Consistent disclosure approach, wherever possible	Refer proposal C9 in CP308. To the extent possible, a consistent disclosure approach between super and MIS products is desirable as it will make it easier for super trustees to obtain required data from responsible entities of underlying MIS products. The proposed changes generally seek to align disclosures, recognising that: <ul style="list-style-type: none"> • super products have '<u>investment</u> fees and costs' whilst MIS products have '<u>management</u> fees and costs' • 'administration fees and costs' are unique to super products • super products have '<u>members</u>' whilst MIS products have '<u>investors</u>' • all super product members have an '<u>account</u>' whilst all MIS investors have an '<u>investment</u>' but not necessarily an '<u>account</u>' (ie only direct MIS investors will also have an account; indirect MIS investors investing through a platform won't have an account as the platform operator will be the (direct) investor recorded on the fund's unit registry).
SUPER PRODUCTS		
PDS: Consumer advisory warning	Detailed in separate document (refer Annexure "E").	
PDS: Superannuation fee template	Fee template table retitled 'Fees and costs summary'	Refer proposal C1 in CP308.
	Modified format	Refer proposals B1 and C8 in CP308. Approach is broadly consistent with the general two-category structure proposed in Figure 2 of updated RG97, which separates (ongoing) annual fees and costs from those fees and costs that are dependent on member-initiated transactions or activities.
	Deletion of 'How and when paid' column	Simplicity of presentation – appropriate disclosure should instead be provided under 'Annual fees and cost' and 'Member activity-related fees and costs' within the 'Fees and costs details' section (currently known as 'Additional explanation of fees and costs' – refer below).
	Deletion of the word 'Ongoing' from title 'Ongoing annual fees and costs'	Since some of the fees and costs will include estimates (eg performance fees based on proposed average over previous five financial years, indirect costs based on previous financial year), some of the amounts will not necessarily be ongoing and may vary from year to year. 'Annual' adequately indicates the recurring nature of these fees and costs.
	Retitling 'Member activity related fees and costs' to 'Member activity-related fees and costs'	Reflects that 'activity-related' is a compound adjective.
	Inclusion of brief description of 'Annual fees and costs'	Including '(These fees and costs apply to ALL members)' provides clarity and distinction between the other main category 'Member activity-related fees and costs'.
	Inclusion of brief description of 'Member activity-related fees and costs'	Including '(These fees and costs will apply ONLY IF you transact on your account)' provides clarity and distinction between the other main category 'Annual fees and costs'.
	Inclusion of brief descriptions for each of the types of fees and costs listed	Consistent with MIS fee template approach and eliminates the need to include the quite complex superannuation fee definitions either in the PDS itself or IBR document.
	Merge investment fees and indirect costs into 'Investment fees and costs'	Refer proposal B1 in CP308.
	'Administration fees and costs' row retained	Refer proposal C1 in CP308. Since administration is a different function to investment, separate rows should be maintained. This separation will assist with platform PDS disclosure where administration fees and costs generally relate to the platform and investment fees and costs are charged by issuers of accessible products available through the platform.
'Indirect cost ratio' row deleted	Refer proposal D4 in CP308. This row becomes redundant if all indirect costs are now attributed to investment and/or administration.	

DISCLOSURE	PROPOSED CHANGE	RATIONALE
SUPER PRODUCTS (continued)		
PDS: Superannuation fee template (continued)	'Transaction costs (net)' retitled 'Transaction costs'	The word 'net' in isolation (ie net of what?) is potentially confusing and unnecessary with the addition of the proposed description 'The estimated costs incurred by the [product/investment options] in buying and selling investments which are borne by all members'. In any event, PDS issuers will likely provide further information about transaction costs under 'Fees and costs details', including that some transaction costs are recovered via buy/sell spreads on member-initiated transactions. Since transaction costs are <u>not fees</u> set by the trustee and amounts in a PDS are <u>historical</u> (ie based on the previously completed financial year as at the PDS date) and will almost invariably change throughout the life of a PDS, additional flexibility is required allowing issuers to provide updated transaction cost details for subsequent years in both long and shorter PDSs via IBR document without the need to physically update the PDS.
	'Buy/sell spread' rather than 'Buy-sell spread' and description	'Buy/sell spread' better reflects the way spreads are usually presented (eg '0.10%/0.10%' rather than '0.10%-0.10%', the latter which could be interpreted as a range). The description should use the word 'amount' rather than 'fee' since the proceeds from the application of buy/sell spreads to member-initiated transactions stay in the fund to meet the actual transaction costs as they are incurred. The buy/sell spread is <u>not a fee</u> paid to the trustee. Therefore, and since the buy/sell spread is set prospectively (ie but usually based on actual previous transaction cost experience) and will potentially change throughout the life of a PDS, additional flexibility is required allowing issuers to update buy/sell spread details in both long and shorter PDSs via IBR document without the need to physically update the PDS, provided there is a statement in the PDS (eg as a footnote) that 'Details of the current buy/sell spread(s) at any time are available at our website.'
	'Advice fees' row deleted	Refer proposal B1(a)(iii) in CP308. For any intra-fund advice charged to all members, the cost should now be captured under 'Administration fees and costs'. Any member-specific fees charged for personal advice would be disclosed separately outside the 'Fees and costs summary' table in the 'Fees and costs details' (formerly 'Additional information about fees and costs') section.
	Removal of 'Switching fee' and 'Exit fee' rows as prescribed line items within 'Member activity-related fees and costs'	These fees are no longer commonly charged (and the Government has announced as part of its 'Protecting your super package' that exit fees should be banned on all super products from 1 July 2019). Accordingly, these fees should be relegated to be disclosed as sub-categories of 'Other fees and costs', together with any other relevant fund fees and costs (eg insurance premiums), only if applicable. This will also help to declutter the fee table rather than having to disclose multiple separate line item amounts as nil.
	Footnotes	Any proposed footnotes in Annexure "C" are draft text only. No footnote text should be prescribed wording. The Regulations should instead prescribe only the types of matters to be footnoted, where applicable.
PDS: Example of annual fees and costs	Example repositioned to follow 'Fees and costs summary'	It is more logically positioned from a reader's perspective for the example to immediately follow the 'Fees and costs summary' rather than being separated by the potentially lengthy (and likely less important) 'Fees and costs details' section.
	Structure and content	Example mirrors the same structure as the 'Annual fees and costs' in the (retitled) 'Fees and cost summary' for consistency and, by focussing on ongoing annual fees and costs only (ie the fees and costs that all members incur regardless of any transactions which they may (or may not) initiate), provides a simpler basis for product comparison. For this reason, the proposed addition of an assumed \$5,000 contribution on the last day of the period (refer proposal B3 in CP308) hasn't been included.
	Other investment options	The proposed new 'Calculation basis' column in the example table facilitates a self-service example(s) being prepared by the member for their particular investment option(s) rather than the PDS issuer having to provide as a matter of course the 'Cost of product information' for every investment option, either in the PDS itself or IBR document or in some other manner (refer proposal B3 in CP308).
PDS: Additional explanation of fees and costs	Repositioned to follow 'Example of annual fees and costs'	Details will always be the hardest, yet likely relatively least important, information for the member to digest. The key take-outs should already be covered in the preceding 'Fees and costs summary' and example.
	Retitled 'Fees and costs details'	Refer proposal C1 in CP308. It is also proposed that this section be structured logically into the following three sub-sections: <ul style="list-style-type: none"> 'Annual fees and costs' – provides supporting <u>expanded</u> information to the abridged details in the 'Fees and costs summary' 'Member activity-related fees and costs' – provides supporting <u>expanded</u> information to the abridged details in the 'Fees and costs summary' 'Additional information about fees and costs' – provides <u>additional</u> information about matters not covered in the 'Fees and costs summary' (eg maximum fees and charges allowable under the fund's trust deed, 30-day notification required for increases to fees, member advice fees (if applicable), etc).

DISCLOSURE	PROPOSED CHANGE	RATIONALE
SUPER PRODUCTS (continued)		
Periodic statements	Structure and content	The current structure of the fees and costs summary, which essentially differentiates between directly and indirectly charged fees and costs, provides no correlation between fees and costs disclosed in the PDS with those actually charged and reported on periodic statements. To overcome this disconnect, the proposed 'Fees and costs summary' structure for periodic statements mirrors the same structure as that in the PDS (ie divided into 'Annual fees and costs' and 'Member activity-related fees and costs') and also provides for dynamic disclosure of any other fees deducted from the member's account (eg member advice fees for personal financial advice) on the authority of the member. Where applicable, such additional fees will have been disclosed in the 'Fees and costs details' (formerly 'Additional information about fees and costs') section of the PDS.
	Tax impacts – Fees and costs summary to reflect actual amounts only	Disclosure of fees/costs on a gross/net of tax basis in periodic statements is known to be confusing to members and can give rise to queries such as whether any tax benefit received has any implications for their personal income tax return. Such confusion could be eliminated quite simply if the 'Fees and costs summary' reflected only the actual amount paid by the member, accompanied by a simple note to the effect that 'Relevant amounts reflect the benefit of any tax deduction received by the fund which has been passed on to members as a reduced fee or cost, where applicable. Any such tax benefit has no implications for your personal income tax return.' For example, where an administration fee of \$10.00 applies and the fund receives/passes on to the member the 15% tax benefit available to the fund, the fees and costs summary would reflect \$8.50 only (although the transaction listing section of the statement may show each component of the transaction: \$10.00 gross fee, \$1.50 tax benefit and \$8.50 net fee amounts). Where there is either no tax benefit available to the fund or a tax benefit received by the fund is not passed on to members in the form of a reduced fee or cost, there will be no difference between the gross and net amounts in any event.
MIS PRODUCTS		
PDS: Consumer advisory warning	Detailed in separate document (refer Annexure "E").	
PDS: MIS fee template	Retitled 'Fees and costs summary'	Refer proposal C1 in CP308.
	Modified format	Refer proposals B1 and C8 in CP308. Approach is broadly consistent with the general two-category structure proposed in Figure 9 of updated RG97, which separates (ongoing) annual fees and costs from those fees and costs that are dependent on investor-initiated transactions or activities.
	Repositioning of 'Management costs' row.	Refer Figure 9 in updated RG97.
	Deletion of 'How and when paid' column	Simplicity of presentation – appropriate disclosure should instead be provided under 'Annual fees and cost' and 'Investor activity-related fees and costs' within the 'Fees and costs details' section (currently known as 'Additional explanation of fees and costs' – refer below).
	Deletion of the word 'Ongoing' from title 'Ongoing annual fees and costs'	Since some of the fees and costs will include estimates (eg performance fees based on proposed average over previous five financial years, indirect costs based on previous financial year), some of the amounts will not necessarily be ongoing and may vary from year to year. 'Annual' adequately indicates the recurring nature of these fees and costs.
	Retitling 'Member activity related fees and costs' to 'Investor activity-related fees and costs'	Reflects that MIS products have 'investors' rather than 'members' and 'activity-related' is a compound adjective.
	Inclusion of brief description of 'Annual fees and costs'	Including '(These fees and costs apply to ALL investors)' provides clarity and distinction between the other main category 'Investor activity-related fees and costs' and is generally consistent with the description proposed for super products.
	Revised description of 'Investor activity-related fees and costs'	The revised description '(These fees and costs will apply ONLY IF you transact on your investment)' provides clarity and distinction between the other main category 'Annual fees and costs' and is generally consistent with the description proposed for super products.

DISCLOSURE	PROPOSED CHANGE	RATIONALE
MIS PRODUCTS (continued)		
PDS: MIS fee template (continued)	'Transaction costs (net)' retitled 'Transaction costs'	The word 'net' in isolation (ie net of what?) is potentially confusing and unnecessary with the addition of the proposed description 'The estimated costs incurred by the investment options in buying and selling investments which are borne by all investors'. In any event, PDS issuers will likely provide further information about transaction costs under 'Fees and costs details', including that some transaction costs are recovered via buy/sell spreads on investor-initiated transactions. Since transaction costs are <u>not fees</u> set by the responsible entity and amounts in a PDS are <u>historical</u> (ie based on the previously completed financial year as at the PDS date) and will almost invariably change throughout the life of a PDS, additional flexibility is required allowing issuers to provide updated transaction cost details for subsequent years in both long and shorter PDSs via IBR document without the need to physically update the PDS.
	Addition of 'Buy/sell spread' row	Refer proposal B2 in CP308 (also provides consistency with disclosure for super products).
	'Buy/sell spread' rather than 'Buy-sell spread' and description	'Buy/sell spread' better reflects the way spreads are usually presented (eg '0.10%/0.10%' rather than '0.10%-0.10%', the latter which could be interpreted as a range). The description should use the word 'amount' rather than 'fee' since the proceeds from the application of buy/sell spreads to investor-initiated transactions stay in the fund to meet the actual transaction costs as they are incurred. The buy/sell spread is <u>not a fee</u> paid to the responsible entity. Therefore, and since the buy/sell spread is set prospectively (ie but usually based on actual previous transaction cost experience) and will potentially change throughout the life of a PDS, additional flexibility is required allowing issuers to update buy/sell spread details in both long and shorter PDSs via IBR document without the need to physically update the PDS, provided there is a statement in the PDS (eg as a footnote) that 'Details of the current buy/sell spread(s) at any time are available at our website.'
	Removal of 'Establishment fee', 'Contribution fee', 'Withdrawal fee', 'Exit fee' and 'Switching fee' rows as prescribed line items within 'Investor activity-related fees and costs'	These fees are no longer commonly charged. Accordingly, these fees should be relegated to be disclosed as sub-categories of 'Other fees and costs', only if applicable. This will also help to declutter the fee table rather than having to disclose multiple separate line item amounts as nil.
	Footnotes	Any proposed footnotes in Annexure "D" are draft text only. No footnote text should be prescribed wording. The Regulations should instead prescribe only the types of matters to be footnoted, where applicable.
PDS: Example of annual fees and costs	Example repositioned to follow 'Fees and costs summary'	It is more logically positioned from a reader's perspective for the example to immediately follow the 'Fees and costs summary' rather than being separated by the potentially lengthy (and likely less important) 'Fees and costs details' section.
	Structure and content	Example mirrors the same structure as the 'Annual fees and costs' in the (retitled) 'Fees and cost summary' for consistency and, by focussing on ongoing annual fees and costs only (ie the fees and costs that all investors incur regardless of any transactions which they may (or may not) initiate), provides a simpler basis for product comparison. For this reason, the existing assumed \$5,000 contribution has been removed.
	Other investment options	The proposed new 'Calculation basis' column in the example table facilitates a self-service example(s) being prepared by the member for their particular investment option(s) rather than the PDS issuer having to provide as a matter of course the 'Cost of product information' for every fund/investment option, either in the PDS itself or IBR document or in some other manner (refer proposal B3 in CP308).
PDS: Additional explanation of fees and costs	Repositioned to follow 'Example of annual fees and costs'	Details will always be the hardest, yet likely relatively least important, information for the member to digest. The key take-outs should already be covered in the preceding 'Fees and costs summary' and example.
	Retitled 'Fees and costs details'	Refer proposal C1 in CP308. It is also proposed that this section be structured logically into the following three sub-sections: <ul style="list-style-type: none"> 'Annual fees and costs' – provides supporting <u>expanded</u> information to the abridged details in the 'Fees and costs summary' 'Member activity-related fees and costs' – provides supporting <u>expanded</u> information to the abridged details in the 'Fees and costs summary' 'Additional information about fees and costs' – provides <u>additional</u> information about matters not covered in the 'Fees and costs summary' (eg maximum fees and charges allowable under a fund's constitution, 30-day notification required for increases to fees, fees for personal advice (if applicable), etc).

DISCLOSURE	PROPOSED CHANGE	RATIONALE
MIS PRODUCTS (continued)		
Periodic statements	Structure and content	The current structure of the fees and costs summary, which essentially differentiates between directly and indirectly charged fees and costs, provides no correlation between fees and costs disclosed in the PDS with those actually charged and reported on periodic statements. To overcome this disconnect, the proposed 'Fees and costs summary' structure for periodic statements mirrors the same structure as that in the PDS (ie divided into 'Annual fees and costs' and 'Investor activity-related fees and costs') and also provides for dynamic disclosure of any other fees deducted from the investor's investment (eg fees for personal financial advice) on the authority of the investor. Where applicable, such additional fees will have been disclosed in the 'Fees and costs details' (formerly 'Additional information about fees and costs') section of the PDS.
	Tax impact	Refer proposal B4 in CP308. This issue is not relevant to MIS products. Therefore, the provisions contained in updated RG 97.234-235 should be removed.

Aligning fees and costs disclosure across product disclosure statements and periodic statements – superannuation products

PRODUCT DISCLOSURE STATEMENTS			PERIODIC STATEMENTS
FEES AND COSTS SUMMARY¹	EXAMPLE OF ANNUAL FEES AND COSTS	FEES AND COSTS DETAILS²	SUMMARY OF TOTAL FEES AND COSTS
<p>Annual fees and costs³:</p> <ul style="list-style-type: none"> administration fees and costs³ investment fees and costs³ transaction costs (net)³ 	<p>Annual fees and costs (this should be the sole focus of the worked example):</p> <ul style="list-style-type: none"> administration fees and costs investment fees and costs transaction costs (net) 	<p>Annual fees and costs – providing additional information, including how and when paid details, for:</p> <ul style="list-style-type: none"> administration fees and costs investment fees and costs transaction costs (including cross-reference to IBR document containing latest annual net transaction costs percentages – IBR to be updated annually) 	<p>Annual fees and costs:</p> <p>Itemised dollar amounts⁴ plus ‘Annual cost of product’ sub-total (accompanied by footnote explanation) covering:</p> <ul style="list-style-type: none"> administration fees and costs investment fees and costs transaction costs (net)
<p>Member activity-related fees and costs³:</p> <ul style="list-style-type: none"> buy/sell spread³ other fees and costs relating to member activity (state ‘nil’ or otherwise itemise as applicable to product), such as: <ul style="list-style-type: none"> switching fee³ exit fee³ insurance fees/premiums³ 	<p>Member activity-related fees and costs:</p> <ul style="list-style-type: none"> no assumed \$5,000 contribution in worked example amounts not included in calculation footnote reference to ‘Fees and costs summary’ table for details relating to buy/sell spread (if relevant) plus any other member activity-related fees and costs applicable to product, such as: <ul style="list-style-type: none"> switching fee exit fee insurance fees/premiums 	<p>Member activity-related fees and costs – providing additional information, including how and when paid details, for:</p> <ul style="list-style-type: none"> buy/sell spread (including cross-reference to IBR document containing details of current buy/sell spreads at any time – IBR to be updated, as required, for any subsequent changes) other fees and costs relating to member activity, if applicable to product: <ul style="list-style-type: none"> switching fee exit fee insurance fees/premiums 	<p>Member activity-related fees and costs:</p> <p>Itemised dollar amounts⁴ plus ‘Total additional member activity-related fees and costs’ sub-total (accompanied by footnote explanation) covering:</p> <ul style="list-style-type: none"> buy/sell spread (charged on any transactions during reporting period) other fees and costs (state ‘nil’ or otherwise itemise, as applicable to product), such as: <ul style="list-style-type: none"> switching fee exit fee insurance fees/premiums
	<p>Other changes:</p> <ul style="list-style-type: none"> table should not contain any of the existing narrative – just fees and costs headings and dollar amounts in each row table should include a new ‘Calculation basis’ column to facilitate reader calculation of annual ‘Cost of product’ for each (other) investment option 	<p>Additional information about fees and costs – providing any additional information about matters not covered above, as applicable to product, such as:</p> <ul style="list-style-type: none"> intermediary remuneration (eg financial adviser commissions, member advice fees) maximum fees and charges under trust deed 30 days’ notice for any fee increases 	<p>Other fees deducted from your account (only required if applicable to product):</p> <p>Itemised dollar amounts plus ‘Total other fees deducted from your account’ sub-total (accompanied by footnote explanation) covering relevant items such as any applicable:</p> <ul style="list-style-type: none"> member advice fees other fees not already covered above
			<p>Total fees and costs:</p> <p>Dollar amount (total of above two/three sub-totals)</p>
<p>Tax benefits</p> <p>All amounts should be disclosed on a gross basis (ie before any potential tax benefit to the fund which may be passed on to members via a reduced fee or cost actually being charged).</p>	<p>Tax benefits</p> <p>All amounts should be disclosed on a gross basis (ie before any potential tax benefit to the fund which may be passed on to members via a reduced fee or cost actually being charged).</p>		<p>Tax benefits passed on to members⁴</p> <p>Since reported summary amounts should reflect what has actually been charged to the member (transaction list may, at the issuer’s discretion, itemise gross, tax benefit and net amounts), include footnote along the lines of:</p> <p><i>‘Relevant amounts reflect the benefit of any tax deduction received by the fund which has been passed on to members as a reduced fee or cost, where applicable. Any such tax benefit has no implications for your personal income tax return.’</i></p>

1 Formerly ‘Fees and costs template’ – containing the ‘Type of fee or cost’ and ‘Amount’ columns only (‘How and when paid’ information should be disclosed under the ‘Fees and costs details’ section).
 2 Formerly ‘Additional explanation of fees and costs’.
 3 Brief (generally prescribed) description should be included in ‘Fees and costs summary’ table.

Aligning fees and costs disclosure across product disclosure statements and periodic statements – managed investment products

PRODUCT DISCLOSURE STATEMENTS			PERIODIC STATEMENTS
FEES AND COSTS SUMMARY ¹	EXAMPLE OF ANNUAL FEES AND COSTS	FEES AND COSTS DETAILS ²	SUMMARY OF TOTAL FEES AND COSTS
Annual fees and costs³: <ul style="list-style-type: none"> management fees and costs³ transaction costs (net)³ 	Annual fees and costs (this should be the sole focus of the worked example): <ul style="list-style-type: none"> management fees and costs transaction costs (net) 	Annual fees and costs – providing additional information, including how and when paid details, for: <ul style="list-style-type: none"> management fees and costs transaction costs (including cross-reference to IBR document containing latest annual net transaction costs percentages – IBR to be updated annually) 	Annual fees and costs: Itemised dollar amounts plus ‘Annual cost of product’ sub-total (accompanied by footnote explanation) covering: <ul style="list-style-type: none"> management fees and costs transaction costs (net)
Investor activity-related fees and costs³: <ul style="list-style-type: none"> buy/sell spread³ other fees and costs relating to investor activity (state ‘nil’ or otherwise itemise as applicable to product), such as: <ul style="list-style-type: none"> establishment fee³ contribution fee³ switching fee³ withdrawal fee³ exit fee³ 	Investor activity-related fees and costs: <ul style="list-style-type: none"> no assumed \$5,000 contribution in worked example amounts not included in calculation footnote reference to ‘Fees and costs summary’ table for details relating to buy/sell spread (if relevant) plus any other investor activity-related fees and costs applicable to product, such as: <ul style="list-style-type: none"> establishment fee contribution fee switching fee withdrawal fee exit fee 	Investor activity-related fees and costs – providing additional information, including how and when paid details, for: <ul style="list-style-type: none"> buy/sell spread (including cross-reference to IBR document containing details of current buy/sell spreads at any time – IBR to be updated, as required, for any subsequent changes) other fees and costs relating to investor activity, if applicable to product: <ul style="list-style-type: none"> establishment fee contribution fee switching fee withdrawal fee exit fee 	Investor activity-related fees and costs: Itemised dollar amounts plus ‘Total additional investor activity-related fees and costs’ sub-total (accompanied by footnote explanation) covering: <ul style="list-style-type: none"> buy/sell spread (charged on any transactions during reporting period) other fees and costs (state ‘nil’ or otherwise itemise, as applicable to product), such as: <ul style="list-style-type: none"> establishment fee contribution fee switching fee withdrawal fee exit fee
	Other changes: <ul style="list-style-type: none"> table should not contain any of the existing narrative – just fees and costs headings and dollar amounts in each row table should include a new ‘Calculation basis’ column to facilitate reader calculation of annual ‘Cost of product’ for each (other) investment option 	Additional information about fees and costs – providing any additional information about matters not covered above, as applicable to product, such as: <ul style="list-style-type: none"> intermediary remuneration (eg financial adviser commissions, member advice fees) maximum fees and charges under constitution 30 days’ notice for any fee increases 	Other fees deducted from your investment (only required if applicable to product): Itemised dollar amounts plus ‘Total other fees deducted from your investment’ sub-total (accompanied by footnote explanation) covering relevant items such as any applicable: <ul style="list-style-type: none"> member advice fees other fees not already covered above
			Total fees and costs: Dollar amount (total of above two/three sub-totals)
Tax benefits Not relevant to MIS products	Tax benefits Not relevant to MIS products		Tax benefits Not relevant to MIS products

1 Formerly ‘Fees and costs template’ – containing the ‘Type of fee or cost’ and ‘Amount’ columns only (‘How and when paid’ information should be disclosed under the ‘Fees and costs details’ section).

2 Formerly ‘Additional explanation of fees and costs’.

3 Brief (generally prescribed) description should be included in ‘Fees and costs summary’ table.

ANNEXURE “C”

PDS: FEES AND COSTS SUMMARY – SUPER PRODUCTS
(MySuper or choice product with single investment option only)

FEES AND COSTS SUMMARY

[NAME OF SUPERANNUATION PRODUCT]	
TYPE OF FEE OR COST	AMOUNT
ANNUAL FEES AND COSTS (These fees and costs apply to ALL members ^[1])	
Administration fees and costs The fees and [estimated] costs for operating the Fund and administering your account	[Fixed administration fee of \$xx.xx pa (\$x.xx per month) plus] x.xx% pa
Investment fees and costs The [estimated] fees and [estimated] costs for managing your investment	x.xx% pa ^[2]
Transaction costs³ The estimated costs incurred by the [product/investment options] in buying and selling investments which are borne by all members	x.xx% pa
MEMBER ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your account)	
Buy/sell spread The amount charged to cover the costs of your transactions	x.xx%/x.xx% ⁴
Other fees and costs	[Nil]
	[Switching fee] The fee for changing investment options [relevant details]
	[Exit fee] The fee to withdraw from your investment [relevant details]
	[Insurance premiums^{5]} Insurance premiums payable by members who have insurance cover will depend on various factors, including your [age, occupation, type(s) and amount(s) of cover].

[1] Amounts shown are before any fee rebates which may apply – see [Annual fees and costs] on page xx for further information.]

[2] Investment fees and costs include an estimated amount of x.xx% for performance fees [payable in the underlying fund(s)]. The calculation basis is set out under 'Performance fees' on page xx.]

[3] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio's assets in generating investment returns.

[4] Details of the current buy/sell spread at any time are available at our website.]

[5] See [details of location] for further information about insurance premiums.]

Please refer to the 'Fees and costs details' section on pages xx-xx for further information.

PDS: FEES AND COSTS SUMMARY – SUPER PRODUCTS

(choice product where number of investment options enables fees and costs to be itemised in template)

FEES AND COSTS SUMMARY

[NAME OF SUPERANNUATION PRODUCT]		
TYPE OF FEE OR COST	AMOUNT	
ANNUAL FEES AND COSTS (These fees and costs apply to ALL members ⁽¹⁾)		
Administration fees and costs The fees and [estimated] costs for operating the Fund and administering your account	[Fixed administration fee of \$xx.xx pa (\$x.xx per month) plus] x.xx% pa for each investment option OR Administration fee of [\$xx.xx pa (\$x.xx per month) plus] x.xx% pa for each investment option plus	
	Investment option	Administration costs (% pa) ABC x.xx% DEF x.xx% XYZ x.xx%
Investment fees and costs The [estimated] fees and [estimated] costs for managing your investment	Investment option	Investment fees and costs (% pa) ABC ⁽²⁾ x.xx% DEF x.xx% XYZ x.xx%
	Investment option	Transaction costs (% pa) ABC x.xx% DEF x.xx% UVW x.xx% XYZ x.xx%
MEMBER ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your account)		
Buy/sell spread The amount charged to cover the costs of your transactions	Investment option	Buy/sell spread⁴ ABC x.xx%/x.xx% DEF x.xx%/x.xx% XYZ x.xx%/x.xx%
	Investment option	Buy/sell spread⁴ ABC x.xx%/x.xx% DEF x.xx%/x.xx% XYZ x.xx%/x.xx%
Other fees and costs	[Nil]	
	[Switching fee] The fee for changing investment options [relevant details]	
	[Exit fee] The fee to withdraw from your investment [relevant details]	
[Insurance premiums⁽⁵⁾ Insurance premiums payable by members who have insurance cover will depend on various factors, including your [age, occupation, type(s) and amount(s) of cover].		

[1] Amounts shown are before any fee rebates which may apply – see [Annual fees and costs] on page xx for further information.]

[2] Investment fees and costs include an **estimated** amount for performance fees [payable in the underlying fund(s)]. The calculation basis is set out under 'Performance fees' on page xx.]

[3] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio's assets in generating investment returns.

[4] Details of the current buy/sell spreads at any time are available at our website.]

[5] See [details of location] for further information about insurance premiums.]

Please refer to the 'Fees and costs details' section on pages xx-xx for further information.

PDS: FEES AND COSTS SUMMARY – SUPER PRODUCTS
 (choice product with too many investment options to itemise fees and costs in template)

FEES AND COSTS SUMMARY

[NAME OF SUPERANNUATION PRODUCT]	
TYPE OF FEE OR COST	AMOUNT
ANNUAL FEES AND COSTS (These fees and costs apply to ALL members ^[1])	
Administration fees and costs The fees and [estimated] costs for operating the Fund and administering your account	[Fixed administration fee of \$xx.xx pa (\$x.xx per month) plus x.xx% for each investment option OR [Fixed administration fee of \$xx.xx pa (\$x.xx per month) plus x.xx%–x.xx% pa, depending on the investment option ²
Investment fees and costs The [estimated] fees and [estimated] costs for managing your investment	x.xx%–x.xx% pa, depending on the investment option ³
Transaction costs⁴ The estimated costs incurred by the [product/investment options] in buying and selling investments which are borne by all members	x.xx%–x.xx% pa, depending on the investment option ⁵
MEMBER ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your account)	
Buy/sell spread The amount charged to cover the costs of your transactions	x.xx%–x.xx% (total spread), depending on the investment option ^{6,7}
Other fees and costs	[Nil] [Switching fee] The fee for changing investment options [relevant details] [Exit fee] The fee to withdraw from your investment [relevant details] [Insurance premiums^[8] Insurance premiums payable by members who have insurance cover will depend on various factors, including your [age, occupation, type(s) and amount(s) of cover].

[1] Amounts shown are before any fee rebates which may apply – see [Annual fees and costs] on page xx for further information.]

[2] Administration fees and costs for specific investment options are shown [details of location] – see 'Administration fees and costs' on page xx for further information.]

[3] Investment fees and costs for specific investment options are shown [details of location] – see 'Investment fees and costs' on page xx for further information.]

[4] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio's assets in generating investment returns.

[5] Transaction costs for specific investment options are shown [details of location] – see 'Transaction costs' on page xx for further information.]

[6] Buy/sell spreads for specific investment options are shown [details of location] – see 'Buy/sell spreads' on page xx for further information.]

[7] Details of the current buy/sell spreads at any time are available at our website.]

[8] See [details of location] for further information about insurance premiums.]

Please refer to the 'Fees and costs details' section on pages xx-xx for further information.

PDS: EXAMPLE OF ANNUAL FEES AND COSTS – SUPER PRODUCTS

This table shows in dollar terms the annual fees and costs for [Product Name or the [Title] investment option in Product Name] based on an account balance of \$50,000. You should use this table to compare this product with other superannuation products.

[For other investment options, you can do your own calculation simply by substituting the fees and costs percentages in the 'Calculation basis' column of the example with those of the relevant investment option.]

EXAMPLE – \$50,000 ACCOUNT BALANCE IN [PRODUCT NAME or [TITLE] INVESTMENT OPTION]	CALCULATION BASIS	AMOUNT
Administration fees and costs	[\$xx.xx ¹ +] (\$50,000 x x.xx%)	\$xxx.xx
Investment fees and costs	(\$50,000 x x.xx%)	\$xxx.xx
Transaction costs	(\$50,000 x x.xx%)	\$xxx.xx
Annual cost of product		\$xxx.xx

[1 The fixed dollar administration fee of \$xx.xx pa applies regardless of your account balance.]

Additional member activity-based fees and costs may also apply if you transact on your account [, including buy/sell spreads charged on your transaction amounts] (see the 'Fees and costs summary' table on page xx [and 'Fees and costs details' section on page xx] for further information).

PDS: FEES AND COSTS DETAILS – SUPER PRODUCTS

ANNUAL FEES AND COSTS

ADMINISTRATION FEES AND COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to administration fees and costs, including how and when paid.]

INVESTMENT FEES AND COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to investment fees and costs, including how and when paid.]

TRANSACTION COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to transaction costs, including how and when paid.]

MEMBER ACTIVITY-RELATED FEES AND COSTS

BUY-SELL SPREAD

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to buy/sell spreads, including how and when paid and availability on website of current amounts at any time.]

OTHER FEES AND COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to other fees and costs, including how and when paid.]

ADDITIONAL INFORMATION ABOUT FEES AND COSTS

[Include any additional information about matters not covered in the 'Fees and costs summary' section.]

PERIODIC STATEMENTS – SUPER PRODUCTS

SUMMARY OF TOTAL FEES AND COSTS

ANNUAL FEES AND COSTS	AMOUNT ¹
Administration fees and costs	\$xxx.xx
Investment fees and costs	\$xxx.xx
Transaction costs	\$xxx.xx
Annual cost of product²	\$xxx.xx
MEMBER ACTIVITY-RELATED FEES AND COSTS	AMOUNT ¹
Buy/sell spread (charged on your transactions reported in this statement)	\$xxx.xx
[Other fees and costs	\$000.00]
OR (where 'Other fees and costs' are not nil, itemise as follows)	
[Other fees and costs]	
[Switching fees	\$xxx.xx]
[Exit fees	\$xxx.xx]
[Insurance premiums	\$xxx.xx]
[All other	\$xxx.xx]
Total additional member activity-related fees and costs³	\$xxx.xx
OTHER FEES DEDUCTED FROM YOUR ACCOUNT	AMOUNT
[Member advice fees	\$xxx.xx]
[All other	\$xxx.xx]
Total other fees deducted from your account⁴	\$xxx.xx
TOTAL FEES AND COSTS	\$xxx.xx

- 1 Relevant amounts reflect the benefit of any tax deduction received by the fund which has been passed on to members as a reduced fee or cost, where applicable. Any such tax benefit has no implications for your personal income tax return.
- 2 This amount represents your ongoing annual fees and costs for the reporting period. It includes both dollar amounts that have been deducted directly from your account, which are itemised as transactions on this statement, as well as percentage-based fees and costs that are charged indirectly and reflected in [unit prices/the crediting rate(s)].
- 3 This amount represents any additional fees and costs that have been charged in relation to your transactions during the reporting period. It includes both dollar amounts that have been deducted directly from your account, which are itemised as transactions on this statement, as well as percentage-based fees and costs that are charged indirectly and reflected in [unit prices/the crediting rate(s)].
- 4 This amount represents any other fees that you have authorised to be deducted from your account during the reporting period. These are also itemised as transactions on this statement.

Commented [DF1]: Only required, if applicable.

ANNEXURE “D”

PDS: FEES AND COSTS SUMMARY – MIS PRODUCTS
(single Fund PDS)

FEES AND COSTS SUMMARY

[NAME OF MANAGED INVESTMENT PRODUCT]	
TYPE OF FEE OR COST	AMOUNT
ANNUAL FEES AND COSTS (These fees and costs apply to ALL investors ^[1])	
Management fees and costs The [estimated] fees and [estimated] costs for managing your investment	x.xx% pa ^[2]
Transaction costs³ The estimated costs incurred by the [Fund(s)/investment options] in buying and selling investments which are borne by all investors	x.xx% pa
INVESTOR ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your investment)	
Buy/sell spread The amount charged to cover the costs of your transactions	x.xx% / x.xx% ^[4]
Other fees and costs	[Nil]
	[Establishment fee] The fee to open your investment [relevant details]
	[Contribution fee] The fee on each amount contributed to your investment [relevant details ^[5]]
	[Switching fee] The fee for changing [funds/investment options] [relevant details]
	[Withdrawal fee] The fee on each amount you take out of your investment [relevant details]
	[Exit fee] The fee to close your investment [relevant details]

[1] Amounts shown are before any fee rebates which may apply – see [‘Management fees’] on page xx for further information.]

[2] Management fees and costs include an estimated amount of x.xx% for performance fees [payable in the underlying fund(s)]. The calculation basis is set out under ‘Performance fees’ on page xx.]

[3] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio’s assets in generating investment returns.

[4] Details of the current buy/sell spread at any time are available at our website.]

[5] This fee includes an amount payable to an adviser – see ‘Adviser remuneration’ on page xx for further information.]

Please refer to the ‘Fees and costs details’ section on pages xx-xx for further information.

PDS: FEES AND COSTS SUMMARY – MIS PRODUCTS
 (multi-fund PDS where number of Funds offered enables fees and costs to be itemised in template)

FEES AND COSTS SUMMARY

[NAME OF MANAGED INVESTMENT PRODUCT]		
TYPE OF FEE OR COST	AMOUNT	
ANNUAL FEES AND COSTS (These fees and costs apply to ALL investors ^[1])		
Management fees and costs	Fund	Management fees and costs (% pa)
The [estimated] fees and [estimated] costs for managing your investment	ABC Fund ²	x.xx%
	DEF Fund	x.xx%
	XYZ Fund	x.xx%
Transaction costs³	Fund	Transaction costs (% pa)
The estimated costs incurred by the [Fund(s)/investment options] in buying and selling investments which are borne by all investors	ABC Fund	x.xx%
	DEF Fund	x.xx%
	XYZ Fund	x.xx%
INVESTOR ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your investment)		
Buy/sell spread	Fund	Buy/sell spread⁴
The amount charged to cover the costs of your transactions	ABC Fund	x.xx%/x.xx%
	DEF Fund	x.xx%/x.xx%
	XYZ Fund	x.xx%/x.xx%
Other fees and costs	[Nil]	
	[Establishment fee] The fee to open your investment [relevant details]	
	[Contribution fee] The fee on each amount contributed to your investment [relevant details ^[5]]	
	[Switching fee] The fee for changing [funds/investment options] [relevant details]	
	[Withdrawal fee] The fee on each amount you take out of your investment [relevant details]	
	[Exit fee] The fee to close your investment [relevant details]	

[1] Amounts shown are before any fee rebates which may apply – see [Management fees] on page xx for further information.]

[2] Management fees and costs include an **estimated** amount for performance fees [payable in the underlying fund(s)]. The calculation basis is set out under 'Performance fees' on page xx.]

[3] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio's assets in generating investment returns.

[4] Details of the current buy/sell spreads at any time are available at our website.]

[5] This fee includes an amount payable to an adviser – see 'Adviser remuneration' on page xx for further information.]

Please refer to the 'Fees and costs details' section on pages xx-xx for further information.

PDS: FEES AND COSTS SUMMARY – MIS PRODUCTS
 (multi-fund PDS offering too many Funds to itemise fees and costs in template)

FEES AND COSTS SUMMARY

[NAME OF MANAGED INVESTMENT PRODUCT]	
TYPE OF FEE OR COST	AMOUNT
ANNUAL FEES AND COSTS (These fees and costs apply to ALL investors ^[1])	
Management fees and costs The [estimated] fees and [estimated] costs for managing your investment	x.xx%–x.xx% pa, depending on the Fund ²
Transaction costs³ The estimated costs incurred by the [Fund(s)/investment options] in buying and selling investments which are borne by all investors	x.xx%–x.xx% pa, depending on the Fund ⁴
INVESTOR ACTIVITY-RELATED FEES AND COSTS (These fees and costs will apply ONLY IF you transact on your investment)	
Buy/sell spread The amount charged to cover the costs of your transactions	x.xx%–x.xx% (total spread), depending on the Fund ^{5,6}
Other fees and costs	[Nil]
	[Establishment fee] The fee to open your investment [relevant details]
	[Contribution fee] The fee on each amount contributed to your investment [relevant details ^[7]]
	[Switching fee] The fee for changing [funds/investment options] [relevant details]
	[Withdrawal fee] The fee on each amount you take out of your investment [relevant details]
	[Exit fee] The fee to close your investment [relevant details]

[1] Amounts shown are before any fee rebates which may apply – see [‘Management fees’] on page xx for further information.]

[2] Management fees and costs for specific Funds are shown [details of location] – see ‘Management fees and costs’ on page xx for further information.]

[3] Transaction costs should not be considered in isolation of investment returns. It is important to understand that actively managed investments are likely to have higher transaction costs than passively managed investments, such as index funds, because of the higher expected volume of trading of the portfolio’s assets in generating investment returns.

[4] Transaction costs for specific Funds are shown [details of location] – see ‘Transaction costs’ on page xx for further information.]

[5] Buy/sell spreads for specific Funds are shown [details of location] – see ‘Buy/sell spreads’ on page xx for further information.]

[6] Details of the current buy/sell spreads at any time are available at our website.]

[7] This fee includes an amount payable to an adviser – see ‘Adviser remuneration’ on page xx for further information.]

Please refer to the ‘Fees and costs details’ section on pages xx-xx for further information.

PDS: EXAMPLE OF ANNUAL FEES AND COSTS – MIS PRODUCTS

This table shows in dollar terms the annual fees and costs for [Fund Name or the [Title] investment option] based on an investment balance of \$50,000. You should use this table to compare this product with other managed investment products.

[For other [funds/investment options], you can do your own calculation simply by substituting the fees and costs percentages in the 'Calculation basis' column of the example with those of the relevant [fund/investment option].]

EXAMPLE – \$50,000 INVESTMENT BALANCE IN [FUND NAME or [TITLE] INVESTMENT OPTION]	CALCULATION BASIS	AMOUNT
Management fees and costs	(\$50,000 x x.xx%)	\$xxx.xx
Transaction costs	(\$50,000 x x.xx%)	\$xxx.xx
Annual cost of product		\$xxx.xx

Additional investor activity-based fees and costs may also apply if you transact on your investment [, including buy/sell spreads charged on your transaction amounts] (see the 'Fees and costs summary' table on page **xx** [and 'Fees and costs details' section on page **xx**] for further information).

PDS: FEES AND COSTS DETAILS – MIS PRODUCTS

ANNUAL FEES AND COSTS

MANAGEMENT FEES AND COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to management fees and costs, including how and when paid.]

TRANSACTION COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to transaction costs, including how and when paid.]

INVESTOR ACTIVITY-RELATED FEES AND COSTS

BUY-SELL SPREAD

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to buy/sell spreads including how and when paid and availability on website of current amounts at any time.]

OTHER FEES AND COSTS

[Include any expanded information to that provided in the 'Fees and costs summary' section relating to other fees and costs, including how and when paid.]

ADDITIONAL INFORMATION ABOUT FEES AND COSTS

[Include any additional information about matters not covered in the 'Fees and costs summary' section.]

PERIODIC STATEMENTS – MIS PRODUCTS

SUMMARY OF TOTAL FEES AND COSTS

ANNUAL FEES AND COSTS	AMOUNT
Management fees and costs	\$xxx.xx
Transaction costs	\$xxx.xx
Annual cost of product¹	\$xxx.xx
INVESTOR ACTIVITY-RELATED FEES AND COSTS	AMOUNT
Buy/sell spread (charged on your transactions reported in this statement)	\$xxx.xx
[Other fees and costs	\$000.00]
OR (where 'Other fees and costs' are not nil, itemise as follows)	
[Other fees and costs]	
[Establishment fee	\$xxx.xx]
[Contribution fee	\$xxx.xx]
[Switching fees	\$xxx.xx]
[Withdrawal fees	\$xxx.xx]
[Exit fee	\$xxx.xx]
[All other	\$xxx.xx]
Total additional investor activity-related fees and costs²	\$xxx.xx
OTHER FEES DEDUCTED FROM YOUR INVESTMENT	AMOUNT
[Member advice fees	\$xxx.xx]
[All other	\$xxx.xx]
Total other fees deducted from your investment³	\$xxx.xx
TOTAL FEES AND COSTS	\$xxx.xx

- 1 This amount represents your ongoing annual fees and costs for the reporting period. It includes both dollar amounts that have been deducted directly from your account, which are itemised as transactions on this statement, as well as percentage-based fees and costs that are charged indirectly and reflected in unit prices.
- 2 This amount represents any additional fees and costs that have been charged in relation to your transactions during the reporting period. It includes both dollar amounts that have been deducted directly from your account, which are itemised as transactions on this statement, as well as percentage-based fees and costs that are charged indirectly and reflected in unit prices.
- 3 This amount represents any other fees that you have authorised to be deducted from your account during the reporting period. These are also itemised as transactions on this statement.

Commented [DF1]: Only required, if applicable.

CORPORATIONS REGULATIONS 2001

Schedule 10—Disclosure of fees and other costs

Division 7—Consumer Advisory Warning

221 Consumer advisory warning

CURRENT	PROPOSED
<p><i>(1) Superannuation products</i></p> <p>DID YOU KNOW? Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100 000 to \$80 000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You or your employer, as applicable, may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.</p> <p>TO FIND OUT MORE If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a superannuation calculator to help you check out different fee options.</p>	<p><i>(1) Superannuation products</i></p> <p>DID YOU KNOW? Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You or your employer, as applicable, may be able to negotiate to pay lower fees. Ask us or your financial adviser.</p> <p>TO FIND OUT MORE If you would like to find out more, or see the impact of fees and costs based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a superannuation calculator to help you check out different scenarios.</p>
<p><i>(2) Managed investment products</i></p> <p>DID YOU KNOW? Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100 000 to \$80 000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.</p> <p>TO FIND OUT MORE If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.</p>	<p><i>(2) Managed investment products</i></p> <p>DID YOU KNOW? Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better investor services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask us or your financial adviser.</p> <p>TO FIND OUT MORE If you would like to find out more, or see the impact of fees and costs based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different scenarios.</p>
<p>(3) In the Consumer Advisory Warning in subclause (2) 'account' may be replaced with 'investment'.</p>	<p>(3) In the Consumer Advisory Warning in subclause (2) 'account' may be replaced with 'investment'.</p>

Commented [DF1]: This is a compound adjective, so should be hyphenated.

Deleted:

Commented [DF2]: This is a compound adjective, so should be hyphenated.

Deleted:

Commented [DF3]: More common-usage style.

Deleted:

Deleted:

Commented [DF4]: The 'fund' is an inanimate object, which is therefore incapable of response.

Deleted: the fund

Deleted: the

Commented [DF5]: The calculator is actually not limited to just different fee options. There are several other variable inputs.

Deleted: fee options

Commented [DF6]: This is a compound adjective, so should be hyphenated.

Deleted:

Commented [DF7]: Replacement of 'account' with the more generic term 'investment', as currently permitted under subclause (3) below, would render that subclause redundant.

Deleted: account

Commented [DF8]: This is a compound adjective, so should be hyphenated.

Deleted:

Commented [DF9]: More common-usage style.

Deleted:

Deleted:

Deleted: member

Commented [DF10]: Only fees, not costs, are potentially negotiable.

Commented [DF11]: The 'fund' is an inanimate object, which is therefore incapable of response.

Deleted: contribution fees and management costs where applicable

Deleted: the fund

Deleted: the

Commented [DF12]: The calculator is actually not limited to just different fee options. There are several other various inputs.

Deleted: fee options

Commented [DF13]: Refer comment above.