ASIC
Australian Securities & Investments Commission

Superannuation choice products: What focus is there on performance?

Report 779 | February 2024

About this report

This report examines the role of superannuation trustees, financial advisers and Australian financial services licensees in influencing the investment options that make up member superannuation portfolios as part of a choice superannuation product. ASIC's review considered the focus on performance, as investment in persistently underperforming choice products adversely impacts member retirement outcomes.

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‘Having a modern, vibrant superannuation system, which is solely focused on delivering outcomes for members, culminating in the efficient delivery of income in retirement, is critical.’

> Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2019, Revised explanatory memorandum, paragraph 1.8

In a healthy superannuation choice sector...

Trustees, advisers and advice licensees support good investment performance outcomes for members

Do offer quality investment options

Trustees and advice licensees undertake **appropriate due diligence** before offering members options via investment menus or approving options for use by advisers

Do monitor for underperformance

Trustees, advisers and advice licensees monitor for investment option underperformance, including by **assessing performance against return objectives and performance benchmarks**

Do take action in relation to underperforming options

Trustees, advisers and advice licensees **act in relation to underperforming investment options** to minimise the risk that members invest in products that may not meet their needs

Do communicate with members

Trustees and advisers communicate with members about performance of investment options, including **specific and measurable return objectives** and actual performance against those objectives

Do have sufficient capacity

Trustees have sufficient capacity to manage investment options, including clear and comprehensive **policies**, **resources,** and **data and reporting arrangements**

Don't set and forget

Trustees, advisers and advice licensees don't ignore persistently underperforming options on their investment menus, held by members or approved for use by advisers

Don't provide inappropriate advice about underperforming options

Advisers don't recommend underperforming options without explaining why they are appropriate for the member

Don't over-rely on research house ratings

Trustees, advice licensees and advisers don't over-rely on research house ratings when choosing options for investment menus, approving options for use by advisers or providing personal advice

Members are in products that are aligned with their goals

Members can **exercise choice** from an investment menu that provides investment options that are likely to meet their objectives, financial situation and needs

Members are **informed and empowered** when deciding which investment options are right for them

Members can **safely trust** that they will be kept informed if their investment options are no longer performing as anticipated

Executive summary

The Australian Securities and Investments Commission (ASIC) looked at the conduct of superannuation trustees (trustees), financial advisers (advisers) and Australian financial services (AFS) licensees (advice licensees) to examine why some members continue to invest in persistently underperforming investment options under their choice superannuation products.

This report highlights that **there is often insufficient focus on performance and a lack of transparency about persistently underperforming investment options**. Trustees, advisers and advice licensees significantly influence the make-up of a choice member's superannuation investment portfolio. For example, information made available to members can affect investment choices. Members rely on trustees and, if receiving financial advice, their adviser, to optimise their superannuation investment returns. We are concerned that, in some circumstances, this reliance may be misplaced. Members may be unaware that the options they are invested in are not performing as anticipated and that there could be better options available to them.

Members are the ultimate decision makers in relation to their portfolios and bear the risk of underperformance. We encourage them to ask questions, evaluate options and exercise choice.

But trustees, advisers and licensees must take steps to:

- support members in earning good net returns from their superannuation investments and meeting their financial objectives, and
- address and reduce member exposure to persistently underperforming options where appropriate.

For many trustees, advisers and advice licensees this will require improvements to their practices.

Importance of choice products

Superannuation is a key determiner of the economic wellbeing of Australians in retirement. Over the coming decade, more than 3 million Australians will become eligible to draw from their superannuation after a full working life of compulsory contributions. Maximising returns on superannuation savings after fees and tax is central to delivering good retirement outcomes for Australians now and into the future.

Generally, Australian superannuation products are either MySuper products—that is, standardised balanced investment products available as default products in the accumulation phase—or choice products. Choice products require an active investment decision from the member, but in practice many members acquire these products as a result of a recommendation from an adviser.

As of September 2023, Australians held $2,166 billion of savings in the superannuation system: see data in the Australian Prudential Regulation Authority's (APRA) Quarterly superannuation industry publication (APRA September 2023 quarterly statistics). The Australian Taxation Office (ATO) estimated a further $884.6 billion was held in self-managed superannuation funds at September 2023: see data in the ATO's SMSF quarterly statistical report for September 2023.

The choice product segment is a substantial and important part of the superannuation market. As of September 2023, it accounted for around $1,109 billion of superannuation savings across 7.5 million member accounts, compared with $912 billion in MySuper products across 14.5 million member accounts. A further $144 billion was held in defined benefit products: see the APRA September 2023 statistics.

Choice products are available in all types of funds, but, generally, they constitute the largest share of fund assets in retail funds. According to the APRA September 2023 statistics, choice products accounted for 79% of funds under management in retail funds compared with 53% of corporate employer funds and 38% of industry funds and public sector funds. There were 894 choice products across accumulation, transition to retirement and retirement products, with the following investment options:

- 35,391 single sector options (e.g. Australian equities)
- 13,987 multi-sector options (e.g. options described as balanced, growth or conservative), and
- 119,909 direct assets options (e.g. shares and term deposits).

In its 2018 report, the Productivity Commission highlighted persistent underperformance in the superannuation industry across both MySuper and choice products: see Productivity Commission, *Superannuation: Assessing efficiency and competitiveness,* 21 December 2018, Report No 91 (Inquiry report). In relation to choice products, the Productivity Commission highlighted the 'proliferation of tens of thousands of investment options' which 'complicates decision making and increases member fees, without boosting net returns' (Inquiry report, p 55).

A series of regulatory changes has put superannuation product investment performance in the spotlight with a focus on member outcomes. Product performance has also been an area of active consideration by APRA in recent years. In particular, the annual performance test administered by APRA has put MySuper products under close scrutiny since 2021. This test was applied to a subset of choice products known as 'trustee directed products' (TDPs) for the first time in 2023.

ASIC review

In our review, we focused on the practices and decision making of **trustees**, **advisers** and **advice licensees** across a range of superannuation investment options and products, and across both the accumulation and retirement phases, in response to persistent failures of investment options to perform as anticipated:

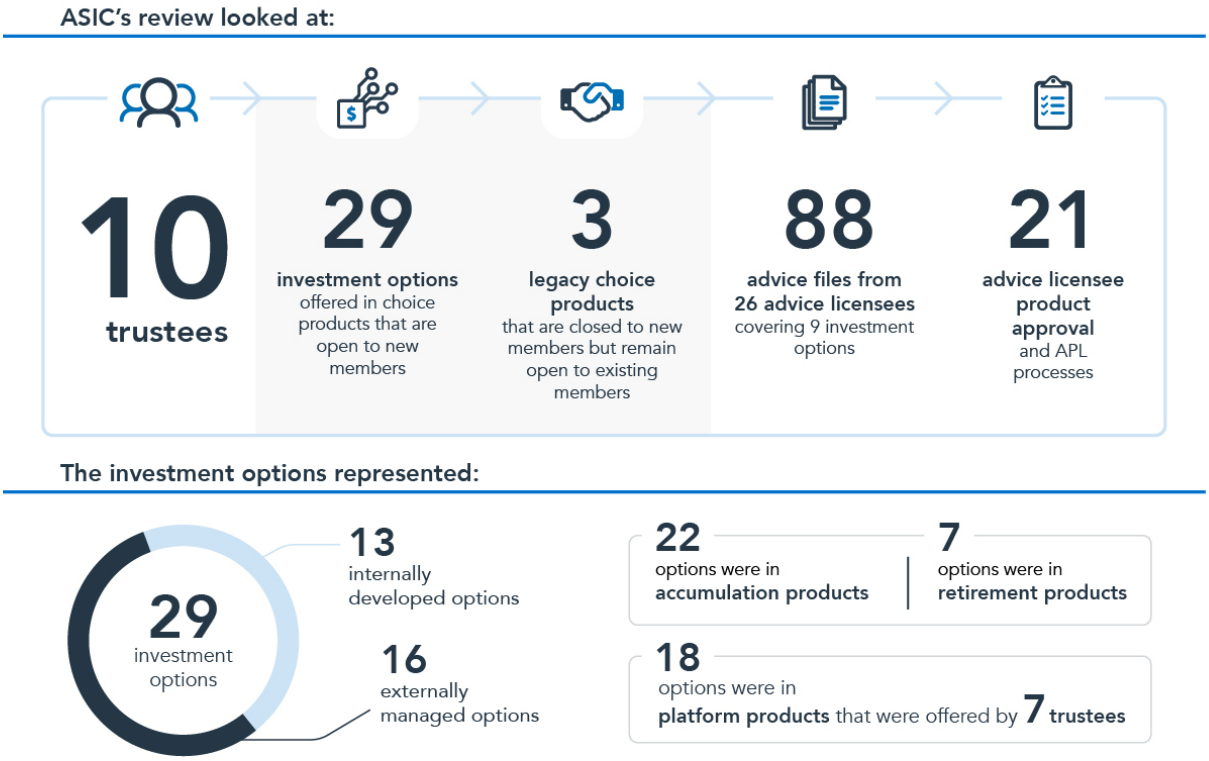
- **Trustees** are the gatekeepers of the options made available in any product they offer. They set the criteria for inclusion on the investment menu and can restrict access or remove options from the menu if they are not meeting investment objectives.
- **Advisers** recommend options and whether to retain them based on an investigation and assessment of options that might suit their client's circumstances.
- **Advice licensees** are responsible for ensuring their advisers act in the best interests of their clients and provide appropriate advice. They typically approve investment options for use by advisers, which may include maintaining an approved product list (APL).

The review concentrated on examining how trustees, advisers and advice licensees monitored and acted on indicia of performance. While we asked trustees to identify options based on failure to meet performance objectives, this was for the purpose of targeting relevant information to allow us to understand the practices of trustees, advisers and advice licensees. Our review was not designed to determine whether a particular option should be made available or recommended to members.

The decision to terminate or exit an investment option that does not perform as expected requires consideration of a range of factors—for example, whether the performance is a result of widespread market conditions or whether the option is selected to address a particular longer-term investment need as part of a diversified portfolio. Investment performance fluctuates over time. Not all instances of underperformance are a reason to change investment options.

Figure 1 provides a snapshot of relevant statistics from our review.

Figure 1: Snapshot of review statistics



The 10 trustees in our review were largely selected because they operated funds with a high proportion of assets held in choice products compared to MySuper products. In selecting our sample, we also considered other factors, such as whether we had a range of business models captured.

For each trustee included in our review, we identified one option falling within particular criteria from APRA's Choice Heatmap where applicable. The other options we reviewed were identified by trustees. Trustees were asked to identify their worst performing options based on the following parameters. To identify those options, trustees were asked to use the benchmark disclosed in the Product Disclosure Statement (PDS), having regard to the option's benchmark performance on an annualised basis and its returns on an annualised basis. Options also had to have over 100 members, more than 5 years' performance history, still be open to new members and not be a direct term deposit, shareholder or fixed interest option.

Because we asked trustees to identify the worst performing options, relative performance against the benchmark varied. Some options exceeded or met the disclosed benchmark, some only marginally did not meet it and some significantly failed to meet it. Overall, the annualised returns of the options that did not meet or exceed the disclosed benchmarks were less than the benchmarks by between 0.20% and 6.70%.

Trustees were asked to identify their legacy product with the greatest number of members, but not all trustees had a legacy product. As a result, our sample size was only 3 legacy products from 3 trustees.

For further information about our methodology, see 'Review methodology and summary findings' related to trustees on page 15, advisers on page 24 and advice licensees on page 29.

High level observations from ASIC's review

While members with superannuation savings in choice products ultimately decide which options to invest in, trustees, advisers and advice licensees have critical roles in determining which investments members hold. Decisions by trustees, advisers and advice licensees determine whether particular options will be offered or recommended for acquisition by a member and whether a member will continue to hold or exit that investment. Care needs to be taken when including an option on a trustee's investment menu or approving it for use by advisers in advice recommendations. We acknowledge that where a member holds an option that is significantly failing to perform as anticipated, there may be reasons to retain the option (e.g. tax considerations relevant to a particular member's financial position). But if an option is persistently underperforming and maintained on an investment menu or approved for use by advisers, there should be a clear rationale, in the interests of members, that explains why the option continues to be available.

A number of the options in our review failed to meet their return or benchmark objectives in the PDS by a significant amount and over a significant period of time. In many cases, we saw evidence that trustees were aware of and monitoring the underperformance. Yet our review showed that members may not have been aware that their investment option was not performing as anticipated. While trustees communicate a lot of performance information to members, we saw little evidence of targeted communication about underperformance or highlighting how an investment option had performed relative to its return objective in the PDS. Similarly, we saw many advice files where advisers had not identified or communicated underperformance to their clients. Without this information, members cannot make informed decisions about their investments. They may not take action under the mistaken belief that their investment is performing as anticipated. We note that the legacy products in our review continued to receive substantial contributions from some existing members (over $1 billion since closure in the case of one product in our review). This potentially indicates that the trustees or advisers did not sufficiently support member decision making.

Members depend on trustees, advisers and advice licensees to ensure options and products are delivering for members. It was therefore concerning to see in our review that some trustees, advisers and advice licensees tended to over-rely on others to perform their roles. Some trustees over-relied on the fact that members were advised, some advisers over-relied on the advice licensees' product approvals and some advice licensees over-relied on the option being included in trustees' investment menus.

Over-reliance on research house ratings was also a notable theme for trustees, advice licensees and advisers. Even though performance is only one of many factors considered by ratings agencies when assigning a rating, some trustees and advice licensees mainly or only used minimum acceptable ratings in their decision-making processes. In some cases, particularly for trustees, the minimum rating that was relied on was only an investment neutral rating, which may not be an indicator of good investment performance relative to objectives.

Action points for trustees, advisers and advice licensees

In our review, we observed varying levels of focus on performance across trustees, advisers and advice licensees. Based on the results of our review and in line with their legal obligations, trustees, advisers and advice licensees should assess whether their current practices sufficiently consider member outcomes in the focus areas identified in Table 1 (trustees), Table 2 (advisers) and Table 3 (advice licensees). Further context and matters to be considered by trustees, advisers and advice licensees are set out in 'Trustees and choice options', 'Advisers and choice options' and 'Advice licensees and choice options'.

Table 1: Focus areas and action points for prioritising performance of investment options—trustees

Focus area	Performance related action points	Comments in relation to action points
General investment governance	Trustees must comply with obligations in Prudential Standard SPS 530 *Investment governance* (SPS 530) (PDF 345 KB), having regard to guidance in Prudential Practice Guide SPG 530 *Investment governance* (SPG 530) (PDF 1.06 MB). This requires trustees to implement a sound investment governance framework which focuses on managing relevant risks and returns, so that the board, which is ultimately responsible for the sound and prudent management of investments, can satisfy its responsibilities under the standard.	These obligations apply to all investment options, regardless of whether the options are only accessed by advised members.
Capacity	Trustees must have: › clear and comprehensive policies which include sufficient detail to communicate clearly how performance is factored into option management › sufficient resources in light of the nature, scale and complexity of the fund, including employees with adequate skills and seniority to decide whether to add, keep or terminate investment options based on performance issues › robust data and reporting arrangements to support performance assessment.	These building blocks are necessary if trustees are to have the capacity to monitor and manage investment options with a performance focus.

Focus area	Performance related action points	Comments in relation to action points
Selecting options for investment menu	Trustees must prioritise performance when selecting options. To do this: › trustees must undertake sufficient due diligence of new investment options, including considering the likelihood of achieving the return objective › trustee processes must focus on presenting members with investment options that are likely to promote good financial outcomes for members and not prioritise quantity over quality.	Adequately focusing on performance when selecting investment options is a first step to good member outcomes. Reliance on a minimum investment neutral rating from a research house or a suggestion from an advice licensee to include an investment option on a menu is insufficient as the sole criteria for inclusion.
Monitoring options	To effectively monitor option performance, trustees: › must apply specific and measurable return objectives for options and update as necessary › should ensure that parameters for closer monitoring of option performance or identifying underperformance are recorded, objective, specific and calibrated with a focus on member outcomes.	Trustees should monitor all options on the investment menu to see if they are performing as anticipated. Operationalising this monitoring requires planning and discipline.
Responding to poor performance	Trustees must consider the best financial interests of members and decide how to best act if options are not performing as anticipated to a significant degree.	Where an option is persistently underperforming there may be a range of options open to the trustee including closing the option. If the trustee believes leaving the option available to members is in the best financial interests of members, then the trustee should be able to clearly explain its reasoning supported by data and analysis.
Empowering members	Trustees should consider how to communicate underperformance effectively, including: › providing information about performance against return objectives › sending targeted messages to affected members.	The general obligation for trustees not to be misleading may require that they provide additional information to members (e.g. if information about return objectives in the PDS becomes outdated and unreliable).

Table 2: Focus areas and action points for prioritising performance of investment options—advisers

Focus area	Performance related action points	Comments in relation to action points
Providing personal advice	Advisers must act in the best interests of the client and give appropriate advice. They are expected to conduct a reasonable investigation and assessment of investment options to detect and address underperformance when relevant to the subject matter of the advice. This includes when reviewing a client's existing options and where each option represents a small part of a client's portfolio. Advisers should also keep good records of how they have complied with their obligations.	Advisers should treat performance as a primary consideration and consider information from a range of sources to develop and support their recommendations. They should be careful not to over-rely on advice licensee product approvals or external research ratings. The fact that an option is approved by an advice licensee or has a minimum external research rating does not mean that an adviser can ignore the performance of the option when providing personal advice.
Communicating advice	Advisers must ensure that they explain the basis of the advice. This should include communicating underperformance and why the recommendations are appropriate despite the underperformance and based on the client's relevant circumstances.	This includes when recommending to acquire, retain or redeem an underperforming option.

Table 3: Focus areas and action points for prioritising performance of investment options—advice licensees

Focus area	Performance related action points	Comments in relation to action points
Monitoring and supervising advisers	Advice licensees must take reasonable steps to ensure their advisers comply with financial services laws, including the best interests duty and appropriate advice obligation. This includes ensuring advisers conduct a reasonable investigation and assessment of the client's investment options when relevant to the subject matter of the advice to enable them to detect and address performance issues.	Advice licensees should ensure that their advisers are detecting and addressing underperforming options held by their clients.

Focus area	Performance related action points	Comments in relation to action points
Approving investment options for use by advisers	Advice licensees must have adequate risk management systems. Even though there is no requirement to have an APL, they can assist advisers to provide good quality advice and advice licensees to comply with their legal obligations. When approving products for use by advisers or managing APLs, advice licensees should treat performance as a primary consideration. They should have rigorous processes to detect underperforming options that have been approved for use by advisers and address these in a timely manner. Historical performance should be considered, including against the option's performance benchmark in the PDS.	The fact that an option is included on a superannuation choice product's investment menu or has a minimum external research rating does not mean that an advice licensee should ignore performance. The steps that an advice licensee should take if they detect that a product is underperforming will depend on various factors. They may include communicating with advisers, restricting the circumstances in which the option might be recommended or removing the option from APLs or approvals.
Keeping records of personal advice and the advice process	Advice licensees must ensure that records are kept of the advice and how their advisers have complied with the best interests duty and related obligations. Advice licensees should also retain records of the steps they have taken to detect underperformance and monitor investment options approved for use by their advisers. This includes the advice licensee's decision making and communication with advisers about how to manage underperforming options held by their clients.	Advice licensees are expected to ensure that records are kept of personal advice, the inquiries an adviser makes into the client's relevant circumstances and their investigation and assessment of the financial products they are advising on.

In addition to the above action points, throughout this report, there are a number of practical tips that trustees, advisers and advice licensees can use to provide better outcomes for members overall.

We found that there has been a positive impact on trustees' practices as a result of regulatory change aimed at improving member outcomes. But there is more to be done and we note that investment governance is an area of supervisory focus for APRA in 2024. We will continue to work closely with APRA to drive better practices in the superannuation industry. Where appropriate, we will also use our regulatory powers if trustees are not complying with their obligations.

Our review of personal financial product advice given by advisers showed that the quality of advice provided to members about their investment options could improve. We are considering a range of regulatory responses. This includes contacting the advice licensees of the files we reviewed that indicated the advised member was at risk of suffering detriment as a result of the advice and informing them of our expectation that they will review the advice and, where required, remediate the affected member. We expect trustees, advisers and advice licensees to learn from this report to ensure they are promoting the economic well-being of Australians in retirement.

The choice product sector

Trustees design choice products to facilitate a wide range of investment objectives, member preferences in relation to discretion and control over asset allocation and non-investment related service features. Consequently, there is a wide range of choice products on offer.

Generic choice products offer a more limited range of single and multi-sector investment options that cater to a selection of risk and return profiles compared with platform products. For many of these investment options, the trustee sets the investment strategy and/or manages the investment.

Platform products present investment menus that provide access to hundreds or thousands of direct or single security investments such as direct shares and single or multi-sector investment options. These may be managed by the trustee or externally. For externally managed options, the same option can be offered through multiple investment pathways: see the APRA September 2023 statistics for APRA's breakdown of investment options.

Platform products are offered through both master trust and wrap structures. In a master trust platform product, member contributions are pooled and tax is calculated at the trust level and apportioned to members. In a wrap platform product, all transactions are made through a member's own cash account, including tax, which is calculated for the individual member. According to the APRA September 2023 statistics, as of September 2023, $309 billion in superannuation assets was held in platform products. This accounted for 27.9% of all choice product assets.

The multitude of choice sector products and options forms a network of investment pathways that allows for individualisation of investment strategies within a trustee-administered superannuation environment. But with this extensive choice in products, investment pathways and options comes complexity and a lack of comparability. Fee structures differ for each product and member depending on the investment options, as do risk and return profiles. It can be hard to identify products and options that perform well, and the decision-making process can be complicated.

Another feature of the choice segment is that members are more likely to receive personal advice about their superannuation. Members then decide which options to invest in as part of their individual investment strategy. Trustees may also restrict access to certain products (often platform products) to members that receive advice. Specifically, trustees will facilitate adviser use of platform products that are restricted to advised members. Trustees may also allow advice licensees to house their APL on the investment menu and often include investment options requested by advice licensees on the investment menu.

Fees are another factor that can affect a member's ability to achieve a good retirement income based on their lifetime contributions. Historically, administration fees for choice products have been higher on average than for MySuper products: see page 14 of the Information paper (October 2021) on APRA's website. Where a member is advised, financial advice fees may also be deducted from their superannuation balance to the extent the advice relates to their superannuation.

Performance and regulation in the choice sector

The Inquiry report and APRA's Choice Heatmap have highlighted persistent underperformance in the choice sector. In 2023, APRA's Choice Heatmap showed that 1 in 5 choice investment options with an 8-year history significantly underperformed the investment return benchmarks. Two-thirds of legacy products had poor or significantly poor performance. In relation to TDPs, 20 of 500 non-platform and 76 of 305 platform TDPs failed the 2023 performance test.

A series of regulatory developments between January 2020 and August 2023 put member outcomes and the importance of products meeting member needs in the spotlight. Figure 2 provides a timeline of these developments.

Figure 2: Regulatory developments focusing on member outcomes (January 2020 to August 2023)

January 2020	*Member outcomes reforms* – Strengthen the obligations for trustees to assess and compare MySuper and choice products annually, including how they promote the financial interests of members. **Note**: See s52(9) of the SIS Act, SPS 515 (PDF 156 KB), SPG 516 (PDF 332 KB).
August 2021	*Performance test for MySuper products* – Assess fees and returns against an objective benchmark to protect members by providing greater transparency on underperformance. **Note**: See Pt 6A of the SIS Act.
October 2021	*Design and distribution reforms* – Require issuers and distributors of financial products to have a consumer centric approach to the design and distribution of products. **Note**: See Pt 7.8A of the Corporations Act.
December 2021	*Choice Heatmap* – APRA publishes Choice Heatmap for the first time. MySuper Heatmaps published since 2019.
July 2022	*Retirement income covenant* – Require trustees to assist members in or approaching retirement to improve member outcomes. **Note**: See s52(8A) and s52AA of the SIS Act.
August 2023	*Performance test for TDPs* – While initially intended to apply from 2022, application of the performance test to TDPs was deferred to August 2023.

During the same period, APRA updated Prudential Standard SPS 530 *Investment governance* (SPS 530) (PDF 345 KB) and Prudential Practice Guide SPG 530 *Investment governance* (SPG 530) (PDF 1.06 MB). These regulatory settings supplement other duties that are relevant to trustees, advisers and advice licensees regulating choice products. Key duties include the following:

- **Trustees** have an overarching duty to act in the best financial interests of members and specific investment governance duties (s52(2)(c) and 52(6) of the *Superannuation Industry (Supervision) Act 1993* (SIS Act)). They must also exercise the degree of care, skill and diligence of a prudent trustee (s52(2)(b) of the SIS Act) and formulate and give effect to an investment strategy for each option that considers (among other things) risks and likely returns. AFS licensee duties under Ch 7 of the *Corporations Act 2001* (Corporations Act) are also relevant—in particular the duty to provide financial services efficiently, honestly and fairly (s912A(1)(a)). Prudential obligations under SPS 515 *Strategic planning and member outcomes* (SPS 515) (PDF 156 KB) also require trustees to regularly assess outcomes for members and identify opportunities for improving these outcomes, supported by sound strategic and business planning. These duties and obligations require trustees to do more than just facilitate a choice of investment options.

- **Advisers** must comply with the best interests duty and provide appropriate advice when providing personal financial product advice to retail clients (s961B(1) and 961G of the Corporations Act). Advisers must also comply with the *Financial Planners and Advisers Code of Ethics 2019*.
- **Advice licensees** must take reasonable steps to ensure that advisers comply with financial services laws (s912A(1)(ca) of the Corporations Act), along with the other AFS licensee duties under Ch 7 of the Corporations Act. As well as the obligation to provide financial services efficiently, honestly and fairly, advice licensees must have adequate risk management systems (s912A(1)(h)).

Trustees and choice options

The role of trustees

Trustees can improve retirement outcomes for members by:

- considering performance when deciding which options to offer and how to offer them to members, and
- taking action to further the financial interests of members when investment options do not perform as anticipated.

Trustees play a crucial role that cannot be outsourced by relying too heavily on ratings houses (see 'Role of research house ratings') or on advisers (see 'Advisers and choice options'). Importantly, even where trustees restrict choice products to advised members, there is no certainty that a member will retain an adviser.

> The role of trustees as gatekeepers of the options offered on investment menus is critical.

Review methodology and summary findings 1: Trustees

We focused on how trustees prioritise performance in offering investment options, rather than seeking to make judgements about whether particular options had underperformed.

We used our information gathering powers to collect information from **10 trustees** for the period 1 April 2021 to 16 November 2022. The investment options we identified were based on data in APRA's Choice Heatmap dated December 2021.

Our initial aim was for each trustee to provide information on 3 investment options and one legacy product. Where possible, we identified one investment option from APRA's Choice Heatmap showing 'high heat' (i.e. indicating performance below the set benchmark or high fees) and asked trustees to identify 2 options based on parameters we set. If we could not identify an option for review from APRA's Choice Heatmap, trustees were asked to identify all 3 options where possible. We also identified specific legacy products for review or asked trustees to provide information on the legacy product with the greatest number of members invested as at 30 June 2022.

Trustees identified a total of **29 options** and **3 legacy products.** Of the 29 identified options, **18 options** were offered in **13 platform products** by **7 trustees**. Of the platform products, **10 were wrap products** and **3 were master trust products**. For further information about the parameters we set for selecting options, see 'ASIC review'.

Summary findings

Process for choosing options to offer on the investment menu

We found that the due diligence policies of some trustees in our sample lacked detail and were poorly drafted, which made the process difficult to understand. Further, it was not always clear how and the degree to which performance was factored into the assessment of investment options. In the case of **2 trustees**, other than some administrative checks, a minimum neutral rating was the only criteria to be satisfied before an option for some asset classes was included on the investment menu.

Some trustees of platform products appeared to focus on providing a broad selection of options. This differed from other trustees that expressly recognised in their policies their duty as a fiduciary to optimise long-term, risk-adjusted returns for members or to efficiently manage investments or maximise retirement outcomes for members.

Identification of performance concerns

All 10 trustees had some form of performance monitoring criteria for the options offered as part of their investment menu. For **6 trustees**, we saw evidence of more targeted use of criteria for identifying performance outliers.

Of the 29 options identified by trustees, the performance of **24 options** did not meet or exceed the PDS disclosed benchmark. Of these 24 options, **12 options** were identified under the trustees' own processes for performance monitoring. But of the **12 options** that failed to meet the PDS disclosed benchmark by the greatest margins (where annualised actual returns were less than annualised benchmark returns by between 4.20% and 6.70%), trustees flagged for monitoring or took other steps for only **7 options** during our review period.

Action following identification of underperformance

Half of the 12 options with performance concerns identified by trustees through their own processes were flagged for monitoring through a watchlist. But trustees took a variety of steps for the **other 6 options**, including:

- transitioning members to a new offering
- changing the strategic asset allocation
- restricting the proportion of their portfolio a member could invest in the option, and
- updating the investment return objective in the PDS.

Advice and information for members

Trustees also provided some member and adviser information for each option within our review.

The **12 options** within our review that failed to meet the PDS disclosed benchmark by the greatest margins were all made available through a platform product. Based on the information provided by trustees, **9 of these options** had a very high percentage of advised members: **at least 90% of members in 8 of those options** were advised; 83% of members in the remaining option were also advised.

We used information provided by trustees to request advice files for members who had recently invested into an option identified by the trustees as failing to meet or exceed the PDS disclosed benchmark. Trustee and advice licensee data indicated that of the 138 members for which we requested advice files, at least **27 members** who were linked to an adviser did not have an ongoing advice relationship and had not received advice from the adviser over the preceding 2 years. However, they were still investing in the underperforming options, possibly as a result of automated investments of their superannuation contributions.

While there is a considerable amount of performance information available generally for members, we did not see evidence of trustees comparing actual returns to return objectives or sending targeted information to members where there was prolonged underperformance.

Capacity of trustees to consider performance

The likely return from investment is a factor that must be included in a trustee's investment strategy under s52(6) of the SIS Act. APRA's standards also require trustees to have an investment governance framework focused on the selection, management and monitoring of investments on behalf of members: see SPS 530 (PDF 345 KB) and SPG 530 (PDF 1.06 MB).

Even though our review was not structured as a comprehensive check of compliance with SPS 530 and SPG 530, we saw how trustees put some of this standard and guidance into practice in relation to choice products. Following are some of the foundational building blocks necessary for robust practices:

- **Clear and comprehensive policies –** All trustees in our review had the required policies. We saw evidence of some trustees reviewing and amending policies, including in response to changes to SPS 530 (which took effect on 1 January 2023) and to improve decision-making accountability. All trustees provided some detail in policies around appropriate steps for performance monitoring, though the degree of detail varied. Policies on what to do when underperformance was detected were less detailed. Trustees must have comprehensive policies which include sufficient detail to communicate clearly how performance is factored into management of investment options.
- **Sufficient resourcing to actively assess option performance –** The size and make up of one trustee's investment team appeared too small to adequately perform its delegated function. In contrast, another trustee detailed a due diligence process that involved a number of teams of experienced investment professionals. Trustees must have sufficient resources based on the nature, scale and complexity of the fund. Employees should also have adequate skills and seniority to decide whether to add, keep or terminate investment options in light of performance issues.
- **Robust data and reporting arrangements to support performance monitoring –** While most trustees were able to supply the performance data we requested, one trustee had gaps in its historical data. Trustees must have robust data and reporting arrangements to support adequate performance monitoring.

> In order for trustees to have the capacity to monitor and manage investment options with a performance focus, they must have:
>
> - clear and comprehensive policies
> - sufficient resourcing to actively assess option performance, and
> - robust data and reporting arrangements to support performance monitoring.

Choosing which investment options to offer

Trustees are required to exercise due diligence in offering investment options under s52(6) of the SIS Act. The SIS Act also recognises a role for trustees in ensuring that the investment options offered to members allow adequate diversification.

Overall, trustees had due diligence policies and governance arrangements for offering options, including in relation to different asset types. However, some documents lacked detail and were poorly drafted, which made the process difficult to understand. Further, how and the degree to which performance was factored into the assessment of investment options was not always clear. In the case of **2 trustees**, other than some administrative checks, a minimum neutral rating was the only criteria to be satisfied before an option for some asset classes was included on the investment menu. However, we observed examples where the due diligence process expressly stated that an option should be added to the investment menu only if this would be in members' best financial interests or where qualitative and quantitative analysis of managed funds extending to historical and expected returns and risk was undertaken.

Some trustees of platform products appeared to focus on providing a broad selection of options. Other trustees expressly recognised in their policies a duty as a fiduciary to optimise long-term risk-adjusted returns for members or to efficiently manage investments options or maximise retirement outcomes for members.

Trustees must undertake sufficient due diligence of new investment options, including assessing an option's likelihood of meeting its return objective before including the option on the investment menu. We observed two practices for choosing options for inclusion on the investment menu that concerned us:

› **Heavy reliance on research house ratings –** Most due diligence processes relied heavily on research house ratings and credit ratings, with a neutral rating generally operating as a minimum requirement. A process for including an option without a neutral rating was also usually provided. It typically involved a greater level of internal analysis and more senior approval. In two cases, however, a minimum neutral rating was the only requirement before an option for certain asset classes could be included on the investment menu (subject to some administrative checks such as being satisfied that the option could be administered within the fund). Reliance on a minimum neutral rating as the only criteria for inclusion on an investment menu is not sufficient. See 'Role of research house ratings' for further discussion about reliance on ratings.

› **Taking into account adviser preferences –** Most of the platform products in our review were restricted to advised members at the time of entry to the product. We saw evidence that trustees of these products specifically design them to be attractive to advisers. One trustee noted the importance of advisers in maintaining member investment in their choice products. It was not unusual for trustees to allow advice licensees to request inclusion of options on investment menus for platform products (noting that the request was still subject to review under usual trustee processes). In one case, a trustee's processes allowed advice licensee APLs to be housed within the investment menu if they were considered appropriate. The trustee noted that members typically invested in line with the APL and model portfolios of their advice licensee. For another trustee, the first investment selection criteria it notes as evidence of whether an option will satisfy the investment objectives of members is demand for the investment by members and advisers. Diversification of options to simply cater to individual member circumstances and attract advisers to the product is not sufficient justification for offering an option.

> A first step to good member outcomes is to focus on performance when choosing investment options. Trustee processes need to focus on presenting members with investment options that are likely to promote good financial outcomes for members, rather than simply providing a broad selection of options.

Detecting underperformance

Different investments have different characteristics in terms of risk and asset class exposure that mean determining the appropriate reference point for the net return of the option is key to adequate performance monitoring. A significant reference point is the return objective disclosed to members for the investment option. Other reference points such as peer and external benchmark comparisons help support richer analysis. Our review highlighted the importance of clear reference points to effectively monitor option performance:

- **Specific and measurable return objectives –** Our review showed that one trustee had, until recently, been using non-specific objectives for its internally developed options with no reference points—for example, options were aiming for 'relatively stable returns' and 'moderate returns'. Trustees must set an investment objective for each investment option, which includes a specific and measurable return objective: see para 18(b) of SPS 530 (PDF 345 KB) and paras 23–25 of SPG 530 (PDF 1.06 MB). To be specific and measurable, the relevant return target, benchmark and relevant time period must be stated.
- **Set criteria for detecting underperformance that factor in performance objectives –** We found all trustees had some form of performance monitoring criteria. For 6 trustees, we saw evidence of more detailed use of underperformance criteria for identifying performance outliers. As a positive observation, most trustees provided a multi-limbed test for underperformance where failure under any limb triggered further review.

The types of tests most commonly relied on included a peer comparison and an external benchmark comparison. However, other triggers included failure to meet risk objectives, the research house rating of the option falling below a certain rating (usually an investment neutral rating) and poor performance in APRA's Choice Heatmap.

Another positive observation we made was that some trustees were using defined timeframes to set easily determinable parameters for underperformance—for example, where underperformance persisted over '3 consecutive quarters'. On the other hand, one trustee's trigger for closer monitoring was that the option underperformed 'consistently'. Another trustee was triggered to consider further action if 'prolonged' underperformance of an option continued.

If underperformance criteria parameters are only triggered in more extreme cases, underperforming options that should be reviewed could be missed. We saw one example where a trustee changed test parameters, resulting in an option that was monitored for underperformance under the old test not being monitored under the new test. The same investment option in a different trustee's choice product was monitored for underperformance over two years and in the second year the trustee took action to reduce the available investment limit for the option. While not conclusive, this suggests that the new test parameters of the first trustee may have been too narrow.

> Trustees should monitor all options on the investment menu to see if they are performing as anticipated. To do this effectively, trustees must apply specific and measurable return objectives for options and ensure that parameters for closer monitoring or identifying underperformance are recorded, objective, specific and focused on member outcomes.

Reviews of product design and distribution if performance expectations are not met are part of good product governance

The design and distribution obligations require trustees to have target market determinations (TMDs) for choice products that describe who a product is appropriate for and distribution arrangements to make sure products are likely to reach consumers for whom they are suitable. TMDs must specify review triggers: see s994B(5)(d) of the Corporations Act. These are events or circumstances that would reasonably suggest that the TMD is no longer appropriate. They should include events and circumstances that would reasonably suggest that the product, including its key attributes, is no longer consistent with the likely objectives, financial situation and needs of consumers in the target market: see Regulatory Guide 274 *Product design and distribution obligations* (RG 274) at RG 274.103.

Generally, the TMDs for the platform products we reviewed stated, among other things, that the products were designed for members who want access to a diversified investment menu from which they can make their own investment decisions, either individually or with a financial adviser. These descriptions highlighted that members set their own investment strategies, many with financial advice.

As a positive observation, some products relating to the options in our review had review triggers specifically tied to meeting investment option objectives. The better performance-based review triggers we saw clearly identified the nature of underperformance and period of underperformance that would trigger a review.

Most of the other products in our review included a trigger based on a negative member outcomes assessment, rather than based directly on performance. Two wrap platform products did not have any performance related review triggers in their TMDs.

> The review triggers in the TMD should be designed to be triggered when the product is not providing appropriate investment options, which would include when options are persistently failing to meet anticipated performance outcomes.

Ongoing performance monitoring is necessary to avoid making misleading disclosures about return objectives

For internally developed options, the trustee formulates the return objective and communicates it to members in the trustee's PDS. For externally managed options, the issuer of the underlying investment sets the objective. From our review, a trustee offering externally managed options will typically assign the option to an asset category disclosed in the trustee's PDS. The trustee will set a return objective for the asset category, but will also refer the member to the issuer's PDS. Each of these actions involve representations to members about the trustee's reasonable belief in the return objectives disclosed to the member—whether an express representation of the return objective or the asset category objective in a trustee's PDS or an implied representation made by including an option in an asset category and referencing the issuer's PDS.

We found that one trustee of externally managed options in a platform product did not monitor performance of an option against the disclosed objective in the issuer's PDS on a quarterly basis in line with their usual performance monitoring. The reason given for this was difficulty of doing so, which included timely access to performance results. Another trustee told us that they did not track performance of each option against the issuer's PDS disclosed return objective. If a trustee does not regularly monitor an option's actual performance against the return objective disclosed in the option's PDS, there is a risk that the trustee's representation about expected performance may be misleading.

> The PDS disclosed objective must be monitored regularly enough to ensure that investment return objectives disclosed to members have a reasonable basis.

Dealing with underperformance

Where options are not performing as anticipated, trustees must consider an appropriate response taking into account performance outcomes for members.

Concerns about the performance of 12 of the 29 options in our review had been highlighted by the trustees under their usual processes to varying degrees. For 6 of these options, trustees responded in a way other than continuing to monitor the options through a watchlist, including the following:

- Members transitioned to new offering – One trustee of an internally developed option transitioned members to their own new offering after prolonged underperformance, as it was considered in the members' best financial interests.
- Strategic asset allocation changed – One trustee changed the strategic asset allocation of the option to improve the likelihood of meeting its investment objective by reducing tracking errors.
- Investment by members restricted – One trustee reduced the investment limits for its underperforming options to limit members' potential risk exposure to these options.
- Investment return objective reduced – One trustee reduced the consumer price index plus percentage investment return objective for the option disclosed in its PDS following external advice and an assessment of a reasonable basis for the return.

The extent to which the relevant options in our review failed to meet the PDS disclosed benchmark varied, although it was significant for some options. For 12 options, the annualised return was less than the disclosed benchmark by between 4.20% and 6.70%. In only one case was the option closed. The following are examples of reasons we saw for trustees maintaining underperforming options. Trustees often relied on several of these reasons at once in relation to a particular option:

- More than one objective – A number of trustees highlighted that certain options had an objective other than returns. For example, one option had both an income and a return objective, with the income objective aimed at investors seeking high yields. The trustee identified that while the option had persistently underperformed its benchmark, it had met its yield-based objective. Other options cited objectives such as downside risk minimisation and defensive characteristics.
- Acceptable rating from research houses – The only analysis provided by one trustee was whether research house ratings changed. It was common for an acceptable rating to be noted as a secondary reason for continuing to offer the option despite performance concerns.
- Investment style – A number of trustees noted that underperformance was due to the investment style of the manager (e.g. a value investment style), which was not favoured in the market conditions.
- Diversity – One trustee noted that the option provided diversity on the basis of manager and investment style.
- Exposure to underlying asset class – One option underperformed, but was maintained, because it had high exposure to particular asset classes that had not performed well over a time period (e.g. emerging markets).

A key observation from our review of trustee analysis of underperformance was that trustees seemed to approach their assessment from the position of keeping the option on the menu. In just one case we saw that the trustee transitioned members to a new option. In all other cases, we saw no evidence that trustees:

- considered the possibility of closing the option, or
- asked whether there was an alternative option available that would provide the same or similar benefits with a similar risk profile, but that was, on the trustee's analysis, more likely to deliver better returns.

There may be reasons for continuing to offer options that have not been performing as anticipated, which can be consistent with positive financial outcomes for members. For instance, performance can still be regarded as good when accounting for market conditions, which should be evident in an appropriate market comparison. There are also practical steps and difficulties to consider when restricting access to, closing or removing investment options. But this does not excuse trustees from maintaining a strong focus on providing quality investments that will promote the retirement outcomes of their members.

> Trustees must decide, based on the best financial interests of members, how to best act if options are not performing as anticipated. If a trustee considers leaving an option available to members is in the best financial interests of members, then the trustee should be able to clearly explain its reasoning supported by data and analysis.

Communicating with members

Investing in the choice sector provides a wider range of fund, product and investment options than simply holding a MySuper product. A member's level of engagement in investing will be impacted by personal circumstances and preferences. While the ultimate investment choice belongs to the member, trustees, as the primary source of information on the products they offer, play an important role in ensuring that members have the information they need to make a decision.

To this end, trustees provide members with a considerable amount of investment related information including PDSs and associated investment guides and annual member statements. Members can also access performance related information on their trustee's website and from member outcome assessments. For platform products offering externally managed options, trustee websites will generally provide option return information, as well as links to option PDSs and TMDs and research reports. Much of this information is complex and may not be effective in communicating that an investment option is not meeting its return target.

Our review highlighted two areas where trustees can improve performance related communications in the interests of members:

- Disclosure against return objectives – There is no express requirement for trustees to provide disclosure against return objectives and we did not see evidence of trustees doing this. For example, this information is not disclosed on websites. It was also not disclosed in annual statements, despite the opportunity to do so with the itemised returns for all investments.
- Targeted performance information – We received no evidence that trustees communicated any additional or specific information to members about the options we reviewed that failed to meet or exceed the PDS disclosed benchmarks. Trustees are able to identify members in options with prolonged underperformance and could communicate targeted awareness messages about options with prolonged underperformance.

> Trustees should consider how to communicate about underperformance effectively. This includes providing information about performance against return objectives and sending targeted messages to affected members.

Communicating with members without an ongoing advice relationship

Trustees should carefully consider whether to provide additional communications to members who may have ceased an advice relationship. The platform products in our review were generally designed to be accessed with personal advice from an adviser. However, not all members maintained an ongoing advice relationship.

Of the **138 advice files** we requested on the basis that members had recently invested into an option identified by the trustees as failing to meet or exceed the PDS disclosed benchmark, **50 files** indicated that no advice had been provided to the member over the preceding 2 years. Of these 50 files, **33 files** indicated that the members holding the underperforming options may have originally received one-off advice or ceased their advice relationship since making their initial investment. At least **27 of these members** made investments into the underperforming option between September 2022 and January 2023. This indicates that these members' regular superannuation contributions may have been automatically invested into the underperforming option. For this cohort, the average holding in the underperforming option was approximately $90,000 and the average member balance was approximately $264,000. We consider these members are at risk of holding underperforming options without monitoring their superannuation investments or considering performance.

> Trustees should be aware of members who may not be receiving advice and consider their information and communication needs, particularly where the product is designed for members receiving advice.

Positive impact of member outcomes regulation

A period of our review (i.e. 1 April 2021 to 16 November 2022) coincided with a period of regulatory change aimed at improving member outcomes. Notably, APRA published its first Choice Heatmap in 2021 and the performance test was applied to choice products in August 2023. APRA also updated its prudential standard SPS 530 (PDF 345 KB).

In our review, we received sufficient information to make some positive observations about the actions of trustees in response to these regulatory measures. Eight trustees reviewed product offerings for the purpose of improving member outcomes. Five of these trustees appointed independent advisers to complete the review and cited regulatory reforms on member outcomes as the impetus for the review. These trustees took steps to address concerns, including changing products (e.g. transitioning members to new options in new products aimed at delivering better financial outcomes for members), changing allocation of assets and reducing fees.

Note: We did not specifically ask for information related to actions trustees took in response to regulatory reforms on member outcomes and so our observations on this point do not necessarily reflect all actions taken by the trustees in our review.

> Regulatory reforms that focus on members outcomes are having a positive impact driving changes in trustee behaviour.

Advisers and choice options

The role of advisers

Advisers play a key role in meeting the superannuation and retirement planning needs of Australians. Good quality financial advice can help members grow their superannuation balance before they retire and make the most out of their superannuation savings during their retirement. Poor quality financial advice can significantly affect members' financial positions and retirement outcomes.

One reason members seek financial advice is to invest their superannuation in good quality options that will assist them to meet their retirement objectives without experiencing excessive risk or volatility. This often involves the adviser recommending an investment portfolio that matches their client's risk tolerance and providing ongoing advice about the recommended options. The advice received from an adviser about an investment option is likely to be highly influential in relation to both the acquisition of investments and ongoing investment decision making as part of an ongoing advice relationship.

Our review showed that, at least for platform products, there is a strong link between choice products and advisers. There were **7 trustees** in our review with platform products; **5 of those trustees** designed one or all of the platform products for members with an adviser. For platform products, it was also common for trustees to provide a core or more limited menu for non-advised members, with access to the full menu restricted to members who received personal advice. Distribution of one non-platform product offered by a trustee in our review was also restricted to advised members.

Eighteen options were offered on the platform products we reviewed. **For 15 of the options**, trustees were able to provide information about the percentage of members linked to an adviser. In **12 of those 15 options**, that percentage was **above 78%, with 10 of those above 90%**. For the adviser restricted non-platform product, **93% of members** in the respective option were adviser linked.

> When obtaining personal advice about their investment options, members will expect that their advisers are acting in their best interests and treating performance as a primary consideration.

Review methodology and summary findings 2: Advisers

We assessed personal financial product advice provided by advisers to their clients (i.e. members) about new and existing investments in underperforming options.

We used data from the 10 trustees and identified members who had recently invested into options that the trustees had identified as having returns less than the benchmark disclosed in the PDS on an annualised basis by between 0.20% and 6.70% over at least 5 years, and in many cases, since the option was first made available by the trustee. We used our information gathering powers to request **138 advice files** that covered **9 of these underperforming options**. Of these, **88 files** across **26 advice licensees** contained personal financial product advice relevant to our review that was provided within the information gathering period (i.e. January 2021 to March 2023).

We reviewed the **88 advice files** with a focus on advice and advice conduct relating to the underperforming options. Our advice file review focused on the most recent advice document that contained personal financial product advice about the underperforming option, within the context of other relevant documents on the advice file.

Summary findings

Of the **88 advice files** that were reviewed, the most recent advice in **22 files** included a recommendation for a full replacement or redemption for the underperforming option. For the remaining **66 files**, the adviser's most recent recommendation was to invest in or retain (i.e. hold, increase or partially reduce an existing investment in) the underperforming option.

The advice files we obtained contained advice on a range of subject matter. However, the findings of our advice review reflect our focus on the advice about the underperforming options rather than overall compliance with the best interests duty and related obligations.

We found that **11 of the 88 advice files** reviewed contained advice deficiencies relating to the underperforming option that were a major factor in the adviser failing to demonstrate compliance with the best interests duty and appropriate advice obligation. Of those **11 files**, **7 files** had a recommended portfolio weighting to an underperforming option of 100%, and the remaining **4 files** had weightings of 38% or more. Our major concerns with these **11 files** were that they did not:

- demonstrate that the adviser had conducted a reasonable investigation and assessment of the underperforming option
- identify underperformance, and
- explain why it was appropriate for the client to retain the option despite the underperformance.

We also observed better advice practices. For example, some advice documents clearly explained why an underperforming option was being recommended despite the underperformance and some advice files contained records of investigation and assessment of the options, including consideration of advice licensee research and TMDs.

Quality of advice and identifying underperformance

Advisers must consider a range of factors when recommending their clients invest in or retain their investment in a financial product. Performance is an important factor because underperforming products can affect a client's ability to meet their financial objectives. Advisers are expected to conduct a reasonable investigation and assessment of relevant products as part of acting in the best interests of their client and provide advice that is appropriate to the client.

The advice files we obtained contained advice on a range of subject matter. However, the findings of our advice review reflect our focus on the advice about the underperforming options rather than overall compliance with the best interests duty and related obligations. We found that **11 of the 88 advice files** reviewed contained advice deficiencies relating to the underperforming option that were a major factor in the adviser failing to demonstrate compliance with the best interests duty and appropriate advice obligation. Of those **11 files**, **7 files** had a recommended portfolio weighting to an underperforming option of 100%, and the remaining **4 files** had weightings of 38% or more.

The underperforming options for all **11 files** were multi-asset class options. Where a client holds a high weighting in a single investment option, there is greater potential for sustained underperformance to affect the client's overall portfolio returns and retirement outcomes. This includes multi-asset class options, although they generally have inherent diversification benefits and their TMDs may indicate they are suitable to use as a client's sole investment option.

The **11 files** that contained deficiencies also indicated that clients were at risk of suffering detriment as a result of the advice. Each of these advice files showed the adviser provided advice about the client's existing superannuation investment portfolio, including recommending to retain the underperforming option without demonstrating that they had considered performance as part of that recommendation. Specifically, our major concerns with these files were that they did not:

- demonstrate that the adviser conducted a reasonable investigation and assessment of the underperforming option
- identify the underperformance, and
- explain why it was appropriate for the client to retain the option despite the underperformance.

A lack of reasonable investigation and assessment, and a lack of explanation, were issues also observed in other advice files, where recommended portfolio weightings were lower. Of the advice files we reviewed, **55 files** had recommended weightings of **no more than 20%** of the client's superannuation account to the underperforming option. Of these, **15 files** did not demonstrate the adviser conducted a reasonable investigation and assessment of the underperforming option and did not identify underperformance or explain why it was appropriate for the client to hold the option. For **13 of these 15 files**, based on the broader advice file, we observed that the option was likely recommended because it would play a particular role within a diversified or model portfolio. However, in these cases, we would expect the adviser to detect underperformance and explain and document the basis for their recommendation to retain the option despite the underperformance.

We also observed better practices, including where the advice files contained the following information for clients who were recommended to retain an underperforming option:

- Recent advice documents that included a recommendation to acquire or retain a holding in the underperforming option, including an explanation of why the option was being recommended within a broader diversified portfolio. This included a reference to the option's performance over various timeframes, including periods of underperformance and reasons for a positive outlook for the option.
- A copy of the advice licensee's most recent research about the underperforming option, including details about its objectives, investment approach, asset allocation and performance against a relevant benchmark over various periods.
- A copy of the underperforming option's most recent TMD and a file note recording the adviser's consideration of the TMD, indicating that the adviser had considered the target market for the option when determining its suitability for the client.

> When providing personal advice, financial advisers are obligated to act in the best interests of the client and the resulting advice must be appropriate to the client. We expect that an adviser will investigate and assess investment options to detect and address underperformance when relevant to the subject matter of the advice. This includes when reviewing a client's existing options and where each option represents a small part of a client's portfolio. Advisers should also keep good records of how they have complied with their obligations.

Investment recommendations and underperforming options

Table 4 sets out the recommended client portfolio weightings to the underperforming options across the 88 reviewed advice files, grouped into tiers. Each tier shows the recommended actions we observed in relation to the underperforming options, including recommendations to 'acquire' a new investment or 'retain' (i.e. hold, increase or partially reduce) an existing investment. For each tier, Table 4 also sets out the number of advice files that we observed containing advice deficiencies in relation to the underperforming option that were a major factor in the file failing to demonstrate compliance with the best interests duty and appropriate advice obligation.

Table 4: Investment recommendations and concerns about the quality of advice relating to the underperforming options

Recommended weighting to the underperforming option	Number of files reviewed	Recommended action	Number of files with concerns about the quality of advice
100%	7	Retain	7
81–99%	0	N/A	0
61–80%	1	Retain	1
41–60%	1	Retain	1
21–40%	2	Retain	2
11–20%	9	Acquire or retain	0
6–10%	16	Acquire or retain	0
1–5%	30	Acquire or retain	0
0%	22	Fully replace or redeem	0
Total	**88**	**N/A**	**11**

Note: The 'Number of files with concerns about the quality of advice' only includes files with concerns about the advice regarding the underperforming option.

As shown, the recommendation for **22 advice files** reviewed was for the underperforming option to be fully replaced or redeemed. For **55 advice files**, the recommended weighting represented no more than 20% of the client's superannuation portfolio. The remaining **11 advice files** contained advice deficiencies in relation to the underperforming option that were a major factor in the file failing to demonstrate compliance with the best interests duty and appropriate advice obligation. Of those files, **7 files** included recommendations for the client to retain a 100% weighting of their superannuation portfolio in the underperforming option. The remaining **4 files** included recommendations to retain a weighting of 38% or more.

Our review of advice licensees' product approvals and APLs (see 'Advice licensees and choice options') confirmed that, in almost all cases, the underperforming options recommended by advisers were on the respective advice licensee's APL or were otherwise approved by the advice licensee, sometimes through a non-APL approval process. Advisers are expected to exercise judgement to ensure that they act in the best interests of the client, which may require them to consider options that are not on their advice licensee's APL. If an adviser recommends an option that is not on their advice licensee's APL, they should ensure that they have the appropriate authorisations and approvals from their advice licensee to do so.

An adviser may also benchmark investment performance against appropriate markets or peers. If an adviser undertakes benchmarking, they must still understand the features of the investment they are investigating and assessing. An adviser may also rely, to some extent, on investigations conducted by their advice licensees or external service providers (e.g. research houses). However, the adviser is ultimately responsible for the advice that they provide.

We also expect advisers to consider TMDs of investment options as part of meeting the best interests duty, even though they are exempt from meeting the reasonable steps obligation under the design and distribution obligations (DDO) regime when providing personal advice.

Part of our review period pre-dated the commencement of the DDO regime. While we did not specifically request information about how advisers considered TMDs, there were relevant records on some advice files. We saw a range of approaches to recording that an adviser had considered the TMD of an underperforming option as part of the advice process. This includes some advice files containing notes confirming that an adviser had considered the TMDs for a range of investment options within a client's portfolio including the underperforming option and other advice files that contained copies of the most recent TMDs.

> When relevant to the subject matter of the advice, advisers should treat performance as a primary consideration and consider information from a range of sources to develop and support their recommendations.
>
> Advisers should be careful not to over-rely on advice licensee product approvals or external research ratings. The fact that an option is approved by an advice licensee or has a minimum external research rating does not mean that an adviser can ignore the performance of the option when providing personal advice.
>
> Advisers must also ensure that their advice explains the basis on which the advice was given. Regardless of whether the adviser's recommendation is to acquire, retain or redeem an underperforming option, they should explain why that recommendation is appropriate despite the underperformance and based on the client's relevant circumstances.

Advice licensees and choice options

The role of advice licensees

Advice licensees play an important role in the delivery of good quality financial advice to members. They oversee the conduct of their advisers and must take reasonable steps to ensure that their advisers comply with financial services laws, including the best interests duty and related obligations.

Many advice licensees have processes in place for approving options for use by their advisers, including maintaining an APL, as a method for assisting their advisers to provide good quality advice. For members who obtain financial advice to make decisions about how to invest their superannuation balances, advice licensees are a gatekeeper in terms of the performance outcomes. This is because the choices advice licensees make about which investment options are approved for use by their advisers can significantly influence whether those advised members hold underperforming options.

> Advice licensees play an important role in influencing whether advised members hold underperforming options and should treat performance as a primary consideration when approving products for use by advisers or managing APLs. They should also ensure that their advisers are detecting and addressing underperforming options held by their clients when providing them with personal advice about their investment options.

Review methodology and summary findings 3: Advice licensees

We reviewed advice licensees' policies and processes for approving investment options, including the use of APLs and ongoing monitoring of the underperforming options.

We used our information gathering powers to collect information for the period from January 2021 to March 2023. Information from **21 advice licensees** was relevant to our review and we reviewed the APLs and investment approval processes of these advice licensees. We also collected information about advice licensees' consideration of the underperforming options from January 2018 to March 2023.

Summary findings

From this sample, **17 advice licensees** maintained an APL covering superannuation investment options. The remaining **4 advice licensees** broadly approved all investment options that were available through particular superannuation choice products. In almost all cases, the underperforming options in our review were on an advice licensee's APL or were otherwise approved by an advice licensee. In most cases, policies indicated that investment options are expected to be assessed by advice licensees before being included on an APL and subject to regular review.

Our review observed that **6 advice licensees** appeared to base their product approvals solely on the availability of options within certain superannuation choice products or a minimum external product research rating, without records of further research or consideration.

Of the **17 advice licensees with an APL, 2** changed their internal rating of the underperforming option on their APL from 'approved' to 'hold' or removed the option from the APL during the period of our review (i.e. January 2018 to March 2023). A further **7 advice licensees** indicated that they specifically considered historical performance of the underperforming option, with **4 of those 7 advice licensees** identifying the option as underperforming and retaining records of why the option continued to be approved for use by advisers despite the underperformance.

Our review also found that **16 of the 17 advice licensees** that maintained an APL covering superannuation investment options had a process in place for advisers to request permission to provide advice about products that were not on the APL (a non-APL approval process).

APLs and non-APL product approvals

An APL is a list of financial products that the advice licensee considers are suitable for its advisers to recommend to their clients. Advice licensees should assess the quality of the options on an APL before they are included and regularly review their APLs. If this due diligence process is effective, the options that advisers are approved to recommend to their clients will be suitable in terms of quality and value for money.

> Advice licensees must have adequate risk management systems. There is no requirement for advice licensees to have an APL. However, they are often used by advice licensees:
>
> - to assist their advisers to provide good quality advice and comply with their legal obligations
> - as a risk management tool to help advice licensees comply with their legal obligations.

Information considered in ASIC's review of product approvals and APLs

We reviewed the information received from **21 of the advice licensees**, where it was considered relevant for our review.

Key factors we considered while reviewing the information included:

- whether product approvals were based on advice licensee research or solely on other factors such as external product research or investments being available on a superannuation choice product's investment menu
- the level of reliance on external product research and which external providers were used
- whether advice licensees had investment research functions and/or investment committees
- the number of investment products on the APLs
- how regularly APLs were reviewed and/or updated, and
- whether advice licensees had a non-APL approval process and if such approvals were revisited.

For the underperforming options, some of the key factors that we considered were:

- whether the investment option was listed on the advice licensees' APLs

- what APL ratings the investment options were given by the advice licensees (e.g. ‘approved’, ‘hold’) and what those ratings signified to their advisers
- what consideration the advice licensees had given to the options during the relevant period, any changes in ratings over that time and, where provided, advice licensees’ commentary about reviewing the options, and
- whether the advice licensees identified that the investment options had been underperforming and, if so, on what basis.

APLs in practice

Advice licensees varied in how they constructed and maintained their APLs, and the restrictions they placed on their advisers to recommend products on or off their APL.

From the sample of **21 advice licensees, 17** maintained an APL covering superannuation investment options. The remaining **4 advice licensees** broadly approved all investment options that were available through particular superannuation choice products. In almost all cases, the underperforming options in our review were on an advice licensee’s APL or were otherwise approved by an advice licensee.

In most cases, advice licensees’ policies indicated that investment options are expected to be assessed by the advice licensee before being included on its APL and subject to regular review. We observed that larger advice licensees with more than 90 advisers had more comprehensive APLs and product approval processes. Most of these APLs covered over 500 managed investments, including products available either inside or outside of superannuation. Larger advice licensees also generally had more formal internal investment research teams and investment committees and reviewed and updated their APLs more regularly. Their APL processes also considered a range of internal and external research and qualitative and quantitative factors.

From our review, we observed that advice licensees may consider some or all of the following factors when approving or retaining an investment option on an APL:

- external research and ratings
- historical performance
- fund objectives
- fund manager experience, decision making and ability to meet fund objectives
- investment allocations including asset class, sector and/or region
- market conditions
- product usage across the existing client base
- access to product information
- fees and costs, and
- professional indemnity.

However, **6 advice licensees** appeared to base their product approvals solely on the availability of options within certain superannuation choice products or a minimum external product research rating, without records of further research or consideration: see ‘Role of research house ratings’.

> The fact that an option is included on a superannuation choice product's investment menu or has a minimum external research rating does not mean that an advice licensee should otherwise ignore performance.

Detection of underperformance

During the period January 2018 to March 2023, **2 of the 21 advice licensees** changed the internal rating for the underperforming option on their APL from 'approved' to 'hold' or removed the option from the APL altogether. The responses from a further **7 advice licensees** indicated that historical performance of the underperforming option was recorded and noted by the advice licensee during the same period. Of these, **4 advice licensees** explicitly identified the option as underperforming and recorded commentary about the underperformance and why the option continued to be approved for use by advisers despite the underperformance.

> Advice licensees should have rigorous processes to detect underperforming options approved for use by advisers and address these in a timely manner. Historical performance should be considered, including against the option's performance benchmark in the PDS. The steps that should be taken where an option is detected as underperforming will depend on various factors. They may include communicating with advisers, restricting the circumstances in which the option might be recommended or removing the option from APLs or approvals.

Non-APL approval process

APLs can facilitate the provision of good quality advice and assist advice licensees and their advisers to comply with their legal obligations. However, in some cases, to act in the best interests of their client, an adviser may need to investigate and assess a product that is not on their advice licensee's APL. To facilitate this, many advice licensees have arrangements that allow advisers to provide advice about products not on the APL in certain circumstances.

Our review found that **16 of the 17 advice licensees** that maintained an APL covering superannuation investment options had a process in place for advisers to request permission to provide advice about products that were not on the APL. This is commonly known as a non-APL or off-APL approval process. Although the non-APL approval process varied between advice licensees in terms of formality and criteria for approval, it generally required advisers to submit a request and justification for non-APL approval to an internal decision maker.

Non-APL approval requests often required advisers to consider several factors (such as those listed in 'APLs in practice' above) and included information about the appropriateness of the proposed recommendation based on the client's relevant circumstances and whether there were alternative products on the APL that would meet the client's needs.

For some advice licensees, any investment approved through the non-APL approval process was automatically added to the APL or a request could be made for it to be added. In these cases, the product was more likely to then be continually monitored at the advice licensee level. Other advice licensees limited the non-APL approval to one client and one transaction, requiring the adviser to regularly review the client's non-APL investment and seek further approval before providing further advice on the product. Some advice licensees also had specific product approval policies and processes for advice about non-APL options that were acquired by clients before they became a client of that advice licensee.

Many advice licensees have a non-APL approval process in place for when an adviser may need to investigate and assess a product that is not on the APL. However, if an adviser is unable to provide advice about products outside their advice licensee's APL, but needs to do so to meet their obligations, the adviser must not provide the advice and should consider referring the client to another advice provider who is better placed to act in the client's best interests.

Record keeping

In addition to the advice licensees' various methodologies for approving products, many advice licensees' policies stated that their advisers were required to act in the best interests of their client and ensure any advice about an approved product was appropriate based on the relevant circumstances of each client.

Advice licensees must ensure that records are kept of the advice and of how their advisers have complied with the best interests duty and related obligations.

Advice licensees should also retain records of the steps they have taken to detect underperformance and monitor investment options approved for use by their advisers. This includes the advice licensee's decision making and communication with advisers about how to manage underperforming options held by their clients.

Role of research house ratings

Heavy reliance on research houses and their ratings

Trustees, advice licensees and advisers rely on research reports provided by research houses to perform their roles. This was a constant theme observed in our review. We acknowledge the importance of this external investment research for the fair, efficient and transparent operation of financial markets. The research and product ratings assist members, trustees, advice licensees and advisers in filtering through investment options: see Regulatory Guide 79 *Research report providers: Improving the quality of investment research* (RG 79). But it is important to account for the limitations of research and ratings when they are used.

Trustees

We found that the policies of **9 out of 10 trustees** explained that external research and ratings were used in their due diligence for including options on an investment menu. Of the 10 trustees, **7 trustees** also relied on research house ratings in their monitoring processes, especially for investment options on platform product investment menus. For **2 trustees** who offered options managed by related entities, their policies on managing a conflict of interest specified that the trustee would rely on external research house ratings to manage the option, rather than internal reviews and research.

Most trustees adopted the same acceptable or minimum ratings either in their processes or in observable practice. These ratings tended to be an investment neutral rating, which is the lowest rating before the ratings shift to a negative sentiment. We only saw evidence of **2 trustees** requiring a rating higher than this for an option to be included on their investment menu. For trustees that offered a platform product, we saw examples where the only requirement for default inclusion of externally managed options on the investment menu was a minimum investment neutral rating or similar.

We also saw trustees rely on ratings to varying degrees to monitor and manage investment options:

› **Most trustees** relied on ratings as part of the assessment. The assessments included commentary on whether the option's rating had changed. We saw no evidence in our review of any options being rated below the minimum investment neutral rating.

› **One trustee** used ratings as the only basis for assessment. We identified 3 options that had periods of underperformance, which was highlighted in monthly performance reviews. No action was taken in response to the underperforming options and the only assessment document provided was a table showing that the options retained at least a minimum investment neutral rating.

› **One trustee** used ratings as a policy position for termination. There were 5 considerations in its policy for removing an option from the investment menu. The consideration most relevant to performance was a negative change in the option's investment rating.

Advisers

From the advice file reviews, we observed that **18 of 88 advice files** contained copies of external product research that was less than 12 months old and related to the relevant underperforming option. A further **16 advice files** included details about advice licensee or product issuer research reports that considered or referenced external research ratings. Of these 34 advice files, **6 advice files** contained a copy of a recent research report without any further record of the adviser considering or referring to the performance of the underperforming option.

Advice licensees

From the APL process review, **17 of 21 advice licensees'** responses indicated that their product review and approval policies and processes consider external product research. Most of these licensees considered external research ratings as a substantial factor in decision making. All of them appeared to consider research from one of two specific research houses, but some also considered ratings from one or more other research houses.

The ramifications of over-reliance on research house ratings

In some cases, a minimum investment neutral rating was the only requirement for including an investment option on an investment menu or APL and determining whether the trustee should take action in response to underperformance.

We are concerned that trustees, advice licensees and advisers may not meet their obligations if they only rely on research house ratings to make a decision about an investment option. They should all be aware of the limitations of these ratings in relation to performance.

Adopting a minimum investment neutral rating

Ratings systems are generally designed to reflect the degree of conviction the ratings provider has for the relevant product to achieve risk adjusted returns in line with certain objectives. We observed that trustees commonly adopted a minimum investment neutral rating for assessing investment options and some advice licensees did the same.

Generally, an investment neutral rating was applied where the research house's conviction about returns was not high, but the investment option was not yet on a watch list. A neutral rating was also applied in circumstances where the investment option was potentially not as competitive as other available options. We observed that ratings a step up from an investment neutral rating generally reflected a more positive conviction by the research house about returns and were often the recommended point of entry for investment.

> Trustees, advice licensees and advisers should make sure that they understand the ratings they are relying on, particularly in terms of performance. Over-reliance on investment neutral ratings in investment management processes is concerning, particularly where it is the only barrier to entry on an investment menu or APL. We consider that a clearly identified member benefit is required for inclusion where the rating is neutral. This should be considered by appropriate approval channels and documented.

Limitations of ratings as a check on underperformance

Trustees are required to monitor investment option performance and act in the best financial interests of members. Similarly, we expect advisers to consider investment performance when investigating and assessing investment options to comply with the best interests duty and related obligations when providing advice. While advisers may also rely to some extent on research house ratings, the adviser is responsible to their client for the advice that they give.

In the available methodologies for a number of ratings we reviewed, performance was not the only factor considered by research houses when determining a rating and was not necessarily given a substantial weighting. For example, we saw cases where the weighting of performance in the overall rating was 15% or 20%, with other qualitative factors, such as conviction in the investment team, also contributing to the rating.

Only a small percentage of products appeared to be rated below neutral. We reviewed available data on ratings distributions from 2 research houses. In both cases, less than 3% of the rated investments fell below neutral.

> To deliver investment options to members where investment performance has been appropriately considered, trustees, advice licensees and advisers should recognise and adopt practices that consider the limitations of ratings. This includes how and to what extent performance is considered as a factor weighted in the rating. Performance is not necessarily a primary consideration when focusing only on research house ratings.

Observations on legacy products

One action available to trustees to deal with underperformance is to close an investment to new members. Trustees might decide to close an investment option available within a choice product. Alternatively, they may close the choice product itself, which removes the gateway to the various investment options available in that product. Choice products that are closed to new members but left open to existing members are known as legacy products.

We requested information about legacy products (that is, the choice product as distinct from investment options available within the choice product which are the subject of the rest of this report) to find out why they remained open to existing members, despite being closed to new members.

As not all trustees in our review had legacy products, we only received information from **3 trustees** about **3 legacy products** (i.e. one product per trustee). Of those 3 products, 2 products were closed to new members due to concerns about commercial viability arising from a decline in new members. The third product was closed to new members following changes to commission arrangements. But documents provided show that, during the period of our review, the trustee of the third product considered it was not promoting members' interests due to fees and investment outcomes.

While this is not a comprehensive sample, we observed the following:

- **Member numbers are still high** – In the case of one product with less than 1,000 members, there was a very slight, unexplained increase in members in the 3 years after the legacy product closed to new members. Member numbers at the time the other legacy products closed to new members were in the thousands in one case and dropped 10% over the 2 years after the product was closed, and tens of thousands in the other and dropped 70% over the 10 years after the product was closed. At the time of responding to our request for information, there were still thousands of members in each of these 2 legacy products.
- **Contributions in the product are continuing and substantial** – Contributions into the legacy products since they closed have been substantial, ranging from tens of millions to over a billion dollars.
- **The percentage of members linked to advisers remains high** – Trustee records for the 2 legacy products with the largest contribution inflows since being closed to new members showed that the percentage of members with linked advisers was high at roughly 70% and 95%.
- **Members often have the same advisers and they are charging fees** – For the 3 legacy products covered by our review, the respective trustees provided details of the 5 advice licensees with the highest number of members in each of their legacy products (i.e. 15 advice licensees in total). For 7 of the 15 advice licensees, one adviser was connected to all the members in the legacy product and for the remaining 8 licensees, a limited selection of advisers was connected to the members. In most cases, recurring adviser fees were charged.
- **Varying responses to closure** – The information provided on the legacy products in our review showed different approaches by trustees. In one case there was no evidence of any plan to entirely close the legacy product; in another the trustee planned to transfer the legacy product to a new trustee; and in another the trustee had future plans to entirely close the legacy product. For the legacy product being transferred, the trustee noted the need to consider tax consequences for members in any future engagement with the legacy product. For the legacy product being closed, the closure was occurring within the context of a broader closure of legacy products to improve member outcomes.

Given the limited data, we cannot draw any definitive conclusions on why legacy products remain open for existing members. Trustee considerations will include available alternatives, transition costs, fee comparisons and tax consequences, particularly for wrap products.

> If a legacy product is not delivering expected member outcomes or has high fees compared to other available products, trustees should consider whether it is in the best financial interests of members for the product to continue to be available to existing members. If the trustee considers there are reasons why it may be in members' interests that the product remains open, sufficient information should be communicated to members to enable them to determine whether, based on their own circumstances, any perceived benefit outweighs the opportunity cost of moving their superannuation to a different choice product. Any potential tax consequences should be quantified to the extent possible so that the member understands and can make an informed decision.
>
> Advisers should consider why a legacy product is closed to new members and explain why advice to retain or roll-out of that product is appropriate based on their client's relevant circumstances. Advice licensees should also have processes in place to identify advisers with a high number of clients holding legacy products and understand why. This may indicate advisers that are at a higher risk of non-compliance with their obligations and clients that are at a higher risk of poorer retirement outcomes.

Key terms and related information

Key terms

AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services **Note:** This is a definition contained in s9.
AFS licensee (licensee)	A person who holds an AFS licence under s913B of the Corporations Act
approved product list (APL)	A list of financial products, determined by the AFS licensee, and considered suitable for the AFS licensee's representatives to recommend to clients
APRA	Australian Prudential Regulation Authority
Choice Heatmap	APRA's Choice Heatmap uses a graduating colour scheme to provide credible, clear and comparable insights into multi-sector choice investment pathways across three areas: investment returns, fees and costs, and sustainability of member outcomes
choice product	A superannuation product that is not a MySuper product or defined benefit interest
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act
design and distribution obligations (DDO)	The obligations in Pt 7.8A of the Corporations Act
financial adviser (adviser)	A natural person providing personal advice to retail clients on behalf of an AFS licensee who is either: › an authorised representative of a licensee, or › an employee representative of a licensee **Note:** This is the person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply: see the definition of 'advice provider' in the 'key terms' in Regulatory Guide 175 *Licensing: Financial product advice conduct and disclosure* (RG 175).
Inquiry report	Productivity Commission, *Superannuation: Assessing efficiency and competitiveness,* 21 December 2018, Report No 91
investment menu	A grouping of investment options offered by a fund within a superannuation product that has a defined fee and cost structure incurred by members in order to access those investment options

legacy product	A superannuation product that is no longer available for issue to new members (but is still held by some existing members)
member	An account holder of a superannuation fund, including a prospective account holder
MySuper product	A default superannuation product provided under Pt 2C of the SIS Act
performance test	Annual performance test as described in Pt 6A of the SIS Act
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: › the person giving the advice has considered one or more of the client's objectives, financial situation and needs, or › a reasonable person might expect the person giving the advice to have considered one or more of these matters **Note**: This is a definition in s9 of the Corporations Act.
platform product	Products with particular options that members can direct the trustee to invest in that are chosen from an investment menu where those investments are held under a custodial arrangement
Product Disclosure Statement (PDS)	A document that must be given to a retail client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act **Note:** See s9 for the exact definition.
retail client (client)	A client as defined in s761G and 761GA of the *Corporations Act* and Div 2 of Pt 7.1 of the *Corporations Regulations 2001*
s912A (for example)	A section of the Corporations Act (in this example numbered 912A)
SIS Act	*Superannuation Industry (Supervision) Act 1993*, including regulations made for the purposes of that Act
SIS Regulations	*Superannuation Industry (Supervision) Regulations 1994*
superannuation fund (fund)	Has the meaning given in s10(1) of the SIS Act
superannuation trustee (trustee)	A person or group of persons licensed by APRA under s29D of the SIS Act to operate a registrable superannuation entity (e.g. superannuation fund) (also known as an 'RSE licensee')
target market determination	Has the meaning given in s994B of the Corporations Act
TMD	A target market determination document
trustee directed products (TDPs)	Has the meaning given in reg 9AB.2 of the SIS Regulations

Related information

Headnotes

Best financial interest duty, best interests duty, choice product, design and distribution obligations, financial advice, general licensee obligations, general trustee obligations, investment performance, member outcome obligations, superannuation

Legislation and other regulation

Corporations Act 2001, Pt 7.7A, Div 2; Pt 7.8A; s912A(1)(a), 912A(1)(ca), 912A(1)(h), 961B and 961G

Superannuation Industry (Supervision) Act 1993, Pt 6A; s52(2)(b)–(c), 52(6), 52(8A) and 52(9)

Financial Planners and Advisers Code of Ethics 2019

ASIC documents

INFO 266 *FAQs: Records of Advice (ROAs)*

RG 79 *Research report providers: Improving the quality of investment research*

RG 175 *Licensing: Financial product advisers—Conduct and disclosure*

RG 244 *Giving information, general advice and scaled advice*

RG 274 *Product design and distribution obligations*

APRA documents

SPG 516 *Business performance review* (PDF 332 KB)

SPG 530 *Investment governance* (PDF 1.06 MB)

SPS 515 *Strategic planning and member outcomes* (PDF 156 KB)

SPS 530 *Investment governance* (PDF 345 KB)