



ASIC

Australian Securities &
Investments Commission

REGULATORY GUIDE 97

Disclosing fees and costs in PDSs and periodic statements

November 2019

About this transitional version

This transitional version of RG 97 is the March 2017 version of RG 97. It applies until the commencement of [ASIC Corporations \(Disclosure of Fees and Costs\) Instrument 2019/1070](#). This guide applies to:

- Product Disclosure Statements (PDSs) issued before 30 September 2020; and
- periodic statements (ongoing or on exit) for reporting periods that commence before 1 July 2021.

Although this transitional version of RG 97 will continue to apply during the transitional period, industry can obtain immediate benefit from the clearer guidance in the updated version of RG 97 about existing fees and costs disclosure requirements that have not changed.

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ASIC

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REGULATORY GUIDE 97

Disclosing fees and costs in PDSs and periodic statements

March 2017

About this guide

This guide is for issuers of most superannuation products and managed investment products issued to retail clients, which are required to make disclosure in accordance with the enhanced fee disclosure regulations.

It provides guidance on how to disclose fees and costs in Product Disclosure Statements (PDSs) and periodic statements.

Note: Some information in this guide is also relevant to issuers of investment life insurance products and operators of investor directed portfolio services (IDPSs) and managed discretionary account (MDA) services.

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About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This guide was issued in March 2017 and is based on legislation and regulations as at the date of issue.

Previous versions:

- Superseded Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements*, issued in November 2011, reissued in November 2015 and February 2017
- Superseded *Enhanced fee disclosure regulations: Questions and answers—An ASIC guide*, issued March 2006, updated June 2006 and May 2007, rebadged as Regulatory Guide 97 *Enhanced fee disclosure regulations: Questions and answers* (RG 97) on 5 July 2007

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

Under the 'enhanced fee disclosure regulations' and the 'shorter PDS regime', issuers of most superannuation products and managed investment products, such as interests in registered managed investment schemes issued to retail investors, must meet certain requirements for disclosing fees and costs in Product Disclosure Statements (PDSs) and periodic statements. The Stronger Super reforms made some substantial amendments to the requirements for issuers of superannuation products.

The enhanced fee disclosure requirements also apply to investor directed portfolio service (IDPS) guides and Financial Services Guides for managed discretionary account (MDA) services.

Who this guide applies to

RG 97.1 This guide is for:

- (a) issuers of superannuation products, with the exception of the following products:
 - (i) self-managed superannuation funds;
 - (ii) superannuation products that have no investment component (also known as 'risk-only' superannuation products);
 - (iii) annuities (except market-linked annuities, including both investment-linked annuities and investment account annuities);
 - (iv) pensions provided under superannuation fund rules that meet the standards of regs 1.06(2), 1.06(6) or 1.06(7) of the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations); and
- Note: [Class Order \[CO 14/1252\]](#) *Technical modifications to Schedule 10 of the Corporations Regulations* modifies the enhanced fee disclosure provisions so they do not apply to pensions in RG 97.1(a)(iv).
- (v) non-investment or accumulation life insurance policies offered through a superannuation fund, although some guidance on disclosure of premiums and other costs of insurance is relevant to these products (see RG 97.185–RG 97.187); and
 - (b) issuers of managed investment products issued to retail investors.

Note: The term 'issuer' refers to the entities in RG 97.1, unless otherwise specified.

RG 97.2 Some information in this guide is also relevant to:

- (a) operators of MDA services who must disclose fees and costs to their clients in accordance with Sch 10 from 1 October 2017 (see [Regulatory Guide 179](#) *Managed discretionary accounts* (RG 179));

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- (b) IDPS operators; and
- (c) issuers of investment life insurance products who must describe certain transactions in periodic statements (see reg 7.9.60B(1)(d) of the Corporations Regulations 2001 (Corporations Regulations))—however, as a matter of good practice, we encourage these issuers to also meet the fees and costs disclosure requirements for PDSs, with any necessary adaptation.

Note: In this document, references to sections, parts and chapters are to the *Corporations Act 2001* (Corporations Act), and references to clauses, regulations and schedules are to the Corporations Regulations, unless otherwise indicated.

RG 97.3 This guide provides:

- (a) general guidance on disclosing fees and costs in PDSs (see Section B);
- (b) specific guidance on disclosing fees and costs in PDSs for issuers of:
 - (i) superannuation products (see Section C);
 - (ii) managed investment products (see Section D); and
- (c) guidance on disclosing fees and costs in periodic statements (see Section E).

The fees and costs disclosure requirements

RG 97.4 Issuers must meet certain requirements for disclosing fees and costs in PDSs and periodic statements under:

- (a) the PDS regime in Pt 7.9 of the Corporations Act and the enhanced fee disclosure regulations in Sch 10 to the Corporations Regulations (see RG 97.8–RG 97.11). These were modified by [\[CO 14/1252\]](#), as amended by [ASIC Corporations \(Amendment and Repeal\) Instrument 2015/876](#) and [ASIC Corporations \(Amendment\) Instrument 2016/1224](#), which clarifies certain fee and cost disclosure requirements for PDSs and periodic statements; and
- (b) the shorter PDS regime in Pt 7.9 of the Corporations Act (as modified by Subdivs 4.2–4.2C of Pt 7.9 of the Corporations Regulations) and Schs 10D and 10E to the Corporations Regulations (see RG 97.12–RG 97.14).

Note: The shorter PDS regime imposes a modified version of the enhanced fee disclosure regulations. It applies to issuers of most superannuation products and some simple managed investment schemes.

RG 97.5 The enhanced fee disclosure regulations were introduced in 2005 and amended as part of the Stronger Super reforms for superannuation products: see RG 97.15–RG 97.16.

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RG 97.6 [Class Order \[CO 13/763\]](#) *Investor directed portfolio services* requires an IDPS guide to provide disclosure in relation to the interests in the IDPS in accordance with Sch 10 to the Corporations Regulations, as if the interests were managed investment products. [ASIC Corporations \(Managed Discretionary Account Services\) Instrument 2016/968](#) requires the Financial Service Guide for MDA services to provide information in relation to the MDA services in accordance with Pt 2 of Sch 10 as if the clients were being offered a managed investment product from 1 October 2017, unless there is an earlier opt in under that instrument.

RG 97.7 Generally, a PDS must be up to date when it is given to a retail investor. [ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#) provides relief for the issuer from updating the PDS for information that is not materially adverse under certain conditions.

The enhanced fee disclosure regulations

RG 97.8 Under Sch 10, an issuer must meet certain requirements for disclosing fees and costs in a PDS. These requirements, which were introduced by the Corporations Amendment Regulations (2005) No. 1, are known as the enhanced fee disclosure regulations.

RG 97.9 The enhanced fee disclosure regulations apply to PDSs for:

- (a) superannuation products, other than those described in RG 97.1; and
- (b) managed investment products issued to retail investors.

RG 97.10 The PDS should include:

- (a) a standardised fees and costs template (cls 201–202A of Sch 10);
- (b) certain additional explanations of fees and costs (cl 209 of Sch 10);
- (c) an example of annual fees and costs (cls 210–212 of Sch 10); and
- (d) a boxed consumer advisory warning (cls 221–222 of Sch 10).

RG 97.11 An issuer must also:

- (a) describe certain transactions in periodic statements (s1017D and reg 7.9.60B(2));
- (b) disclose indirect costs and, in the case of a superannuation product, other fees (cl 301 of Sch 10);
- (c) disclose total fees and costs (cl 302 of Sch 10); and
- (d) provide certain additional information (cl 303 of Sch 10).

Modified disclosure if subject to shorter PDS regime

RG 97.12 Issuers of most superannuation products and some simple managed investment schemes must comply with shorter, simpler PDS disclosure

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under Pts 5B and 5C of Sch 10A to the Corporations Regulations (shorter PDS regime). The regime also applies a modified version of Sch 10: see cl 8 of Sch 10D, cl 8 of Sch 10E and Subdivs 4.2B and 4.2C of the Corporations Regulations for when the enhanced fee disclosure regulations and the shorter PDS regime apply.

- RG 97.13 The shorter PDS regime prescribes the content and length of the PDS (e.g. an eight-page limit applies to an A4 PDS).

Note: [Class Order \[CO 12/749\]](#) *Relief from the Shorter PDS regime* excludes multi-funds, superannuation platforms (at the election of the trustee of the superannuation entity) and hedge funds from the shorter PDS regime until 30 June 2017. The full PDS requirements must be complied with until that date.

- RG 97.14 The shorter PDS regime imposes a modified version of the enhanced fee disclosure regulations to facilitate the use of the shorter PDS format. The PDS must contain abbreviated fees and costs information for a generic MySuper product or, if there is none, at least one investment option offered in the fund in accordance with the shorter PDS regime requirements: see Table 1.

Table 1: The fees and costs requirements under the shorter PDS regime

Product type	PDS length	Type of PDS disclosure	Location of disclosure
Superannuation products: cls 7 and 8 of Sch 10D	8 pages	The PDS must contain <i>abbreviated fees and costs information</i> for a generic MySuper product or, if there is none, at least one investment option. ¹ If there is no generic MySuper option, the PDS must contain the balanced investment option ² under which most assets of the fund are invested or, if no MySuper or balanced investment option applies, it must contain the investment option under which most assets of the fund are invested. ³	Disclosures must be set out in the body of the PDS.
Simple managed investment schemes: cls 7 and 8 of Sch 10E	8 pages	The PDS must contain <i>abbreviated fees and costs information</i> for the investment option that the responsible entity reasonably believes has the least volatile underlying assets when the offer is for a new managed investment scheme; otherwise, it must contain the balanced investment option ² or, if there is no balanced investment option, the investment option under which most assets of the fund are invested. ^{1, 3}	Disclosures must be set out in the body of the PDS.

¹ Fees and costs information for the investment options, including an investment option for which the abbreviated fees and costs have been given in the shorter PDS, must comply with the enhanced fee disclosure requirements: see cl 8 of Sch 10D and 10E.

² An investment option in which the ratio of investment in growth assets, such as shares or property, to investment in defensive assets, such as cash or bonds, is as close as practicable to 70:30.

³ The fees and costs for investment options, apart from an investment option contained in the PDS, must be in a separate document incorporated by reference into the PDS. Any *additional* fees and costs information for an investment option contained in the PDS must also be in a document incorporated by reference into the PDS. We encourage the issuer to replicate some of the fees and costs information in the PDS in the incorporated by reference material so that the consumer can view the information in the one place and more easily compare the fees and costs.

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Impact of the Stronger Super reforms

- RG 97.15 The Stronger Super reforms introduced a number of significant changes to fees and costs disclosure for superannuation products. Changes were made to the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the Corporations Act to take into account, among other things:
- (a) the MySuper regime;
 - (b) tighter regulation for prescribing the types of fees charged;
 - (c) improving reporting to members; and
 - (d) encouraging member engagement.
- RG 97.16 The reforms introduced specific fee definitions for MySuper products and a new ‘indirect cost’ concept, which replaced the previous ‘management costs’ and ‘transactional and operational costs’ concepts for superannuation products in the Corporations Regulations. The reforms also made some minor changes to the Corporations Regulations for managed investment products.

When the requirements apply

- RG 97.17 Table 2 (PDSs) and Table 3 (periodic statements) set out when the fees and costs disclosure requirements apply, as modified by [\[CO 14/1252\]](#).

Table 2: When the PDS requirements apply

Date PDS first given	What the issuer must comply with
On or after 25 November 2015 and before 1 February 2017	<p>An issuer must comply with:</p> <ul style="list-style-type: none"> the requirements in this guide and the fees and costs disclosure requirements (as modified by [CO 14/1252]) if, after [CO 14/1252] was modified in November 2015, the issuer includes in the PDS or publishes on a website from which the PDS can be accessed a notice that [CO 14/1252] applies to the PDS; or our previous guidance in RG 97, issued in November 2011 (unaffected by [CO 14/1252]). <p>Note: In any case, certain provisions specified in [CO 14/1252] will apply if the PDS applies those provisions.</p>
On or after 1 February 2017 (where the issuer has not met the conditions to take advantage of the extension of the transition period to 30 September 2017 set out in [CO 14/1252]).	<p>An issuer must comply with the requirements in this guide and the fees and costs disclosure requirements, as modified by [CO 14/1252].</p> <p>Certain requirements for disclosure of borrowing costs for superannuation products do not apply.</p>

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Date PDS first given	What the issuer must comply with
On or after 1 February 2017 and before 30 September 2017 (where the issuer has met the conditions to take advantage of the extension of the transition period to 30 September 2017 set out in [CO 14/1252]).	<p>An issuer must comply with:</p> <ul style="list-style-type: none"> the requirements in this guide and the fees and costs disclosure requirements, as modified by [CO 14/1252], if the issuer after 31 January 2017 includes in the PDS, or publishes on a website of the responsible person from which the PDS can be accessed, a notice stating the PDS complies with [CO 14/1252]; [CO 14/1252], as it stood before it was modified in November 2015, if the issuer included a notice stating the PDS would comply with [CO 14/1252] before the class order was modified in November 2015; or our previous guidance in RG 97, issued in November 2011 (unaffected by [CO 14/1252]). <p>Note: In any case, certain provisions specified in [CO 14/1252] will apply if the PDS applies those provisions.</p>
On or after 30 September 2017	An issuer must comply with the requirements in this guide and the fees and costs disclosure requirements, as modified by [CO 14/1252] , including the requirements for disclosure of borrowing costs for superannuation products.

Note: Copies of the previous versions of RG 97 are available on request to feeandcostdisclosure@asic.gov.au.

Table 3: When the periodic statement requirements apply

Last day permitted for giving the periodic statement	What the issuer must comply with
Before 1 January 2018	<p>An issuer must comply with:</p> <ul style="list-style-type: none"> the requirements in this guide and [CO 14/1252] if the periodic statement applies the periodic statement provisions of [CO 14/1252] and the periodic statement states that [CO 14/1252] applies to it; or our previous guidance in RG 97, issued in November 2011 (unaffected by [CO 14/1252]) for periodic statements required to be given before 1 January 2018, in any other case.
On or after 1 January 2018	An issuer must comply with the requirements in this guide and the fees and costs disclosure requirements, as modified by [CO 14/1252] .

Note: Copies of the previous versions of RG 97 are available on request to feeandcostdisclosure@asic.gov.au.

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B Disclosing fees and costs in PDSs generally

Key points

This section provides guidance on disclosing fees and costs in PDSs generally, including:

- quantifying fees and costs (see RG 97.18–RG 97.19);
- calculating and disclosing costs (see RG 97.20–RG 97.22);
- identifying ‘indirect costs’, including guidance on investments through ‘interposed vehicles’, which is a key component in the calculation of indirect costs (see RG 97.23–RG 97.53);
- identifying interposed vehicles, including guidance on the assets test, PDS test and platform test (see RG 97.54–RG 97.82);
- determining indirect costs (see RG 97.83–RG 97.123);
- the treatment of performance fees (see RG 97.124–RG 97.132);
- the disclosure of multiple investment options (see RG 97.133–RG 97.136);
- the inclusion of additional voluntary information (see RG 97.137–RG 97.145);
- updating fees and costs information in a supplementary PDS (see RG 97.146–RG 97.149);
- the meaning of ‘components’ of fees and costs (see RG 97.150–RG 97.152);
- disclosure of fees and costs that apply at varying rates (see RG 97.153–RG 97.158); and
- disclosure of contingent fees and costs (see RG 97.159–RG 97.161).

For specific guidance on disclosing fees and costs in PDSs for superannuation products and managed investment products, see Sections C and D, respectively.

Quantifying fees and costs

RG 97.18 If it is not possible to determine a single amount for a fee or cost, the amount may be shown as a range in the fees and costs template: cl 204(3) of Sch 10. In the example of annual fees and costs, if there is a range in the fees and costs template, the calculation must be based on the highest amount in the range. This applies for management costs for managed investment products and for administration and investment fees for superannuation products. If the example of fees and costs for a MySuper product uses a lifecycle MySuper product, the investment fee quoted in the example must be the highest investment fee for a lifecycle stage of the product: cl 214A of Sch 10.

Note 1: Clause 218A(2) of Sch 10 requires issuers to use the highest fee or cost for management costs if a range of fees or costs is used for an investment option offered by a registered scheme.

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Note 2: Clauses 218(2) and (4) of Sch 10 require an issuer of a superannuation product to use the highest fee in a range, if a range is used for administration and investment fees.

- RG 97.19 Indirect costs for superannuation products are calculated on the basis of a single ratio, the indirect cost ratio: cl 218(5) of Sch 10. A single reasonable estimate should be used when determining the indirect cost ratio if the costs are not known. Similarly, the amount included within administration and investment fees for superannuation products or management costs for managed investment products (to the extent that it relates to costs rather than certain amounts payable to the issuer) should be based on what is known or is a single reasonable estimate. Disclosure of these costs, other than for new investment options (new products), is to be based on the previous financial year's outcomes.

Note: In certain circumstances, costs of derivative financial products may be determined in accordance with cl 101A(3) of Sch 10 rather than a reasonable estimate.

Calculating and disclosing costs

- RG 97.20 Indirect costs must be calculated and disclosed for superannuation products and managed investment products. For superannuation products, the indirect costs are disclosed separately. For managed investment products, indirect costs are disclosed as part of management costs. Income tax or contribution taxes are not to be included in indirect costs or as costs included as fees or management costs. However, the amount of a fee or cost charged does include the amount of any goods and services tax (GST), less reduced input tax credit, and any stamp duty on that fee or cost: cl 204(7) of Sch 10.
- RG 97.21 The cost associated with making an investment is to be distinguished from the cost of the investment itself. This applies to the end investments rather than interposed vehicles and derivative financial products for which particular provisions apply. The purchase price of an asset is not itself a fee or cost that must be disclosed under the enhanced fee disclosure regulations. However, an amount other than the purchase price may be a fee or cost, even though for accounting purposes the amount is capitalised and reflected in the valuation of the asset. Also, if the amount payable by the fund is higher because the seller is bearing costs that would ordinarily be borne by the buyer, that additional amount in the higher price should be treated as a cost.
- RG 97.22 If the amount payable to acquire an investment exceeds the price that it would be disposed of at that time, the difference forms part of transactional and operational costs. For superannuation products, this amount is not required to be regarded as an investment fee for a superannuation entity (except in relation to derivative financial products: cl 101(3A) to Sch 10 as modified by [\[CO 14/1252\]](#)), as it is the cost of the assets of the superannuation entity not a cost relating to those assets.

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What are indirect costs?

- RG 97.23 'Indirect costs' means any amount that the issuer knows, reasonably ought to know or, where this is not the case, may reasonably estimate will directly or indirectly reduce the return on the product or option that is paid from, or the amount or value of, the income of or property attributable to:
- (a) the product or option; or
 - (b) an 'interposed vehicle' in or through which the property attributable to the product or option is invested (see RG 97.42–RG 97.82).
- RG 97.24 These amounts are indirect costs for a product or option to the extent that they are directly or indirectly attributable to the product or option.
- RG 97.25 For a superannuation product, indirect costs exclude any amount that is charged to the member as a fee, is a fee as defined in cl 209A or is an insurance fee.
- RG 97.26 The definition of 'indirect costs' has been modified by [\[CO 14/1252\]](#) to make clear the extent to which costs are to be included as indirect costs. For superannuation products, the modifications mean that any amount that must be disclosed as a fee is not also included as indirect costs. Amounts payable by the trustee of the superannuation entity (superannuation fund trustee) out of the superannuation fund for investment and administration are costs that must be disclosed as fees, generally as an administration or investment fee (see the definition of these fees in cl 209A), and are not indirect costs. This includes payments to an investment manager acting for the trustee under a mandate, including fees based on the returns achieved under their management or otherwise.
- RG 97.27 Costs that are not payable out of the superannuation entity and that would otherwise be part of investment fees or administration fees (such as costs paid by the operator of an interposed vehicle in which the superannuation entity invests) may be instead treated as indirect costs if the superannuation fund trustee has elected in writing to treat those costs as indirect costs. The election may be made generally or for a particular kind of cost.
- RG 97.28 Other than costs relating to derivative financial products (see RG 97.102–RG 97.109), an amount incurred in an interposed vehicle needs to be included in the indirect costs of a superannuation product or a managed investment product only if that amount would be an investment fee or administration fee for the superannuation product or, if the amount had been paid out of the scheme property of the registered scheme, be a management cost of the managed investment product. The intent is for the same total fees and costs to be disclosed whether an amount is paid out of an interposed vehicle or a superannuation fund or registered scheme.

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- RG 97.29 If the amount is not known, or could not reasonably be known, the issuer must reasonably estimate the indirect costs: see RG 97.87–RG 97.94. If an estimate is used, it must be clearly designated as an estimate: cl 204(5).

Note: In certain circumstances, costs of derivative financial products may be determined in accordance with cl 101A(3) of Sch 10 rather than a reasonable estimate.

Calculation of indirect cost amounts and the indirect cost ratio

- RG 97.30 Generally, the fees disclosed in the fees and costs template are those applying currently and those that are intended to apply in future. In completing the example of annual fees and costs, a typical ongoing amount within the range of such fees must be used. However, except for new products, when the PDS is available during a financial year, indirect cost amounts and the indirect cost ratio should be calculated based on the indirect costs paid in the previous financial year, and the indirect cost ratio should be calculated based on the total average net assets for the relevant financial year: cl 104(1) and (1A) of Sch 10. This also applies to the component of fees for a superannuation entity that is not payable to the issuer and the component of managed investment costs that is not charged directly to the member's account.
- RG 97.31 Although generally the calculation of indirect costs is based on a completed period, we recognise that an estimate may be required—for example, due to the unavailability of information about amounts of costs incurred towards the end of the previous financial year.
- RG 97.32 If there are multiple approaches to estimation that might be reasonably used, which would produce materially different outcomes, the issuer should consider including an explanation of the approach taken to the calculation. The approach should be set out in the 'Additional explanation of fees and costs' section of the PDS.
- RG 97.33 We also encourage issuers to include, under 'Additional explanation of fees and costs', information about possible outcomes in the current year or later financial years if there are circumstances that indicate that outcomes in the previous financial year may not be a good indication of typical ongoing costs. We suggest that the information include an explanation that the figures are based on outcomes from the previous financial year and why typical ongoing costs are likely to be materially different where that is the case. Also, where reasonable grounds exist, issuers may include a forecast of the range of typical ongoing costs that may be expected, based on the information available when the PDS is prepared.

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New products

- RG 97.34 Generally the indirect costs and, for a superannuation product, costs included in fees that are used for the annual example of fees and costs are to be based on the previous financial year. For superannuation products, the reference to ‘financial year’ is to a 12-month period that ends at the same time as the reporting period for the fund’s annual report.
- RG 97.35 The provision of using a previous financial year’s outcomes does not apply when preparing a PDS for a MySuper product, investment option or registered scheme that has not been offered for at least 11 months before the end of the previous financial year. In that case, at the time the PDS is prepared the issuer must reasonably estimate the indirect costs that will apply for their current financial year, adjusted to reflect a 12-month period. When an estimate for the current period is used, the ‘Additional explanation of fees and costs’ should make clear that the amounts are those expected to apply over the first full financial year. We encourage issuers in this case to also include information about any costs that will be incurred before their first 12-month financial year under ‘Additional explanation of fees and costs’.

Updating a PDS for changes in costs disclosed

- RG 97.36 Whether the issuer needs to update fees and costs used in a PDS may depend on whether there are changes to the amounts known or reasonably estimated of the costs incurred during the previous financial year (see cl 104(2) and cl 104A), except for new products (see RG 97.34). If the issuer becomes aware of information that means such an amount—including an amount that is used in the annual example of fees and costs as part of the management costs for a managed investment product or a fee for a superannuation fund—or the indirect cost ratio that was disclosed in the PDS is no longer what is known or reasonably estimated for the period for which it relates, the issuer will need to update the relevant amounts stated in the PDS unless the relief under [ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#) applies. The material may no longer be up to date, for example, when some or all the indirect cost amounts used in the calculation of the ratio were reasonably estimated but new information made the estimate no longer reasonable.
- RG 97.37 If the difference identified in costs disclosed in the PDS as a result of new information is not materially adverse from the viewpoint of the investor, the issuer may, rather than updating the PDS, make the update by releasing the new information in a way that is permissible under [ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#). Typically, we expect updates made in accordance with this class order to be made electronically on a website that is accessible by investors.

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- RG 97.38 If the difference in the indirect cost amount or ratio, relative to the amount or ratio in the PDS, is materially adverse from the viewpoint of the investor, the issuer will need to update the PDS. In this situation, the PDS would be defective because it would not be up to date when given (as required by s1012J, 1021B(1A) and 1022A(1A)).
- RG 97.39 For investment options other than the default or balanced investment options, information about indirect costs may be included in material that is incorporated by reference in a shorter PDS. As the law facilitates updating such incorporated disclosures while not updating the eight-page PDS, doing so has a lower cost. It is appropriate that the information should be updated if new information comes to light that means that a previous estimate is not reasonable or is known to be inaccurate, or if there are different updated amounts available from a new financial year.
- RG 97.40 In addition, the superannuation fund trustee (under s1017B) or responsible entity (under s674, 675 or 1017B) may be required to make updating disclosures to inform current investors that the cost is not the amount stated in the PDS.

Note: If investors have been overcharged they will need to be compensated. [Regulatory Guide 94 Unit pricing: Guide to good practice](#) (RG 94) gives guidance on the correction and remediation of unit prices, and whether it is appropriate to compensate investors, including for excessive remuneration payments. This does not imply that compensation is required solely on the basis that an issuer has made an estimate that, although reasonable at the time of being made, because of later information becoming available is no longer what is known or reasonably estimated as the indirect costs.

Is there a need to update the indirect cost amount and ratio annually?

- RG 97.41 Disclosures of costs in the PDS generally must, where the PDS is available during a financial year, be based on the previous financial year: see RG 97.30. The issuer will need to consider by the end of each financial year whether the disclosures affected by the amount for costs in their PDS need to be updated to ensure the PDS is up to date (as required by s1012J) and to avoid the PDS being likely to be misleading. If the costs for the most recent financial year would result in different disclosures to what is disclosed in the PDS, then the issuer may need to update the PDS. If the difference is not materially adverse from the viewpoint of the investor, the issuer can make the update by releasing the new information in a way that is permissible under [ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#): see RG 97.36–RG 97.40.

Investments through interposed vehicles

- RG 97.42 The intention of the enhanced fee disclosure regulations was to allow the definition of ‘management costs’ to capture the costs of investing through an interposed vehicle or chain of interposed vehicles. The Stronger Super

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reforms have introduced a new ‘indirect cost’ concept for superannuation products, but the intention to capture the cost of investing through an interposed vehicle, or chain of interposed vehicles, was not affected.

Note: References to ‘management costs’ no longer apply for superannuation products; however, management costs still apply to managed investment products. [\[CO 14/1252\]](#) incorporates ‘indirect costs’ into the definition of ‘management costs’ in cl 102.

- RG 97.43 Issuers must, when disclosing fees and costs information in a PDS, take into account the costs of making direct investments, as well as the costs of investing in entities that fall within the definition of ‘interposed vehicles’ in [\[CO 14/1252\]](#) and which may make further investments (including through other interposed vehicles) in the underlying asset or investment. These costs include, but are not limited to, management fees based on the value of assets and fees based on the return paid from interposed vehicles.
- RG 97.44 To ensure costs of investing in interposed vehicles are captured by issuers, ‘indirect costs’ is defined—for superannuation products and managed investment products—to include certain amounts that reduce the amount or value of income or property attributable to an investor’s investment, including where the investment is further invested through interposed vehicles: cl 101A of Sch 10, as inserted by [\[CO 14/1252\]](#).
- RG 97.45 If an issuer’s investment in an interposed vehicle makes up a portion of the total investments in that vehicle, the issuer should only include in their indirect costs the costs of investing in the interposed vehicle that are attributable to their investment.

Transactional and operational costs

- RG 97.46 As a result of amendments made to the enhanced fee disclosure regulations, the Stronger Super reforms, superannuation fund trustees must include all the costs of investing as indirect costs, including most transactional and operational costs, as long as these costs are not a fee of the superannuation entity.
- RG 97.47 Apart from the inclusion in fees or indirect costs for a superannuation entity of most transactional and operational costs, details of all transactional and operational costs must be separately stated under ‘Additional explanation of fees and costs’: cl 209(j) and cl 209(m). A superannuation fund trustee may also wish to state the amount of their total fees and costs, excluding transactional and operational costs, in that section.
- RG 97.48 Indirect costs for a registered scheme include any underlying management costs associated with an interposed vehicle. Responsible entities must disclose in the fees and costs template only those costs that form part of their management costs: cl 102 of Sch 10, as amended by [\[CO 14/1252\]](#). Clause 102(2) of Sch 10 excludes certain fees and costs—in particular,

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transactional and operational costs, except for certain costs for certain derivative financial products and interposed vehicles—from the calculation of management costs and the indirect cost ratio for managed investment products.

- RG 97.49 For managed investment products, details of transactional and operational costs must be separately stated under ‘Additional explanation of fees and costs’: cl 209(j). We encourage issuers to:
- (a) include a total of the amounts for management costs and transactional and operational costs as a ratio, calculated on the same basis as an indirect cost ratio is calculated; and
 - (b) illustrate this as a dollar figure by applying it to an example on the same basis as the example of annual fees and costs.
- RG 97.50 Any tax or stamp duty on the acquisition or disposal of an asset is also not required to be disclosed in management costs for a registered scheme as they are transactional and operational costs. For superannuation products this exclusion does not apply. Other taxes that do not relate to investments, such as income taxes or contribution taxes, are not treated as fees and costs, including as transactional and operational costs, for the enhanced fee disclosure regulations.
- RG 97.51 Information about transactional and operational costs is to be determined in relation to the last financial year (except for new products), consistent with the calculation of other costs. We encourage issuers to include information about possible outcomes in the current year or later financial years if there are circumstances that indicate that outcomes in the previous financial year may not be a good indication of typical ongoing costs. We suggest that the information include an explanation that the figures are based on outcomes from the previous financial year and why typical ongoing costs are likely to be materially different where that is the case. Also, where reasonable grounds exist, issuers may include a forecast of the range of typical ongoing costs that may be expected based on the information available when the PDS is prepared.
- RG 97.52 When noting transactional and operational costs under ‘Additional explanation of fees and costs’, issuers should set out how any costs resulting from issues and withdrawals will be borne. If this is recovered in whole or part by a spread between the prices charged to the member for issue of and withdrawal from the product, the issuer should state this with an explanation of how the amount is determined.
- RG 97.53 The difference between the price paid for acquiring an asset and the price that would be payable if it were disposed of is part of transactional and operational costs. The issuer should note if any part of the spread between the acquisition and disposal price on assets is payable to the issuer or an

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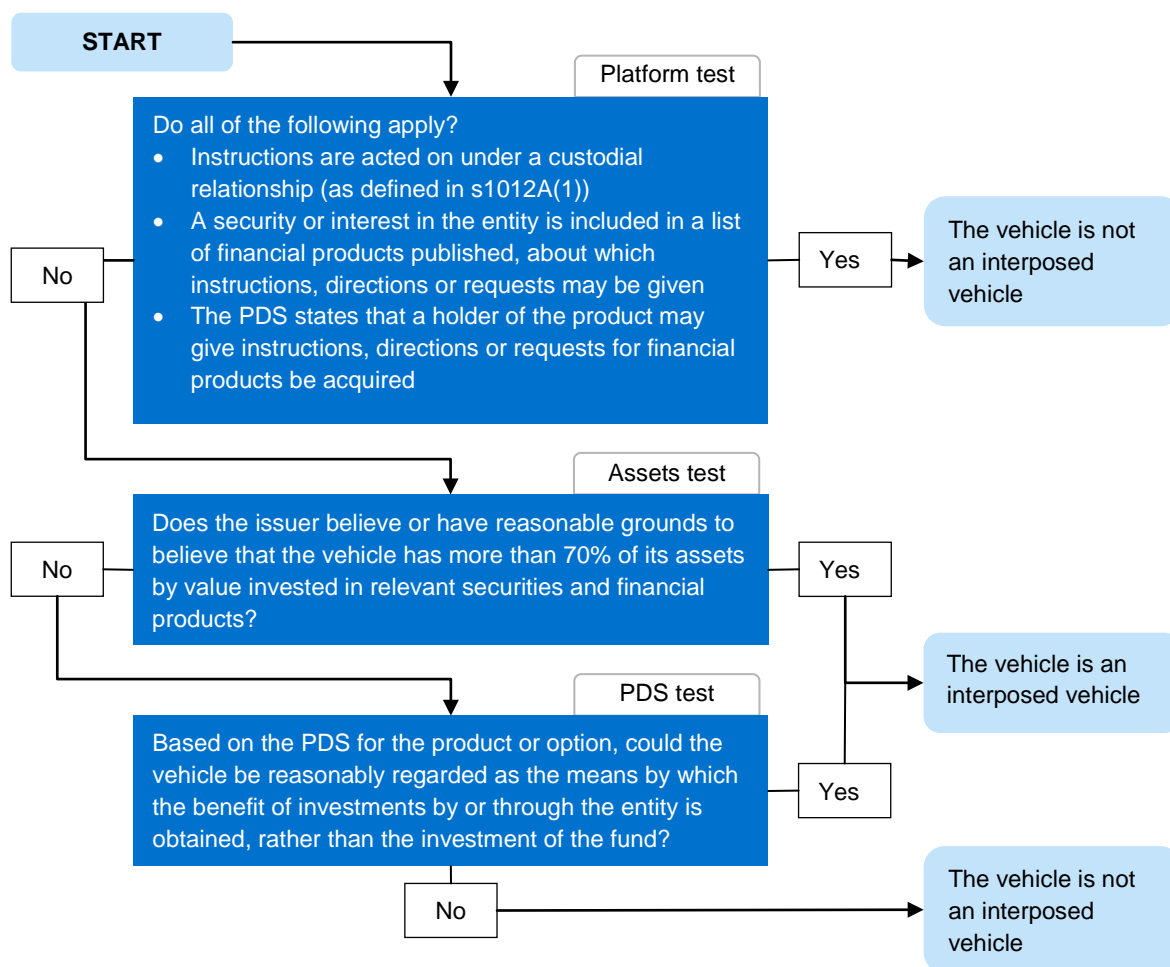
external manager. The disclosure must include how and when these costs are recovered. For superannuation products, this may occur through the buy–sell spread, which is a fee that may be charged to recover transaction costs on a sale and purchase of assets of the entity. These costs do not have to be disclosed as an investment fee or indirect cost.

What is an interposed vehicle?

RG 97.54 An interposed vehicle is a body, trust or partnership that meets either the assets test (see RG 97.56–RG 97.59) or the PDS test (see RG 97.60–RG 97.67) and is not excluded under the platform test (see RG 97.68–RG 97.75).

RG 97.55 Figure 1 sets out the process for testing whether a vehicle is an interposed vehicle.

Figure 1: Test for interposed vehicle



Note: See RG 97.56–RG 97.80 for the tests set out in this flowchart (accessible version).

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Assets test

- RG 97.56 The term ‘interposed vehicle’ is defined in cl 101B of Sch 10, as inserted by [\[CO 14/1252\]](#), to include a body, partnership or trust (‘entity’) that the issuer believes or has reasonable grounds to believe has more than 70% of its assets by value invested in financial products, other than certain excepted financial products. We consider that a limit of 70% of the assets is appropriate, as it indicates that the entity has a principal business or activity of investing—for example, investment trusts, listed investment companies, life companies, exchange-traded funds, pooled superannuation trusts and hedge funds.
- RG 97.57 Only certain financial products that an entity holds are relevant when considering whether the entity holds more than 70% of its assets by value in financial products (relevant financial products). The following financial products are not relevant financial products and can be ignored for the purpose of the numerator in the calculation when making this assessment:
- (a) financial products that are reasonably regarded as a means by which the entity invests in real property or infrastructure entities; and
 - (b) financial products that confer control of another entity, unless the other entity has more than 70% by value of its assets invested in financial products, excluding the financial products described in RG 97.57(a) and financial products that qualify under RG 97.57(b).
- RG 97.58 The basis for the exception in RG 97.57(a) is that property trusts and infrastructure trusts often hold shares or interests in property holding entities without this implying that the holding of interests in the property trust or infrastructure trust is a means of seeking exposure to the underlying assets of the property holding entity, rather than the investment of the superannuation entity or registered scheme in the property trust or infrastructure trust. A property trust or infrastructure trust may be used as an interposed vehicle, but this needs to be considered in light of the investment strategy and other disclosures in the PDS for the superannuation product or managed investment product.
- RG 97.59 The basis for the exception in RG 97.57(b) is that, generally, a holding that confers control is used to operate a business that is not an investment business, and so does not imply that the entity holding the control is being used as an interposed vehicle. However, if the entity that is controlled is itself an entity that would be an investment vehicle, then the holding should be considered in determining whether the controller is an interposed vehicle.

PDS test

- RG 97.60 An entity will also be an interposed vehicle for a superannuation or managed investment product or option if, based on the PDS for the product or option and any other information issued by the issuer, a security or interest in the

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entity could reasonably be regarded as the *means* by which the benefit of the investment is obtained, rather than the end investment. To establish that an entity is not an interposed vehicle, the issuer will need to ensure that a retail client who is given the PDS and any other information would generally clearly understand that what they are acquiring, and therefore what the fees and costs they are charged relate to, is consistent with access to the entity as an end investment rather than a way of securing exposure to assets through the entity.

- RG 97.61 Interposed vehicles can include life companies, trusts (e.g. unit trusts), unlisted managed funds, partnerships, listed and quoted managed funds (e.g. exchange-traded funds), listed investment companies, and other investment vehicles.
- RG 97.62 However, as a practical matter, we consider that it will often be easier to establish that an entity is not an interposed vehicle if it is listed—that is, if it is an entity included in the official list of:
- (a) a prescribed financial market; or
 - (b) a financial market operating outside of Australia that is regulated by a foreign government or an agency of a foreign government.
- RG 97.63 This is because, in the case of a listed entity, a holding will often form part of an equities portfolio, under which returns are sought from increases in the market price of the financial products, as well as any income paid to their holders. The market price will not necessarily be closely related to the value of the assets of the entity. If shares or interests in a listed real estate investment trust or infrastructure trust are held in an equities portfolio, we consider that the PDS and any other information issued by the issuer can make it clear to retail investors that the holding of those shares or interests is the investment that is provided to them through the superannuation entity or registered scheme. To ensure that treating exposure to the relevant shares and interests in the listed real estate investment trust or infrastructure trust as part of the equities portfolio is not potentially misleading, this treatment needs to be consistent with the disclosure and marketing material for the investment option or product—including any material about the investment objective, strategy and asset allocation.
- RG 97.64 For shares or interests in unlisted entities where the valuation of interests or shares depends on the value of its underlying assets—for example, an unlisted property fund—we do not expect, apart from where the holding is acquired on investor instructions or is the holdings of infrastructure holding entities noted in RG 97.68–RG 97.75, that the entity will ordinarily be viewed by retail clients other than as a means of obtaining exposure to those underlying assets, whatever is stated in the PDS. In any case, for the PDS test not to be met we consider that the PDS and other information would need to make it clear that the holding of the shares or interests is the investment, and not just a means of obtaining exposure to a particular class

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of assets (that may include the assets expected to be held by the entity). This must be consistent with the investment objective, strategy and the nature of the product offering, as apparent from its disclosures about asset allocation, before it could be determined that the entity was not an interposed vehicle. It must also be consistent with any other information issued by the issuer, including any marketing material.

- RG 97.65 An infrastructure holding entity may often not be an interposed vehicle because it would be clear to retail clients who read the PDS and are given other information that the asset that is intended to be the investment of the superannuation entity or registered scheme is the entity operating the infrastructure business—such as an airport or toll road—rather than the real property itself.
- RG 97.66 In summary, a ‘look-through’ test is applied. Even though the PDS may attempt to characterise an entity as the end investment, including by stating that, the entity will still be treated as an interposed vehicle if it could be reasonably regarded by retail clients as the means by which an investment is obtained, rather than the end investment to which exposure is sought.
- RG 97.67 If a responsible person has taken a view that an entity is not an interposed vehicle, but is instead the investment that it is providing exposure to, the issuer’s marketing activities will need to be consistent with the view. In particular, it would likely be misleading to cause, authorise or permit the inclusion of the product in comparisons of fees and costs with other products if that comparison implied similarity between the products compared on the basis of the investments. This applies when it would only have been appropriate to imply this similarity if one were to consider the assets held by the entity that might be an interposed vehicle rather than the entity itself. For example, allowing the inclusion of information in a comparison of fees for property investment options may be misleading if the responsible person has taken the view that the investment of the relevant option of the superannuation entity or registered scheme is an interest in a property trust, not the real property that may be held through that trust.

Platform test

- RG 97.68 In some circumstances, if securities or interests in an entity are acquired through a platform the entity is not treated as an interposed vehicle on the basis that they are selected by the investor. This applies where the PDS states that the securities or interests will be acquired on the instruction, direction or request of the client and the relevant investments that the client may choose are in a list published by the responsible person. The acquisition must be under a custodial arrangement (within the meaning of s1012IA(1) of the Corporations Act). This would apply to certain assets acquired through platforms called wraps, superannuation platforms or IDPSs.

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RG 97.69 For example, if a superannuation platform allows retail clients to provide instructions on whether to invest in an equity trust that has a PDS (which is to be given to retail clients before they make an investment in that investment option), then the equity trust is not considered to be an interposed vehicle for the purposes of disclosure by the superannuation platform.

RG 97.70 In these circumstances, the PDS test would not be satisfied, and although the relevant entities may otherwise have been interposed vehicles under the asset test, they are not being used as interposed vehicles by the superannuation platform to obtain exposure to underlying assets but rather being offered as the assets for selection by members. To avoid an unintended effect of the assets test, the entities acquired in these circumstances are excluded from being treated as interposed vehicles for the relevant investment option.

RG 97.71 Generally, retail clients of a platform that invest under a custodial arrangement will receive a PDS for the underlying investment, which will set out its own fees and costs, and retail clients will be able to obtain any subsequent PDSs for the investment with information about indirect costs in later financial years. Retail clients will not, however, have a statutory right to receive a periodic statement under s1017D setting out indirect costs attributable to the underlying investment, and this may need to be disclosed in the PDS or IDPS guide for the platform.

Note: [\[CO 13/763\]](#) requires an IDPS guide to provide disclosure of the interests in the IDPS in accordance with Sch 10, as if the interests were managed investment products.

RG 97.72 Nevertheless, in understanding the impact of fees and costs on obtaining the exposures they seek, investors need to take into account the cumulative effect of costs at the platform level and in the investments on the list they select. To ensure that retail investors are not misled, the PDS will need prominent statements following the example of annual fees and costs that the fees and costs of the platform relate to access to the investments on the list, not the costs within those investments, and that additional costs will be charged by the issuers of the products that the investor decides to invest in.

Note: [Regulatory Guide 148](#) *Platforms that are managed investment schemes* (RG 148) provides guidance to operators of platforms that are managed investment schemes, including in relation to disclosure of fees and costs. [Regulatory Guide 184](#) *Superannuation: Delivery of product disclosure for investment strategies* (RG 184) provides guidance to trustees of superannuation platforms, including in relation to disclosure of fees and costs.

RG 97.73 Issuers can help ensure that the PDS is not misleading by including an example. The example should illustrate the combined effect of fees and costs of the platform and of an actual or hypothetical entity that may be regarded as typical, in terms of its fees and costs and investment strategy, for a major proportion of the investments selected by investors in the relevant platform. The example would need to be on the same assumptions and basis as the example of annual fees and costs. In the case of a superannuation platform,

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the example would have to take into account fees and costs in the entity on the same basis as for a superannuation fund, even if the entity is, for example, a managed investment scheme. In the case of a shorter PDS, the additional example could be incorporated by reference.

- RG 97.74 We encourage platform operators to provide for each investment on their list similar examples of the cumulative effect of the fees and costs of the investment, taking into account the fees of the platform and the fees and costs for the investment that may be selected. This information should be based on what is known, ought to be known or is reasonably estimated. Costs in such a disclosure would usually be based on the last financial year. For an investment in a registered scheme, generally a reasonable estimate for this purpose can be determined from the disclosed management costs plus the disclosed transactional and operational costs in the PDS for the managed investment product—unless there is use of over-the-counter (OTC) derivatives or similar financial products, in which case some adjustment may be needed (if necessary, through reasonable estimation) if it would be material to the amounts disclosed.
- RG 97.75 Persons undertaking marketing activities or providing financial product advice referring to fees and costs for investment options that involve entities covered by the platform test need to ensure that there is no inappropriate comparison with other kinds of investment options. In particular, it would likely be misleading to cause, authorise or permit the inclusion of the investment option in tables of fees and costs with other kinds of investment options without the fees and costs of the investment option also including the fees and costs of gaining exposure to the option via the platform.

Applying the tests

- RG 97.76 We recognise that investment arrangements for superannuation entities and registered schemes often involve investing in a large number of entities, including multiple layers of entities, to gain exposure to assets. It is important for the issuer to consider whether any of the entities it invests through directly, or indirectly through another entity or entities, is an interposed vehicle. In relation to the PDS test, the assessment can be made on the basis of the PDS itself and any other information issued by the issuer. For the platform test, the assessment can be made on the basis of the PDS itself together with the assessment of the list of investments. Identifying whether an entity is an interposed vehicle under the assets test is based on what the issuer believes or has reasonable grounds to believe.
- RG 97.77 As part of the proper performance of their duties, either as a superannuation fund trustee or a responsible entity, the issuer will have information that may give them reasonable grounds to believe that an entity meets the elements of the assets test. This may arise from knowledge about the particular entity or

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about the investment strategy applied in an interposed vehicle through which financial products in the entity are held.

RG 97.78 There is no requirement to undertake inquiries outside the issuer to ascertain facts and determine if they would provide reasonable grounds to believe the assets test is met. Where there is uncertainty concerning an entity—whether or not it may be an interposed vehicle—we encourage issuers to make reasonable inquiries taking into account how material the outcome would be to disclosed fees and costs. This may include seeking information from the operator of the entity to determine whether the entity and, if applicable, any other entity in which it invests would meet the assets test.

RG 97.79 ‘Having reasonable grounds to believe’ is more than a mere reason to suspect. In its unanimous judgement in *George v Rockett* (1990) 170 CLR 104, the High Court held at 112 that:

When a statute prescribes that there must be ‘reasonable grounds’ for a state of mind—including suspicion and belief—it requires the existence of facts which are sufficient to induce that state of mind in a reasonable person.

RG 97.80 If the issuer does not believe the test is met and the information that the issuer has does not provide reasonable grounds to believe an entity meets the elements of the assets test, the test is not met. However, if there are reasonable grounds to believe the elements of the assets test are met, it is met, even if there is insufficient reason to be sure that the elements are met.

Effect of downstream entities

RG 97.81 If an entity is considered to be an interposed vehicle and it invests in another interposed vehicle, then costs incurred by the other vehicle are to be taken into account: cl 101A(2)(a) of Sch 10, as inserted by [\[CO 14/1252\]](#). This will occur if the downstream entity meets the definition of an interposed vehicle in [\[CO 14/1252\]](#). If the entity that the interposed vehicle invests in does not meet the definition of an interposed vehicle, its costs will not have to be considered when calculating the indirect costs of the product or option that invests in the interposed vehicle that holds financial products of the entity. When assessing whether a vehicle is an interposed vehicle, once a vehicle in the chain of vehicles is identified as not meeting the interposed vehicle definition, then any vehicles below this vehicle are not interposed vehicles attributable to the investment by the relevant option or product in the original interposed vehicle.

Examples of interposed vehicles

RG 97.82 We have included some examples of interposed and non-interposed vehicles in Appendix 1. These examples are not intended to be an exhaustive list of

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possibilities, but rather practical examples of whether a vehicle is considered an interposed vehicle.

Determining indirect costs

- RG 97.83 Having determined which entities are interposed vehicles, issuers need to:
- (a) identify indirect costs that they know or ought to know; and
 - (b) reasonably estimate any indirect costs that are unknown when it is not reasonable to know the cost (cl 101A, as inserted by [\[CO 14/1252\]](#)).
- RG 97.84 Identifying indirect costs that issuers know or ought to know will require issuers to use information about the costs they have or would obtain as part of performing their duties. Issuers will typically obtain the information from the operators of interposed vehicles through which they invest, either by requesting the information or from regular reporting by the operators to the issuers (as investors in their vehicles). It is expected that costs paid to related parties will ordinarily be known or ought to be known. Some costs will also be identifiable in contracts and other documents related to the investment and operational arrangements the issuer has entered for the product or option.
- RG 97.85 When determining indirect costs arising from certain OTC derivatives and similar financial products, specific provisions apply if the amount is not known, and the issuer believes it is not the case that they ought to know or be able to reasonably estimate the amount (calculated under cl 101B(3)) without taking steps that they do not believe are reasonable (see RG 97.102–RG 97.123).
- RG 97.86 If the counterparty is a related party, ordinarily an issuer will know, ought to know or will be able to reasonably estimate the indirect costs without taking steps that they believe are unreasonable. In cases where the issuer does not know, ought not to know and cannot reasonably estimate the amount, they must calculate either the minimum indirect costs that would otherwise be calculated (as described at RG 97.115–RG 97.118) or 0.1% of the value of the underlying assets (ultimate reference assets) per year, whichever is higher. If the financial product is held for less than a full financial year, the calculation should be made on a pro-rata basis for the period of holding. For an option, the amount calculated is the premium for the option if that is less than the amount calculated on that basis.

Making reasonable estimates

- RG 97.87 In making a reasonable estimate of a cost, issuers may use information they have and make reasonable assumptions. We will accept an estimate that the issuer believes is their best estimation, if the issuer has taken reasonable

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steps to formulate it. Reasonable steps would include those that are within the issuer's duties and obligations as a responsible entity or superannuation fund trustee. However, in some cases further steps may be reasonable, specifically to obtain information about costs for disclosure under the enhanced fee disclosure regime.

- RG 97.88 In determining whether steps are reasonable it will be relevant to consider among other things:
- (a) the cost or effort involved in the steps; and
 - (b) the likelihood that the steps would result in a material change to what would otherwise have been estimated, and that this would impact the amounts that may be required to be disclosed.
- RG 97.89 Depending on the circumstances, steps that issuers may take to make a reasonable estimate include:
- (a) using any information provided by the interposed vehicles through which they invest;
 - (b) seeking further information from the interposed vehicles directly or indirectly. We encourage fund managers and other operators of vehicles to provide their investors who are issuers information to assist them in complying with the fee and cost disclosure requirements (noting that, if they not do so, this does not mean that a reasonable estimate is nil);
 - (c) using information gathered to make decisions about acquiring or disposing of the investment;
 - (d) using information about costs of similar investments or in similar markets;
 - (e) making inquiries and undertaking research into the typical costs of the relevant kind of investment; and
 - (f) estimating the costs based on the amounts the issuers would incur if they were to make the investments themselves, rather than rely on a third-party provider.
- RG 97.90 In making a reasonable estimate of costs, the issuer should be mindful that a low estimate is more likely to lead to the PDS later not being up to date in a way that is materially adverse from the viewpoint of the investor. This may occur where the issuer later realises that the disclosed amount is lower than the amount that would have been a reasonable estimate at the time the PDS was prepared.
- RG 97.91 To assist in demonstrating their compliance arrangements are adequate, an issuer should consider documenting their procedures for making reasonable estimates of costs. This may also help an issuer demonstrate that they have taken reasonable steps to formulate their estimation if they are subject to an action for damages on the basis of their estimate not being reasonable. Also,

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it may reduce the likelihood that any of the disclosures in the PDS would be defective and cause loss. We consider it good practice to make those procedures available to investors (e.g. on the issuer's website), as well as the type of information and assumptions the issuer may consider when making these estimates.

- RG 97.92 [Regulatory Guide 240](#) *Hedge funds: Improving disclosure* (RG 240) describes our expectation that management costs incurred in an underlying entity—which are deducted before payment of money to the hedge fund or other underlying entity between the first underlying entity and the hedge fund—may be required to be disclosed as management costs of the hedge fund under Sch 10, in addition to the fees and costs for the hedge fund itself: see RG 240.69–RG 240.72.
- RG 97.93 At RG 240.69(g) we indicated an expectation that:
- ... a reasonable estimate of the aggregate amount of any fees and costs that would be disclosed by all underlying funds ... as if each of those entities were a registered scheme disclosing in accordance with Sch 10 of the Corporations Regulations, but so as to exclude double counting to the extent that those management costs include management costs of the hedge fund.
- RG 97.94 This expectation in [RG 240](#) will be satisfied by disclosure calculated in accordance with Sch 10, as modified by [\[CO 14/1252\]](#).

Using notes to disclose indirect costs and management costs

- RG 97.95 We do not regard disclosure of indirect costs and management costs in the fees and costs template that excludes the costs of interposed vehicles to comply with the law—unless, in the case of a superannuation entity, the issuer elects in writing to treat them as fees. This is even where the cost of investing through interposed vehicles is disclosed using an explanatory note such as:
- Underlying managers are compensated, which may include fixed fees. Generally, fixed fees could range from 1% to 2% annualised off the net value of the fund's investment.
- RG 97.96 We expect costs incurred that affect the investment, including those costs attributable to investing through an interposed vehicle, to be calculated and disclosed as part of the indirect costs for superannuation products (unless otherwise charged as a fee) or, subject to exclusions under cl 102(2), as part of management costs for managed investment products.

Reducing costs through income-sharing arrangements

- RG 97.97 Trading-off management costs and indirect costs occurs when, instead of being paid a fee for services, a superannuation fund trustee, responsible entity, investment manager, custodian or other service provider is remunerated using

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alternative arrangements that involve them benefiting from the property of the superannuation entity or registered scheme—for example, sharing dividend income, paying more than the amount appropriate for assets or offsetting costs using securities lending revenue. Any income or benefits derived from use of the assets in the fund, or scheme property or assets of the scheme, by the issuer (or persons acting on their behalf) that is retained by the issuer is a fee or indirect cost and must be included in calculating relevant amounts for PDS disclosure.

- RG 97.98 There is no provision that allows for the sharing or diversion of income or other benefits to reduce management costs or indirect costs. If such an arrangement is in place, an issuer must continue to account for the entire amount in the fund's gross investment return. The retained portion of the income or benefit is to be considered and disclosed as a management cost for managed investment products, or as a fee or indirect cost for superannuation products.
- RG 97.99 This applies, for example, to income generated through securities lending income retained by a custodian. For a superannuation fund, the portion of proceeds gained by the custodian of the fund from securities lending of fund assets should be considered an investment fee. It also applies to, for example, amounts of gross payments retained by a collection agent (e.g. a hotel operator delegated to operate a hotel in operating a registered scheme) or application fees charged by a responsible entity for considering requests for loans from the registered scheme.

Reducing fees and costs through contributions by related parties

- RG 97.100 Some products could have lower fees and costs because some or all of the fees and costs are paid by a promoter or other related party of the issuer. If the lower fees and costs are offered because the issuer has other business with the promoter or other related party (e.g. the issuer uses their banking services), then this arrangement may also need to be disclosed in the PDS. Disclosure may help Australian financial services (AFS) licensees to manage their conflicts of interest: see RG 97.142. See [Regulatory Guide 234](#) *Advertising financial products and services (including credit): Good practice guidance* (RG 234) for guidance on marketing communications.
- RG 97.101 We consider that promotion of a product in the PDS (or otherwise) as a low-fee or no-fee product is likely to be misleading if there is an undisclosed reduction in the benefits received by the investors. For example, a reduction in benefits would occur where the banking services (or other services the fund uses) available are in some way less favourable than they would otherwise be, to enable the offer of lower fees or costs.

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Note: A responsible entity of a registered scheme must also consider the restrictions on related party transactions (see Pt 5C.7).

Inclusion of OTC derivatives costs in indirect costs

- RG 97.102 Some financial products can functionally be used in a similar manner to interposed vehicles to provide exposure to other assets—in particular, derivative financial products, such as financial products that are derivatives, and securities and interests in managed investment products that have an embedded derivative (e.g. a deferred purchase agreement) that are not able to be traded on a financial market (i.e. an OTC derivative): cl 101A(3A) of Sch 10, as modified by [\[CO 14/1252\]](#). For this reason, the costs of obtaining these exposures through derivative financial products should be seen as management costs for managed investment products, or fees or costs for superannuation products. OTC derivatives costs that are included in investment fees or indirect costs for a superannuation fund do not need to be included in the disclosed transactional and operational costs: cl 209 of Sch 10 and cl 103(f), as modified by [\[CO 14/1252\]](#).
- RG 97.103 The costs incurred are typically to compensate and remunerate the counterparty for managing its position, often by holding assets, which would otherwise be incurred by the superannuation fund or registered scheme. We do not require consideration of financial products that are traded on a financial market for this purpose, as any costs (such as a spread between cost and disposal price) may not be discernible and are unlikely to be material.
- RG 97.104 These costs may be charged as an amount payable to the counterparty (e.g. comprising a component of an option premium). Alternatively, they may be reflected in the difference between how much the counterparty has to pay (or set off) and the value of the underlying asset or index. These costs may also be charged by providing a price to acquire the financial product that is higher than would be payable on its disposal. The combination of these costs affects the amount the fund receives or must pay (actual return) and may be assessed against the return that would be payable if there were no fees, difference between acquisition and disposal costs, or adjustment to the value payable or receivable based on the reference asset or assets (underlying return) when the contract is not an option.
- RG 97.105 For example, in exchange for receiving the returns of a portfolio of assets from a registered scheme, a counterparty must pay an upfront fee of 0.1%—and receive an amount based on a benchmark price or index (the ultimate reference asset) less 1% per year—and on disposal receive a price that is 0.1% less than would be payable to acquire at that time. The derivative is held for one financial year. We consider that the amount of 1.2% of the portfolio should be seen as a cost of investment and included in investment fees or, if entered through an interposed vehicle, included in fees or indirect costs for a MySuper product or investment option of a superannuation fund.

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- RG 97.106 In some cases the reference asset is itself one or more layers of financial products of an interposed vehicle, or derivative financial products. In determining costs, costs in all those layers must be included until the ultimate reference asset is reached.
- RG 97.107 When calculating the return or loss on the ultimate reference asset, the issuer needs to take into account any leveraging of the exposure through the derivative financial product, or any layer of interposed financial product or derivative financial product through which there is exposure to the ultimate reference asset.
- RG 97.108 In some cases there may be multiple reference assets. If the amount payable or receivable is based on the sum of the value of the reference assets, then the value of the reference assets is that sum. If the amount payable or receivable is based on the difference in the value of the reference assets, then the underlying return must be calculated on the net amount. Adjustments that should be regarded as a cost to the holder could be made on each side of the offsetting legs. For example, an increase in the amount payable by the superannuation entity or registered scheme directly or indirectly should be considered, as well as any reduction in the amount payable to the superannuation entity or scheme directly or indirectly.
- RG 97.109 A derivative financial product may place the superannuation entity, registered scheme or interposed vehicle in a short position. In that case, the underlying return would be based on a person with an obligation to deliver the underlying reference asset.

Hedging by registered schemes

- RG 97.110 For managed investment products, as long as the derivative financial product is held for the primary purpose of avoiding or limiting the financial consequences of fluctuations in, or in the value of, receipts or costs of the registered scheme (regardless of whether those receipts or costs arise in or through an interposed vehicle), costs in the derivative financial product are not included as management costs: see cl 101A(4)(a) of Sch 10, as inserted by [\[CO 14/1252\]](#). This exclusion includes hedging against changes in interest and exchange rates and negative price movements of assets, including by purchasing put options or selling call options.
- RG 97.111 This exclusion does not include acquiring derivative financial products to meet the investment return objective of the managed investment product (i.e. to access the underlying asset to obtain a return), such as cash equitisation or efficient portfolio management activities that may be used to reduce the 'tracking error' in index-tracking funds. Entering interest rate derivatives to achieve the exposure that is the intended objective of the investment strategy is also not within this exclusion if the asset holding of the fund is not directed towards the objective of the strategy (e.g. holding cash and entering a derivative providing a return based on bond market rates).

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- RG 97.112 It is when derivative financial products are a means of achieving the investment strategy, rather than managing risks to achieving the strategy, that the costs in the derivative financial products would include costs equivalent to management costs of an interposed vehicle. However, in any case a derivative financial product may involve costs equivalent to costs that would be an investment fee and so need to be included in fees or indirect costs for superannuation products.

Calculation of the costs of OTC derivatives

- RG 97.113 As with costs included in fees or indirect costs for superannuation entities, and management costs for registered schemes, the costs of derivative financial products must be disclosed based on the costs that were incurred last financial year (other than for new products). Further, the issuer is able to reasonably estimate these costs when they are known or ought to be known.
- RG 97.114 Our guidance about what is required for a reasonable estimate of costs applies: see RG 97.87–RG 97.94. We will accept that the issuer's estimate is reasonable if the issuer has taken reasonable steps to formulate it. In many cases it will be reasonable to make an estimate about a class of derivatives with similar characteristics as relevant to the cost calculation, without the need for individual assessment. This will be particularly relevant to simple derivatives that are not significantly tailored, such as many interest rate swaps.

Difference between underlying return and actual return

- RG 97.115 Other than for options, the costs are to be measured as the difference between the underlying return (which may be negative) on the asset that the issuer is gaining exposure to through the derivative financial products and the actual return or loss the issuer has received over the relevant period: see cl 101A(3)(a)(i). The actual and underlying returns need to be determined for the financial year—generally, the previous financial year.
- RG 97.116 When a derivative financial product is held at the start of the financial year, the calculation is based on what would have been received or paid if it had been acquired at the price for disposal at the end of the previous financial year. When a derivative financial product is held at the end of the financial year, the calculation is based on what would have been received or paid if it had been acquired at the price for disposal. In these cases, if the price for disposal is not known or is not an amount that ought to be known, it may be the subject of a reasonable estimate.
- RG 97.117 Where costs in a derivative financial product reflect transactional or operational costs that would arise in holding the ultimate reference assets, for a managed investment product PDS, that part of the costs may be deducted from the difference between the underlying return and actual return: see cl 101(4)(b). These costs should, however, be included in

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transactional and operational costs disclosed under 'Additional explanation of fees and costs'.

Difference between acquisition and disposal price for options

- RG 97.118 For options, the cost that needs to be included is the lesser of the premium and the difference between the acquisition price and the price to dispose of the derivative financial product immediately after its acquisition: see cl 101A(3)(a)(ii). If the price to dispose is an amount that is not known or ought to be known, the amount may be the subject of a reasonable estimate.

Default or minimum amount as the cost of the derivative financial products

- RG 97.119 In circumstances where the amount that must be treated as the cost (as set out at RG 97.115–RG 97.118) is not known and the issuer believes that it is not an amount that the issuer ought to know or which they are able to reasonably estimate if they took reasonable steps, the cost will be a default amount. Then the issuer should use the greater of:
- (a) a minimum default amount based on 0.1% per annum of the value of the ultimate reference asset (taking into account any leverage) pro-rated over the period that the derivative financial product was held: see cl 101A(3)(b)(i)(A); and
 - (b) the minimum amount that the issuer is able to reasonably estimate, having taken reasonable steps to formulate their estimation (as calculated at RG 97.115–RG 97.118) (see cl 101A(3)(b)(i)(B)).
- RG 97.120 However, where the derivative financial product is an option, the amount to be counted as indirect costs is capped at the premium.
- RG 97.121 In the case where the reference asset is a rate of interest or inflation, the amount payable will depend on an amount to which that rate is applied (nominal amount). The value of the reference asset is taken to be the nominal amount.
- RG 97.122 We expect that the default or minimum amount will be relevant when the cost of disposal at the end of a financial year or, for an option, at the time of entering the option cannot be reasonably estimated without incurring a non-trivial cost. We would not expect this will be the case when the counterparty is a related body corporate. Where the amount cannot be reasonably estimated without incurring a non-trivial cost, in applying RG 97.119(b) a small conventional amount may be assumed, reflecting minimum differences between acquisition and disposal prices that generally apply. In applying RG 97.119(b), any particular fees or adjustment to the reference asset would also need to be considered.

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- RG 97.123 We have included some examples in Appendix 2 of how costs for various derivative financial products should be treated and disclosed in a PDS.

Treatment of performance fees

- RG 97.124 The definitions of ‘performance’ and ‘performance fee’ apply to managed investment products and superannuation products. Performance fees relate to the performance of the fund as a whole or of an investment option. The defined term does not include a fee based on returns achieved from assets managed under a particular mandate, when these do not relate to the fund as a whole or to a particular investment option as a whole. Fees based on the performance of an interposed vehicle through which a subgroup of assets of an investment option are held, or for management of a subgroup of assets of an investment option, should not be called a ‘performance fee’ in the PDS.

- RG 97.125 For superannuation products, a performance fee must be included in the investment fee, although fees payable for returns achieved on assets deducted in an interposed vehicle may instead be considered indirect costs if the trustee elects in writing. For managed investment products, performance fees form part of management costs.

Note: The Superannuation Legislation Amendment (MySuper Measures) Regulation 2013 introduced a number of changes to key definitions, which affect performance fee disclosure. The definition of ‘investment fee’ for superannuation products now incorporates performance fees.

- RG 97.126 Under ‘Additional explanation of fees and costs’, the issuer must include a statement about how performance fees affect administration fees and investment fees for a superannuation product, or management costs for a managed investment product. The issuer must also include information on how the performance fee is calculated and the amount, if known, or an estimate of the amount, if not known.
- RG 97.127 Fees charged by any interposed vehicles, or by investment managers under mandate based on returns achieved from assets they manage, form part of costs and should be disclosed on the basis of the actual amount of those fees charged by such interposed vehicles or investment managers during the last financial year (except for new products).
- RG 97.128 Unlike indirect costs, fees that are not costs—including performance fees for superannuation products payable to the superannuation fund trustee, fees payable to the responsible entity of a registered scheme or any fees directly paid by members—must be shown in the fees and costs template on a prospective basis (i.e. what would apply for a person acquiring the financial product). For example, a fee that is payable by a member to the superannuation fund trustee if the fund exceeds a specified benchmark by a

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particular amount (e.g. 20%) over a certain period (e.g. three years) should be disclosed prospectively in the PDS.

- RG 97.129 Under ‘Additional explanation of fees and costs’, issuers should include an estimate of any performance fees. The issuer should estimate what the typical ongoing amounts payable on an annual basis over current and future financial years will be. The previous year’s performance fees or investment targets may be considered in the estimation, but the issuer would often not estimate that performance fees will remain at their previous level or the performance will meet the target.
- RG 97.130 As performance is assessed over a period for the calculation of performance fees, an existing estimate may no longer be an amount the issuer would estimate as the typical ongoing amount and may result in the information in the PDS needing to be updated. Where the terms of relief under [ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#) are satisfied, including that the change is not materially adverse from the viewpoint of the investor, the PDS itself need not be updated.
- RG 97.131 Actual performance fees may vary from year to year to due to performance, rather than from a change of the criteria or the method of calculation of the fee. Such a change would not necessarily mean that an issuer would need to change their estimate of typical ongoing performance fees.
- RG 97.132 When completing the example of annual fees and charges, the figures used for management costs for managed investment products (to the extent that they relate to performance fees payable to the responsible entity and not directly charged to members’ accounts) should be based on the previous financial year (except for new schemes), and if directly charged to members’ accounts should be the typical ongoing amounts. While the amounts set out in the fees and costs template may be expressed as a range or include different amounts for different periods, a single amount must be applied in calculating the amounts in the example.

Disclosure of multiple investment options

Enhanced fee disclosure regulations

- RG 97.133 Under the enhanced fee disclosure regulations, there are separate fees and costs templates for superannuation products and managed investment products. The relevant fees and costs template should contain information about all the multiple investment options offered under the PDS—that is:
- (a) for superannuation products, each MySuper product and each investment option offered by the superannuation fund; and
 - (b) for managed investment products, each investment option offered.

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- RG 97.134 Fees and costs information for multiple investment options (including the default option) should be provided in accordance with the enhanced fee disclosure regulations. For superannuation products and simple managed investment schemes that are permitted to use a shorter PDS under Sch 10D or Sch 10E, certain information must be included in the PDS. There are particular provisions that facilitate incorporating information by reference: regs 7.9.11P and 7.9.11X.
- RG 97.135 A PDS that offers a generic MySuper product as defined in reg 1.0.02 should include in the PDS, rather than incorporate by reference, fees and costs information for the generic MySuper product. In other cases, a PDS for a superannuation product offered under a shorter PDS should include in the PDS, rather than incorporate by reference, fees and costs information for:
- (a) the balanced investment option under which most assets are invested; or
 - (b) if there is no balanced investment option, the investment option under which most assets are invested.
- RG 97.136 An issuer of a managed investment product should include fees and costs information for:
- (a) the balanced investment option;
 - (b) where there is no balanced investment option, the investment option under which most assets are invested; or
 - (c) where the managed investment product has not previously been offered to investors and does not offer an investment option described in RG 97.136(a) or RG 97.136(b), the investment option with the least volatile underlying assets.

Note: See cl 7 of Sch 10D and Sch 10E.

Inclusion of additional voluntary information

Enhanced fee disclosure regulations

- RG 97.137 Generally, only the required information should be included in the fees and costs template or in the example of annual fees and costs. However, we acknowledge that in limited circumstances some tailoring of the fees and costs template and the example of annual fees and costs may be appropriate to avoid the PDS being misleading. Additional information may be included after the example of annual fees and costs. For example, for a platform such information should state and illustrate the cumulative impact of fees and costs, taking into account fees and costs for a platform and fees of

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investments that may be acquired on member instructions: see RG 97.68–RG 97.75.

Note: Some issuers of managed investment products may need to adapt the example of annual fees and costs to take into account the nature of the scheme and their fees and costs arrangements (see RG 97.201–RG 97.206).

- RG 97.138 Instances where this might occur include (but are not limited to) instances where fees and costs do not affect the value of a retail client's investment (e.g. in the fees and costs template for a pure defined benefit superannuation fund)—in this case, an issuer may wish to include an explanatory note.
- RG 97.139 When including additional information, an issuer should bear in mind the requirement to show information in a clear, concise and effective manner: s1013C(3) of the Corporations Act.
- RG 97.140 In particular, an issuer should be careful not to complicate disclosure by including large amounts of information. We may closely monitor any tailoring of the fees and costs template or in the example of annual fees and costs by issuers to ensure that the ability of retail clients to effectively compare products is not affected.
- RG 97.141 Outside the fees and costs template and the example of annual fees and costs, certain additional information must be included under 'Additional explanation of fees and costs'. Issuers should consider what other information is appropriate to include in this section.
- RG 97.142 As a matter of good practice, issuers could include additional information about material amounts paid or payable to related parties of the issuer and an explanation of the basis for the payment. For AFS licensees, disclosure can be used as a means of managing conflicts of interest (in addition to other measures). Disclosure of this additional information to describe the breakdown of fees and costs could therefore also form part of a licensee's conflicts of interest management policy: see [Regulatory Guide 181](#) *Licensing: Managing conflicts of interest* (RG 181).

Boxed consumer advisory warning

- RG 97.143 We do not consider there to be any circumstances where additional voluntary information can be included in the boxed consumer advisory warning. There are separate boxed consumer advisory warnings for superannuation products and managed investment products: cl 221 of Sch 10, as modified by [\[CO 14/1252\]](#).
- RG 97.144 The boxed consumer advisory warning is required for managed investment products where fees or costs may not be deducted from amounts held for members of the registered scheme: cl 221 of Sch 10, as modified by [\[CO 14/1252\]](#).

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Shorter PDS regime

- RG 97.145 Additional voluntary information should not be included in the shorter PDS fees and costs template, but may be otherwise included in the fees and costs section or incorporated by reference.

Updating fees and costs information in a supplementary PDS

Enhanced fee disclosure regulations

- RG 97.146 Updated fees and costs information can be provided in a supplementary PDS, as long as the PDS is not a shorter PDS.
- RG 97.147 However, if the correction or update concerns information in the fees and costs template (or in the example of annual fees and costs), an issuer should include in the supplementary PDS a complete fees and costs template and, if necessary, a complete example of annual fees and costs reflecting the amended fees and costs.
- RG 97.148 This helps retail clients to understand the fees and costs of a product by eliminating the need to look in two places for up-to-date information.

Shorter PDS regime

- RG 97.149 Under the shorter PDS regime, an issuer cannot issue a supplementary PDS. Instead, an issuer should provide any updated fees and costs information in an updated shorter PDS, or as an update to material incorporated by reference, whichever is needed.

Meaning of ‘components’ of fees or costs

Enhanced fee disclosure regulations

- RG 97.150 If the structure of a fee or cost prevents it from being presented as a single amount, it can be broken into components: cl 204(6). For example, it may be appropriate to break down into components fees payable to an issuer that can be determined from ‘other fees’ included in fees for a superannuation product that are estimated based on the previous financial year’s experience. Similarly, indirect costs may be included as a separate component of management costs for a managed investment product. An amount would be required for each component and, if relevant, an explanation of how and when paid.

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- RG 97.151 Components that are separated to show how the fees or costs recovered by the issuer will be applied by the issuer (e.g. custodian fees) are not useful to retail clients in understanding the fees and costs charged to them and should not be included in the fees and costs template. An issuer can include information on how fees or costs will be applied by incorporating that information under ‘Additional explanation of fees and costs’.

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- RG 97.152 The provision allowing for fees to be broken down into components also applies to shorter PDSs. An issuer can include information on how fees or costs recovered by it will be applied by incorporating that information by reference.

Disclosure of fees and costs that apply at varying rates

Enhanced fee disclosure regulations

- RG 97.153 Information in the fees and costs template about fees payable to the issuer, or that are paid directly by members, should set out what will apply to a person acquiring under the PDS, if necessary over particular periods of time. If a cost or fee can apply at varying rates at a particular time, a range should be shown.
- RG 97.154 The amounts of fees may be set out in the trust deed for a superannuation entity or constitution for a registered scheme. However, the PDS should reflect all the fees payable, to help retail clients decide whether to acquire the financial product. If there is a legally effective arrangement that will ensure that some lesser amount or rate than provided in the trust deed or constitution applies, then that lesser amount or rate is relevant in determining the maximum in the period during which it applies. If, however, the arrangement is time limited (rather than ongoing), the amount that would subsequently apply should also be disclosed.
- RG 97.155 If a fee will vary so that a certain maximum fee applies for a particular period (e.g. a ‘honeymoon’ period) and then another maximum fee applies, these two amounts should be disclosed separately in the fees and costs template. There will be two entries—one for the first period and one for the second period.

Flexible charging policies

- RG 97.156 If a fee may vary between members, the issuer should disclose under ‘Additional explanation of fees and costs’ the maximum for each fee that could apply under the issuer’s policy to any client, whether or not acquiring

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under the PDS, and when the maximum would apply. The maximum amount of any fee that is expected to apply to any client acquiring under the PDS at any time should be shown in the fees and costs template.

- RG 97.157 Issuers must disclose the amount of any waiver for any fee for any client, whether acquiring under the PDS or not, that could apply under the PDS under the issuer's policy and when that would apply: cl 209(1) of Sch 10. We consider this applies to any amount by which the fees disclosed in the fees and costs template may be reduced under the issuer's policy, including through a rebate. These requirements apply whether or not the fee is referred to specifically in the template of fees and costs.

Note: When a responsible entity of a registered scheme imposes differential fee arrangements for some members, it should consider s601FC(1)(d).

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- RG 97.158 Details about any variations in the amount of fees or costs charged between members can be incorporated by reference.

Disclosure of contingent fees or costs

Enhanced fee disclosure regulations

- RG 97.159 A fee is not excluded from the requirements for disclosure merely because it is only payable on a contingency. However, incidental fees (i.e. fees that may be payable that are not material to a retail client's decision to acquire, hold or dispose of the product) will not be management costs for a managed investment product: cl 102(2)(i) of Sch 10. The nature of a contingency that will determine if they are paid may be relevant to materiality.

Note: For the definition of 'incidental fees', see cl 101 of Sch 10.

- RG 97.160 An issuer can provide an explanation of the contingent costs, and the circumstances in which they are likely to be charged, under 'Additional explanation of fees and costs'.

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- RG 97.161 An explanation of contingent costs and the circumstances in which they are likely to be charged can be incorporated by reference where the requirements for incorporation by reference are met.

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C Disclosing fees and costs in PDSs for superannuation products

Key points

This section provides specific guidance on disclosing fees and costs in PDSs for superannuation products, including the Stronger Super reforms. The section discusses:

- the disclosure of indirect costs (see RG 97.162–RG 97.167);
- borrowing costs (see RG 97.168–RG 97.170);
- fee disclosure treatment for tax (see RG 97.171–RG 97.172);
- disclosure of switching fees, advice fees, exit fees and performance fees (see RG 97.173–RG 97.184);
- insurance disclosures (see RG 97.185–RG 97.187);
- reserves (see RG 97.188);
- defining fees in shorter PDSs (see RG 97.189);
- consumer advisory warnings (see RG 97.190); and
- disclosure for MySuper and Choice products (see RG 97.191–RG 97.199).

Disclosure of indirect costs

- RG 97.162 The indirect cost of a superannuation product is used as the basis for calculating the indirect cost ratio and aids in the comparison of superannuation products by retail clients.
- RG 97.163 We anticipate that superannuation fund trustees—as part of carrying out their fiduciary duties and complying with the requirements that apply to trustees of funds regulated by the Australian Prudential Regulation Authority (APRA), including the prudential standards and data reporting requirements—generally will have sufficient information or access to information to know or be able to make a reasonable estimate of the indirect costs.
- RG 97.164 Indirect costs capture the costs of deriving the return, including any costs incurred by investing through interposed vehicles (e.g. most transactional costs), as well as costs of gaining exposure to underlying assets by entering into derivative financial products: see RG 97.20–RG 97.81.
- RG 97.165 Indirect costs do not include amounts that are fees as defined in cl 209A. However, [\[CO 14/1252\]](#) modifies the definition of ‘fees’ to clarify that costs that are not paid out of the superannuation fund are not treated as investment

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fees or administration fees if the superannuation fund trustee has elected in writing that they be treated as indirect costs.

- RG 97.166 Returns may consist of income, capital gains or a combination of both. Amounts that reduce the return include fees and costs. Indirect costs that reduce these returns include (if the trustee has elected for them to be treated as indirect costs):
- (a) costs deducted from the return before it is received by the trustee or a person acting on their behalf, such as a custodian;
 - (b) costs deducted through interposed vehicles—for example, costs of conducting due diligence on an investment before acquisition, whether or not the acquisition occurs, and certain transaction costs when the acquisition occurs; and
 - (c) amounts deducted to build up the operational risk financial requirement.
- RG 97.167 Fees charged to members that are not indirect costs will include:
- (a) fees deducted directly from the member's account (e.g. an administration fee in the form of a flat weekly fee);
 - (b) other fees deducted from the superannuation fund—such as a trustee's fee, which may be in whole or part an investment fee, administration fee or other fee;
 - (c) fees and costs paid to persons engaged by or on behalf of the trustee, such as an external fund manager or a property manager;
 - (d) costs retained out of gross proceeds handled by a person acting on behalf of the trustee, such as a custodian retaining some revenue from securities lending in relation to securities of the fund; and
 - (e) costs that are indirect costs that the trustee has not elected in writing to be treated as indirect costs.

Example 1: Application of indirect costs of superannuation funds

Superannuation Fund A

Superannuation Fund A has an investment option in Australian shares. The trustee discloses in the fund's PDS that it gains exposure to Australian shares by investing in a passively managed Australian shares wholesale fund that holds Australian shares directly. The manager of the wholesale trust deducts a management fee from the wholesale trust fund and this reduces the value of the units in the wholesale trust held by the trustee for the investment option.

The indirect cost ratio in the PDS will need to include these costs, unless they are treated as a fee. This is because the costs associated with the wholesale fund are costs that reduce the return on the investment received by the superannuation fund—in this case, Australian shares.

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Superannuation Fund B

Superannuation Fund B has an investment option described as unlisted property. The trustee engages an investment manager to manage the investments held for the option, and pays out of the fund a fee to the investment manager.

The trustee will not need to include the fee in the indirect costs. This is because it is a cost of investment of the investment option and is paid out of the superannuation fund but the trustee must disclose the amount as investment fees.

Example 2: Calculating transactional and operational costs for inclusion in the 'Additional explanation of fees and costs'

Superannuation Fund X has as its only asset an investment in Fund Y worth \$1 million.

Fund Y is an interposed vehicle with \$1 billion in assets, being shares and bonds. Fund Y charges a management fee of 1% of its assets under management and a buy–sell spread of 0.5% each way (i.e. 0.5% for new investments and 0.5% for redemptions).

In the last financial year, Fund Y incurred transaction costs of 2.5% of its assets under management. Of these transaction costs, 0.5% was a cost that reflected the bid–ask spread on its underlying assets (none of which were interposed vehicles). Fund Y also recouped some of its transaction costs (1%). Of these recouped transaction costs, 0.2% reflected the bid–ask spread on its underlying assets. Fund Y made no gain or loss in the last financial year and incurred no other costs or fees.

On the first day of last financial year, Superannuation Fund X invested \$1 million that it had received as a new investment on that day. It previously had no assets, and conducted no other dealings in its assets. Superannuation Fund X charges a buy–sell spread of 0.4% each way.

In calculating what to disclose as investment fees or indirect costs for Superannuation Fund X, the superannuation fund trustee needs to:

- add the 1% management fee charged by Fund Y;
- add the 2% transaction costs in Fund Y (excluding the 0.5% bid–ask on underlying assets: see RG 97.21);
- add the 0.5% actual buy–sell spread incurred when Superannuation Fund X invested the \$1 million in Fund Y; and
- deduct the 0.8% transaction costs in Fund Y that were recouped from investors through Fund Y's buy–sell spread (excluding the 0.2% that reflected the bid–ask spread on underlying shares and bonds, which is not required to be included in the indirect cost ratio).

This calculation gives a total of 2.7%. Of this, the 0.4% actual buy–sell spread recouped by Superannuation Fund X should be deducted. It will be disclosed separately as 0.4% of the amount of any contribution or withdrawal in the template of fees and costs and 0.4% of the assets under management under 'Additional explanation of fees and costs'. When

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completing the fees and costs template and the annual example of fees and costs, Superannuation Fund X should therefore disclose 2.3% as investment fees or, if it elects in writing, as indirect costs.

The PDS must show under 'Additional explanation of fees and costs' that Superannuation Fund X paid 2% in transactional and operational costs. The PDS could further explain that this 2% included 1.5% in expenses that were incurred by Fund Y during the year (being 2.5% gross transaction costs less 1% recovery through Fund Y's buy-sell spread) and 0.5% buy-sell spread that was paid by Superannuation Fund X to Fund Y on making the investment.

The PDS will also need to state under 'Additional explanation of fees and costs' that of this 2%, the trustee recouped a portion as a buy-sell spread payable by incoming investors in Superannuation Fund X and the remaining amount has been reflected in reduced returns to the superannuation fund members. We encourage trustees to quantify the amount that was recouped in the relevant financial year as buy-sell spread (i.e. that of the 2% transaction costs, 0.4% was recovered as buy-sell spread and 1.6% reduced the returns of the fund).

Borrowing costs

- RG 97.168 Borrowing costs for a superannuation product are costs that relate to a credit facility that is not a derivative financial product that is provided to the superannuation fund trustee, or an interposed vehicle or a trustee of an interposed vehicle in or through which the property of the superannuation fund is invested. The costs of derivative financial products are disclosed separately—either as indirect costs or investment fees.
- RG 97.169 Borrowing costs that meet the above definition are not included in indirect costs, investment fees, administration fees or transactional and operational costs: See [CO \[14/1252\]](#). They must be disclosed separately under 'additional explanation of fees and costs': see cl 209(m) as modified by [CO \[14/1252\]](#).
- RG 97.170 The disclosure of borrowing costs must include a description of the cost, the amount, or an estimate if this is not known, how and when the costs were recovered and a statement that the borrowing cost is an additional cost to the investor. Consistent with the calculation of other costs, the information about borrowing costs is to be determined in relation to the last financial year (other than for new products). We encourage issuers to include information about possible outcomes in the current year or later financial years if there are circumstances that indicate that outcomes in the previous financial year may not be a good indication of typical ongoing costs. We suggest that the information include an explanation that the figures are based on outcomes from the previous financial year and why typical ongoing costs are likely to be materially different, where that is the case. Also, where reasonable

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grounds exist, issuers may include a forecast of the range of typical ongoing costs that may be expected, based on the information available when the PDS is prepared.

Fee disclosure treatment for tax

- RG 97.171 An issuer of a superannuation product must disclose fees and costs information in their PDS in accordance with Schs 10 and 10D. Clause 204(7) of Sch 10 requires a cost or amount paid or payable to include, if applicable, GST (less any reduced input tax credits) and stamp duty.
- RG 97.172 The fees the trustee discloses must not be reduced by any income tax deduction the trustee may be able to claim. For example, if the fee is \$100 (ignoring GST for illustrative purposes only), the amount the trustee must disclose is \$100, rather than \$85 (assuming the fund's income tax is 15% and the trustee is able to claim a sufficient deduction to reduce the tax to zero). This applies equally to any income deduction available in an interposed vehicle. The existence of the benefit of any income tax deduction should be disclosed under 'Additional explanation of fees and costs'.

Example 3: Tax treatment of fees

Two funds charge an administration fee of \$1 per week. Fund A correctly discloses its administration fee in the PDS as \$1, without reducing it by the benefit of a tax deduction that may be claimed in connection to administration costs. Separately, Fund A passes on the benefits it receives from the 15% reduction in its income tax due to administration costs directly to the investor's account.

Fund B incorrectly discloses its administration fee in the PDS as \$0.85, net of any tax deduction the member may receive if the fund is entitled to claim the tax deduction and the member has accrued taxable income during the financial year (assuming a 15% tax rate). It discloses the fee in this manner because, rather than deducting a \$1 fee every week and passing on the 15% reduction in income tax to the investor, it simply uses the reduction to pay some of the administration costs.

The net effect of the two arrangements on the member is identical. However, the fee structure in the PDS shows Fund A as having a higher fee structure (being the fee gross of the tax deduction), while Fund B shows the lower fee (being the net amount of the fee). Fund A's approach is correct and Fund B's approach is potentially misleading.

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Switching fees, advice fees, exit fees and performance fees

Switching fees

- RG 97.173 A switching fee for a MySuper product is a fee to recover the costs of switching all or part of a member's interest in a superannuation fund from one class of beneficial interest in the fund to another: cl 209A. By definition, the switching fee is capped at the amount of such cost recovery and cannot include any additional component for management or other expenses.
- RG 97.174 A switching fee for non-MySuper products is a fee to recover the costs of switching all or part of a member's interest in the superannuation fund from one investment option or product in the fund to another: cls 101 and 209A of Sch 10.
- RG 97.175 When disclosing switching fees, including a switching fee of nil, it should be noted that it is in addition to the buy-sell spread (i.e. to avoid being misleading about the costs of switching).
- RG 97.176 If any additional charge beyond that provided for cost recovery is imposed, then this should be disclosed as part of another fee while complying with any restrictions on the imposition of such a charge in the SIS Act. As the SIS Act refers to switching fees as being for cost recovery, it would be misleading to refer to a charge that is not for cost recovery as a switching fee.

Advice fees

- RG 97.177 The fees and costs template for superannuation products requires the inclusion of 'advice fees', which directly relate to the provision of financial product advice to the member by the trustee or another person acting as an employee of, or under an arrangement with, the trustee. This includes any costs paid out of the superannuation fund for providing advice. Paying costs for advice out of the superannuation fund is restricted under s99F of the SIS Act and the circumstances where it is permitted are often referred to as 'intra-fund advice'. These fees will be covered under 'Advice fees relating to all members investing in a particular MySuper product or investment option' in the fees and costs template.
- RG 97.178 Advice fees would also include another component for fees for advice to a member, payable by the member to the superannuation fund trustee or another person acting as an employee of, or under an arrangement with, the trustee for costs borne by the trustee. Those individual advice fees would be included under 'Other fees and costs' in the fees and costs template rather than under 'Advice fees relating to all members investing in a particular MySuper product or option'. If there is an item under 'Other fees and costs', a cross-reference to 'Additional explanation of fees and costs' must be included.
- RG 97.179 An explanation of any individual advice fees must be included under 'Additional explanation of fees and costs': see cl 209(a). Also, information

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about any adviser remuneration that forms part of any fee or cost in the template of fees and costs must be included: see cl 209(e).

- RG 97.180 A fee charged for the costs of providing advice as an administration fee, activity fee or another fee referred to in cl 209A of Sch 10 is not an advice fee, although this does not affect the restriction in s99F of the SIS Act.

Exit fees

- RG 97.181 An exit fee for superannuation products, including MySuper, is a fee to recover the costs of disposing of all or part of a member's interest in the superannuation fund. When disclosing the exit fee, including an exit fee of nil, it may be necessary to note that it is in addition to the buy-sell spread (i.e. to avoid being misleading about the costs of exiting). However, this explanation should not be included in the fees and costs template.
- RG 97.182 When noting how and when an exit fee is paid, including an exit fee of nil, the issuer should briefly explain the buy-sell spread that may apply in the note required as part of the example of annual fees and costs. This explanation must be set out in accordance with the required text, which illustrates the spread using the example of \$50,000. This is to ensure that retail clients are not misled to think that the only fee payable on withdrawal is the exit fee.

Performance fees

- RG 97.183 The definition of investment fees includes performance fees payable out of the superannuation fund. In the case of a performance fee charged by the superannuation fund trustee, an estimate of the performance fee that will apply on an annual basis for current and future years is to be included under 'Additional explanation of fees and costs': see RG 97.124–RG 97.132. The estimate should be of the amount that would be a typical ongoing amount for the performance fee for this purpose.
- RG 97.184 Performance fees, or other amounts payable based on returns or asset values that are charged by an investment manager or in any interposed vehicles, form part of costs. Disclosure of these amounts for a particular financial year should generally be based on the actual performance fees charged during the previous financial year (except for new products).

Insurance disclosures

- RG 97.185 If a superannuation product offers insurance, a cross-reference may be included under 'Additional explanation of fees and costs' (cl 209(ca) of Sch 10) to the 'Insurance' part of the PDS.

Note: Schedule 10D prescribes the content for shorter PDSs and the cross-reference may be incorporated by reference.

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RG 97.186 Superannuation fund trustees need to disclose to members fees and costs involved with insurance coverage and how they are calculated. For instance, information about the following should be disclosed:

- (a) insurance premiums, including matters affecting the premium (e.g. any adviser commission) and how these matters affect the member, quantification of the premiums and whether there is any rebate to the member;
- (b) the imposition of any loading factors, such as occupational-based loading or any additional amount charged because the member chooses to pay their premiums monthly rather than as an annual upfront payment;
- (c) any policy or administration fee charged by the trustee in addition to amounts to cover the premium payable to the insurer; and
- (d) whether the fund or the member will meet any costs of stamp duty and how stamp duty is calculated if the member is liable.

RG 97.187 Insurance premiums are typically listed in table form. To allow members to more easily compare insurance premiums offered across different superannuation products, and ensure that the PDS is worded and presented in a clear, concise and effective manner, the information should relate to the member's current age.

Reserves

RG 97.188 Some superannuation entities may elect to satisfy their operational risk financial requirements, applicable under the SIS Act and relevant standards, by deducting the required amounts indirectly from the assets or investment returns of a MySuper product or other investment options and creating a reserve. These deductions are costs that may be recognised as one or more of the fees set out in cl 209A, such as investment fees or administration fees, or otherwise as an indirect cost if the trustee makes an election in writing.

Defining fees in shorter PDSs

RG 97.189 Superannuation fund trustees have the discretion to either include the definitions of defined fees as required by cl 209A of Sch 10 in a shorter PDS or disclose those definitions through incorporation by reference, and include the address of a link to those definitions maintained on a website: cl 8(6A) of Sch 10D.

Note: As part of the Stronger Super reforms, a number of key definitions have been introduced or amended under Sch 10 to the Corporations Regulations to reflect changes to fees and costs arrangements for superannuation fund trustees in the SIS Act.

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Consumer advisory warning

- RG 97.190 The consumer advisory warning for superannuation products must be located at the beginning of the fees and costs section of the PDS: see cl 222, as modified by [\[CO 14/1252\]](#).

Note: [\[CO 14/1252\]](#) modifies Sch 10 by removing the reference to a 'managed investment fee', because it is not relevant to superannuation products, and includes 'as applicable' in relation to negotiation of fees, as in some cases employers have no role in relation to superannuation and in other cases negotiation of individual fees is not permitted.

Disclosure for MySuper and Choice products

- RG 97.191 An issuer of a superannuation product must include a fees and costs template for each MySuper product and Choice product in the PDS or, where permitted, through incorporation by reference. This is the case for both:
- (a) shorter PDSs prepared under Sch 10D (cls 8(1) and 8(3)); and
 - (b) standard PDSs that meet the fees and costs disclosure requirements in Sch 10 (cl 205).

Shorter PDSs for MySuper and Choice products

- RG 97.192 If the superannuation fund has a generic MySuper product, and a shorter PDS is prepared, the fees and costs template with certain modifications for the generic MySuper product must be set out in the body of the shorter PDS: cls 7(4) and 8(1) of Sch 10D. The issuer must also disclose the fees and costs templates for that product, all MySuper products and all Choice products in accordance with Sch 10, but this information may be incorporated by reference: cl 7(8) of Sch 10D.
- RG 97.193 If the superannuation fund does not include a generic MySuper product, and has a Choice product that is a balanced investment option, the fees and costs template in the body of the PDS must be the template for the balanced investment option under which most assets of the fund are invested: cls 7(5) and 8(1) of Sch 10D.
- RG 97.194 The fees and costs templates for any non-generic MySuper product or other Choice product must also be included in the PDS, but may be incorporated by reference.
- RG 97.195 If the fund does not include a generic MySuper product, or an investment option that is a balanced investment option, the fees and costs template in the body of the PDS must be the template for the investment option under which most assets of the fund are invested: cl 7(6) of Sch 10D. The fees and costs

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templates for any non-generic MySuper product or other Choice product must also be included in the PDS, but may be incorporated by reference.

Fees and costs template

RG 97.196 The fees and costs templates for each MySuper product and Choice product must disclose:

- (a) the investment fee;
- (b) the administration fee;
- (c) the buy–sell spread;
- (d) the switching fee;
- (e) the exit fee;
- (f) advice fees relating to all members investing in a particular MySuper product or investment option;
- (g) other fees and costs; and
- (h) the indirect cost ratio.

Note: These elements, except for ‘other fees and costs’, are defined in cl 209A (see cls 101, 104 and 209A of Sch 10, and cl 8(6A) of Sch 10D).

RG 97.197 If fees or costs are charged in a way that is not limited to a MySuper product or investment option, the amounts attributed for each of these fee categories to the relevant product or option will need to be appropriately apportioned.

RG 97.198 If an issuer of a superannuation product prepares a standard PDS, the fees and costs templates for each MySuper product and other investment options must be set out in the PDS.

RG 97.199 Where the same fees and costs would apply to multiple investment options offered under a PDS, the fees and costs template, example of annual fees and costs and ‘Additional explanation of fees and costs’ may be set out as applying to the relevant options or, if applicable, all investment options, without repeating the information. This would be relevant, for example, for some investment options that involve acquisition of particular financial products of entities on investor instructions where the platform test applies.

Note: See cls 201 and 205 of Sch 10 for the fees and costs template for superannuation products.

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D Disclosing fees and costs in PDSs for managed investment products

Key points

This section provides specific guidance on disclosing fees and costs in PDSs for managed investment products. Some requirements may vary depending on whether the shorter PDS regime applies.

For guidance about disclosing fees and costs in PDSs generally, see Section B.

Treating management costs as transaction costs

- RG 97.200 Management costs are defined in cl 102 of Sch 10 to the Corporations Regulations and exclude transactional and operational costs. Management costs feed into the calculation of the indirect cost ratio under the enhanced fee disclosure regulations. The indirect cost ratio is meant to capture all relevant costs involved in managing the fund and deriving the investment return that are not fees payable to the responsible entity directly charged to members. If the indirect costs definition is incorrectly applied, management costs will not be correctly calculated and investors will be unable to make meaningful cost comparisons between products.

Complying with the worked example of annual fees and costs

- RG 97.201 PDSs for managed investment products must provide retail clients with a prescribed worked example of the application of fees and costs during a single year's holding of the product: Div 5 of Pt 2 of Sch 10.
- RG 97.202 If the nature of the product and its fees and costs arrangement supports disclosure in the prescribed format, that format must be used and prescribed information cannot be omitted. An example of such a product is an investment-type product.
- RG 97.203 In other cases, we expect the issuer to adopt a format that provides retail clients with a clear example (or examples) of the application of the fees and costs arrangements of the product.
- RG 97.204 Any adapted format of the worked example of annual fees and costs should bear in mind the objectives of the enhanced fee disclosure regulations and continue to reflect the central features of the prescribed format, including:
- (a) the placement of the example of annual fees and costs in the fees and costs section of the PDS;

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- (b) making the minimum necessary adaptations to the required preamble to the worked example;
- (c) that the fees reflected, as distinct from any indirect costs, should be the typical ongoing amounts that apply to the product, as required to be disclosed in the worked example;
- (d) for a PDS available in a particular financial year, calculating indirect costs that are included in management costs on the previous financial year (unless it is a new product);
- (e) if contributions are clearly not relevant, the adapted disclosure need not refer to contributions that would otherwise be required in the worked example;
- (f) that management costs are calculated in accordance with the definition in the enhanced fee disclosure regulations, as modified by [\[CO 14/1252\]](#); and
- (g) that the adapted format note any establishment and withdrawal fees that may apply consistent with the prescribed content and format for the worked example.

RG 97.205 We also expect that in adapting the disclosure, issuers will provide a clear, concise and effective description of the annual fees and costs for the product and make such disclosures as necessary to ensure it is not misleading or deceptive. Some disclosure following the annual example of fees and costs may be appropriate for platforms: see RG 97.72–RG 97.73.

RG 97.206 For example, the fees and costs structure for a certain managed investment product may mean that in a typical ongoing year there are low fees and costs applied, but other fees and costs are applied at or towards the end of the product holding (e.g. harvest fees for agricultural schemes). In this case, we would expect the adapted disclosure of the annual fees and costs to clearly refer to these costs so that presentation of the example of a low-cost typical ongoing year also refers to these future fees and costs.

Disclosing fees and costs for a stapled security

RG 97.207 When a joint disclosure document is used for a stapled security, we think it is good practice for all fees and costs information for both the registered scheme and body corporate security components of a stapled security to appear in a single fees and costs section.

Note: A typical stapled security involves the stapling of an interest in a registered scheme to a share of a company. Stapled securities may be issued through separate disclosure documents or through a combined PDS/prospectus document.

RG 97.208 In any case, disclosure of fees and costs information relating to the registered scheme component of the stapled security must comply with the enhanced

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fee disclosure regulations. If costs are borne by a non-registered scheme component, relating to the operations or investment of the registered scheme component and not merely relating to other business conducted in the other component, these costs must be included in determining the fees and costs for the registered scheme component.

- RG 97.209 We would not object to an issuer of a joint disclosure document applying the enhanced fee disclosure content and presentation requirements to the equity component of the stapled security. This may mean providing fees and costs information covering both the managed investment product and other components of the stapled security on a consolidated basis in the fees and costs template, and then breaking down this information under ‘Additional explanation of fees and costs’.
- RG 97.210 Consolidating all fees and costs information for both the managed investment and equity components of the stapled security in the fees and costs section of the combined PDS/prospectus (whether or not using a consolidated fees and costs template) can help retail investors understand the fees and costs in appropriate cases.

Disclosing transaction-specific fees for a contributory mortgage

- RG 97.211 A responsible entity of a registered scheme in which some members have an interest in an asset distinct from others, and to which different fees and costs apply for those with the interest in that asset, may wish to split fee disclosure information by placing general fee information in a PDS and transaction-specific fee information in a supplementary PDS. However, if a responsible entity splits fee information, we think all fee information should be set out together in the supplementary PDS showing the total effect of general and specific costs.
- RG 97.212 This might mean some repetition of general fee information in the supplementary PDS. However, this will help retail clients to understand the fees and costs of a product by not having to look in two places for that information, and this is appropriate for assets that are not separate financial products that have a separate PDS.

Note: This guidance is consistent with our interpretation of the enhanced fee disclosure regulations for disclosure of updated fee information (see RG 97.146–RG 97.148).

- RG 97.213 Similarly, if a PDS consists of several documents, all of the fees and costs information should appear in the one document, although this may involve some repetition.

Note: [Regulatory Guide 45](#) *Mortgage schemes: Improving disclosure for retail investors* (RG 45) gives guidance on fee disclosure and advertising of a mortgage scheme.

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Disclosing start-up and initial one-off fees or costs

- RG 97.214 Generally, start-up and initial one-off fees or costs that will be paid should be included in the fees and costs template. This is because management costs are intended to capture all relevant costs involved in managing the registered scheme and deriving an investment return.

Note: Start-up and initial one-off fees and costs can only be excluded from management costs if they fall within one of the exclusions in cl 102(2) of Sch 10.

- RG 97.215 For example, some agricultural schemes have a 'start-up' cost that is often tax deductible for the member. Typically, this cost bundles some or all of the management costs for the scheme upfront.

- RG 97.216 Start-up and initial one-off fees or costs are not typical ongoing fees and therefore, if they are charged directly to members' accounts, do not have to be reflected in the example of annual fees and costs. However, to avoid the possibility that a retail client may misunderstand the cost structure of the product, responsible entities must explain these start-up and initial one-off fees and costs. It may also be appropriate to provide an additional example that demonstrates the effect of these costs on the cost structure of the product.

Consumer advisory warning

- RG 97.217 The consumer advisory warning contains disclosures specific to managed investment products in order to provide retail clients with a relevant and accurate warning.

Note: [\[CO 14/1252\]](#) modifies the consumer advisory warning for managed investment products by removing the reference to an 'employer', because it is unlikely to be relevant, and by referring to an investment rather than an account, to avoid confusion where the PDS is used in connection with a custodial arrangement under which acquisitions will not be made by the retail investor directly: cl 221(3).

- RG 97.218 The consumer advisory warning can be excluded for certain managed investment products when the structure of the product negates the relevance of having a consumer advisory warning, as there is no fund from which fees and costs are paid—for example, timesharing schemes: cls 221(2) and 222 of Sch 10.

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E Disclosing fees and costs in periodic statements

Key points

This section provides guidance on disclosing fees and costs in periodic statements under the enhanced fee disclosure regulations, including the Stronger Super reforms.

It discusses:

- the impact of the Stronger Super reforms (see RG 97.219–RG 97.224);
- transfers from reserves (see RG 97.225–RG 97.226);
- requirements for pure defined benefit superannuation funds (see RG 97.227–RG 97.233);
- inclusion of GST, stamp duty or income tax (see RG 97.234–RG 97.237);
- grouping transactions on an annual basis (see RG 97.238–RG 97.240); and
- requirements for quoted and listed stapled security products (see RG 97.241–RG 97.243).

Impact of Stronger Super reforms

- RG 97.219 Under the enhanced fee disclosure regulations, a periodic statement for a superannuation product must set out for the relevant period:
- (a) the indirect costs applying to the member or former member;
 - (b) any transactions under the amount recorded, reflecting the entitlement of the member that has been reduced by the charging of fees and costs;
 - (c) the total amount of fees and costs; and
 - (d) any fee or cost not included in RG 97.219(a)–RG 97.219(b) that forms part of the total amount of fees and costs.
- RG 97.220 Specifically for indirect costs for superannuation products, periodic statements must disclose costs that have been deducted from the investment, including amounts that have reduced the return, but are not a fee of the superannuation entity: cl 301 of Sch 10.
- RG 97.221 For consistency between disclosure in the PDS and the reporting to members in the periodic statement, we consider that, for the purposes of the reporting in the periodic statement for superannuation products, only an amount that would be treated for the purposes of the PDS as an indirect cost may be described as an indirect cost.

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- RG 97.222 Any costs deducted from the superannuation fund that are fees, including any costs that would otherwise be indirect costs but which the superannuation fund trustee has not elected in writing to be treated as indirect costs, must be identified on the periodic statement as fees. This may be done either by reflecting them as transactions described as applying the relevant fee or under ‘Other fees’.
- RG 97.223 For example, where an issuer charges a percentage-based investment fee which is reflected as a reduction in the unit price or crediting rate, that fee would be reported under ‘Other fees’ and not included in the indirect costs. The form of disclosure of other fees is clarified in [\[CO 14/1252\]](#), which inserted a new cl 301(1) in Sch 10.
- RG 97.224 We encourage superannuation fund trustees to also show the breakdown of other fees included as part of total fees into components based on the types of fees set out in cl 209A (such as investment fees or administration fees) or insurance fees. This will help members reconcile their experience of the product against the expectations created by the PDS, and will assist in the superannuation fund trustee ensuring they can reasonably believe that the statement contains the information the recipient needs to understand their investment in the superannuation product: see s1017D(4).

Transfers from reserves

- RG 97.225 For superannuation products, any movements of reserves must be reported in the annual report to the holders of the superannuation product in accordance with reg 7.9.37(1)(k). This is the case regardless of whether the reserve is for financing, operational risks or smoothing investment returns.
- RG 97.226 A transfer from reserves is not a fee or cost for the purpose of Schs 10 and 10D. Transfers from reserves should be disclosed separately from fees and costs to members.

Requirements for pure defined benefit superannuation funds

Reporting contribution transactions

- RG 97.227 An issuer of a pure defined benefit superannuation fund should, at a minimum, report transactions that are a receipt of:
- (a) a member’s contributions; and
 - (b) benefits rolled over or transferred into the fund in respect of a member.

Note: See regs 7.9.20(1)(a) and 7.9.20(1)(b).

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- RG 97.228 We do not expect issuers of pure defined benefit superannuation funds to report in the periodic statement any bulk and generalised employer contributions that are calculated to maintain the general solvency of the fund and that do not specifically relate to individual members.

Reporting other transactions

- RG 97.229 An issuer of a pure defined benefit superannuation fund, at a minimum, should report transactions for a particular member. However, if they choose, an issuer can note in the brief description of the transaction that a transaction does not affect the member's final benefit.
- RG 97.230 We do not expect issuers of pure defined benefit superannuation funds to report transactions that are made at the fund level that do not relate to a particular member. An issuer may, however, choose to include a brief description explaining the transaction, although we encourage issuers to avoid unnecessary complexity.

Disclosing 'zero' costs or fees

- RG 97.231 We acknowledge that in a pure defined benefit superannuation fund the fees and costs of the fund may ultimately be borne by employers and not affect retail clients' defined benefit entitlements.
- RG 97.232 If there are no fees and costs that affect the retail client's investment, the 'indirect costs' and 'other fees' for the investment option offered by the issuer and 'total fees you paid' items can be shown as zero.
- RG 97.233 An issuer may also choose to include a brief note as to how the indirect costs of the fund are financed.

Inclusion of GST, stamp duty or income tax

- RG 97.234 An issuer should include GST less reduced input tax credit, if applicable, or stamp duty on a fee or cost transaction, if these are incurred, to reflect the effect of the transaction on the member at the time of the transaction. If GST or stamp duty is not disclosed as part of the amount in a transaction, they should be reported as separate transactions and taken into account when disclosing total fees and costs.
- RG 97.235 Where a transaction that creates an income tax liability or a tax deduction is given to the member, the issuer should show this transaction separately, and include an explanation of the basis for the transaction and its relationship with other transactions. An example is a transaction that is the receipt of a superannuation contribution for a member. The receipt of the contribution does not, of itself, involve income tax at the time it is received. Reduction of

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the member's account balance to reflect income tax payable by the trustee in relation to the contribution is another transaction, which may occur after the fund has received its income tax assessment. The periodic statement should, however, explain how the income tax transaction amount is calculated.

RG 97.236 In this case, there are two transactions that must be reported separately:

- (a) the receipt of the contribution; and
- (b) any reduction of benefits for the fund's income tax.

RG 97.237 If the payment of a fee or cost results in the superannuation entity or registered scheme becoming entitled to a tax deduction and the benefit is passed on to a member, two transactions must be shown—one reflecting the full amount charged of the fee or cost disregarding any tax benefit, and another for any tax benefit which is passed on. Total fees and costs must be presented gross of any tax benefit passed on to the member.

Grouping transactions on an annual basis

RG 97.238 For superannuation funds and registered schemes, the Explanatory Statement to the Corporations Amendment Regulations 2005 (No. 1) makes it clear that the appropriateness of each type of grouping should be considered separately. An issuer will need to make their own assessment of whether particular forms of grouping will achieve clear disclosure of the relevant fee.

Note: See 'Item 7: Regulation 7.9.60B—Disclosure of transactions in periodic statements—Specific requirements' in the Explanatory Statement and reg 7.9.60B(5).

RG 97.239 Grouping should not obscure the true frequency or amount of a recurring fee. Using a sub-total would help meet this objective—for example, a weekly administration fee of \$1 for 52 weeks (total \$52).

RG 97.240 In some cases, annual grouping may not be appropriate. If there is a fee increase during the reporting period, this should be set out clearly—for example, a weekly administration fee of \$1 for 26 weeks until 31 December 2014 (total \$26) and a weekly administration fee of \$1.50 for 26 weeks until 30 June 2015 (total \$39).

Requirements for quoted and listed stapled security products

RG 97.241 Section 1017D(5) of the Corporations Act requires issuers to address specific content requirements for periodic statements. Issuers of registered scheme products face difficulties complying with the content requirements in s1017D(5) for interests that are traded. These difficulties occur as a result of the issuers not being aware of the transaction price paid by an investor who has bought or sold their interest in the scheme on market.

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- RG 97.242 [Class Order \[CO 13/1200\]](#) *Periodic statements relief for AQUA quoted and listed managed investment scheme manager* modifies s1017D for quoted and listed managed investment schemes, including stapled securities, to allow issuers to prepare compliant periodic statements. The relief takes into account the fact that issuers may not know the price at which the interests have been traded.
- RG 97.243 The information that must be provided for an interest in a registered scheme that forms part of a stapled security includes the costs, fees and other information that relate to the stapled security as a whole. Where the interests in the scheme are stapled with other financial products that relate to the conduct of a non-investment-related business, we encourage the responsible entity to also separately identify the costs relating to the operation and investments of the scheme to help enable comparison with other schemes.

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Appendix 1: Examples of interposed vehicles

RG 97.244 Below are some examples of interposed and non-interposed vehicles. These examples are not intended to be an exhaustive list of possibilities, but rather practical examples of whether a vehicle is considered an interposed vehicle.

Example 4: Investment option in Australian shares

A superannuation fund offers an investment option in Australian shares. The investment option's exposure to Australian shares is gained by the trustee investing in an unlisted wholesale managed fund that has an investment objective of tracking the S&P/ASX 200 index.

The wholesale managed fund is an interposed vehicle on the basis of the assets test because the person responsible for preparing the PDS for the superannuation fund has reasonable grounds to believe the wholesale managed fund has more than 70% of its assets in relevant securities (cl 101B(1))—essentially, securities that are not real property or infrastructure-related securities and do not confer control.

As the wholesale managed fund holds financial products of entities, each entity will need to be assessed against the definition of interposed vehicle.

Example 5: Registered scheme specialising in international shares

A responsible entity operates a registered scheme that is a hedge fund that the PDS discloses specialises in international shares. As part of the scheme's strategy, the responsible entity invests in a number of other unlisted hedge funds that give negatively correlated exposure to a number of offshore markets.

Taking into account the PDS of the scheme, the unlisted hedge funds meet the PDS test on the basis that they could be reasonably regarded as the means by which the benefit of investment in international shares is obtained: cl 101B(4).

Example 6: Balanced investment option

A superannuation fund trustee with a superannuation product offering a balanced investment option invests in a number of listed investment companies, exchange-traded funds and listed managed investment schemes. The PDS indicates that each of these vehicles provides exposure to securities, financial products or real property that the trustee considers appropriate as part of offering a balanced investment option.

Some of these vehicles are interposed vehicles on the basis they meet the assets test, because the issuer would have reasonable grounds to believe that they have more than 70% of their assets invested in financial products: cl 101B(1).

If the investment is in a property fund, even if the trustee does not believe and there are no reasonable grounds to believe that the property fund has

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at least 70% or its assets in relevant securities, the property fund will be an interposed vehicle unless, based on the PDS of the superannuation product, the property fund could only be reasonably regarded as the end investment and could not be reasonably regarded as the means by which the benefit of investment in property is obtained: cl 101B(4). As the PDS indicates that entities are invested in to obtain exposure to real property, the property trust could be seen as a means by which the benefit of an investment in real property is obtained and therefore is an interposed vehicle.

Example 7: Cash investment option

A superannuation fund trustee offers a cash investment option with the objective of gaining exposure to cash investments, including term deposits and short-term money market securities. The trustee gains this exposure by investing in a life policy held with a life company that invests in the desired assets and provides the trustee with an after-tax, after-fees return.

The life company is an interposed vehicle for the purpose of calculating indirect costs if the trustee has reasonable grounds to believe that it invests more than 70% of its assets in relevant securities: cl 101B(1).

However, even if the life company invested less than 70% of the value of the assets of the life company in relevant securities, the life company would be an interposed vehicle unless, based on the PDS of the superannuation product, the life policy could only be reasonably regarded as the end investment and could not be reasonably regarded as the means by which the benefit of investment in cash investments is obtained: cl 101B(4). As the PDS would indicate the investment is a cash option, the life policy is merely a means to obtain cash exposure, and the life company is an interposed vehicle.

Example 8: Investment in shares of a listed public company

A superannuation fund trustee for a MySuper product invests in the shares of a listed public company specialising in the operation of mines, as part of an investment strategy of holding Australian shares.

This company is not an interposed vehicle because:

- the trustee has no reasonable grounds to believe and does not believe, based on the information the trustee has, that the company has more than 70% of its assets invested in relevant securities (its assets are predominantly mineral rights or controlling holdings in entities holding the mineral rights, not relevant securities) (cl 101B(1)); and
- based on the PDS for the MySuper product (when the company is listed), it could only be reasonably regarded as the end investment and could not be regarded as the means by which exposure to mines is achieved (cl 101B(4)).

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Example 9: Investment option in infrastructure

The trustee of a superannuation fund discloses in the PDS of an investment option, called an infrastructure option, that the option currently invests in a named unlisted trust that invests in infrastructure across Australia, and that the return of the investment option is substantially based on the investment in the trust.

This trust is an interposed vehicle under the PDS test because, based on the PDS, the investment in the unlisted trust could reasonably be regarded as a means to gain exposure to other assets, namely infrastructure assets, rather than the end investment itself: cl 101B(4).

Example 10: Special purpose vehicle

The trustee of a superannuation fund discloses in the PDS of an investment option, called a mining companies option, that the trustee uses a vehicle such as a special purpose vehicle to hold its securities in each of the mining companies.

The vehicle that holds the securities in the mining companies is an interposed vehicle because the trustee has reasonable grounds to believe that it holds more than 70% of its assets in relevant securities: cl 101B(1).

Example 11: Financial products offered through an IDPS

An IDPS operator offers access to a number of financial products that investors may select as investments. Before they can select any of these financial products as investments, the IDPS operator gives each investor the PDS for the financial product and a list of the investments.

Each of these financial products is not an interposed vehicle under the platform test for the purposes of the fee disclosure in the IDPS guide, because each limb of the platform test under cl 101B(5) is satisfied for investments offered through the custodial arrangements.

Example 12: ASX-listed AREITs

As part of an investment strategy of tracking the ASX 200 index, a trustee of a superannuation fund invests in ASX-listed AREITs, with each AREIT investing in direct property or property securities.

The AREITs are not interposed vehicles because the trustee does not believe or have reasonable grounds to believe that they have more than 70% of their assets in relevant securities: cl 101B(1). The AREITs may have substantial assets in interests in other registered schemes that are reasonably regarded as a means of investing in real property, but those interests are not relevant securities: cl 101B(2)(a).

The PDS test is also not met. Based on the PDS and other information issued by the trustee of the superannuation fund, the interests in the AREIT must be regarded as the end investment and not the means by which the end investment (property) is obtained.

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Example 13: Pooled superannuation trust

A PDS for a superannuation trust explains that the trust offers exposure to a high-growth equities portfolio and that the trustee gains this exposure by investing in a pooled superannuation trust.

The pooled superannuation trust is an interposed vehicle because it invests more than 70% of its assets in relevant securities: cl 101B(1).

Even if the pooled superannuation trust did not invest 70% or more of its assets in relevant securities, based on the PDS and other information issued by the trustee of the superannuation product, the pooled superannuation trust could be reasonably regarded as the means by which the benefit of the investment is obtained: cl 101B(4).

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Appendix 2: Examples relating to OTC derivative costs

RG 97.245 Below are some examples of how costs for various derivative financial products should be treated and disclosed in a PDS.

Example 14: Managed investment product for non-hedging purposes

A synthetic exchange-traded fund with an investment objective of providing a return based on the price movement of gold maintains an OTC swap position to gain exposure to the price movement of gold. The fund is entitled to receive (or obliged to pay an amount) based on changes in the price of gold less 0.2%. Using the OTC derivatives in this way is not hedging.

The cost associated with maintaining this position, apart from transactional or operational costs, needs to be included in the indirect cost calculation for the managed investment product and will therefore form part of the management costs.

This cost includes any fee payable to the counterparty, but not a fee to any third-party intermediary. It also includes the amount by which the amount payable by the counterparty would have been increased (or any amount payable by the fund reduced) as a result of the amount depending on the price of gold less 0.2%, rather than the price of gold.

Example 15: Managed investment product for hedging purposes

An interest-rate hedged fixed-income registered scheme maintains an interest rate swap OTC contract to reduce the impact on its fixed-interest portfolio of interest rate movements.

Any amount payable for the swap is a transactional or operational cost because the OTC derivative is used for hedging purposes.

Example 16: Superannuation product with exposure to underlying asset

A superannuation investment option offered by a superannuation fund provides exposure to interest-rate hedged fixed income. To get this exposure, the fund trustee invests in the managed investment product described in Example 15.

The interest-rate hedged fixed-income registered scheme is an interposed vehicle. Therefore, the fund trustee will need to include in its disclosed fees or, where permitted, indirect costs any fee or cost associated with investing in the scheme, including the cost incurred by the scheme for the swap to the extent attributable to a MySuper product or investment option in the fund.

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Example 17: Identifying the ultimate reference asset

A responsible entity invests in a total return swap that provides a return based on a 1.5 times leveraged exposure to the ASX 200 index, on the basis of a nominal value of \$100 million being swapped for the returns on a cash portfolio of the registered scheme over two years. The counterparty hedges its exposure by holding an interest in another derivative.

The ultimate reference asset for this swap is the nominal amount multiplied by 1.5, rather than the amounts in any other derivative entered by the counterparty. In this example, there are no adjustments to the amounts payable on either side, but there is an upfront amount payable to the counterparty. The actual return received is likely to equal the underlying return minus the upfront fee. Any payment that the issuer would receive to close it out at the end of the financial year may be offset in calculating the cost for that financial year. The amount payable on acquisition and close out would generally reflect what the counterparty expects the costs to be of closing out the derivative it used to hedge its exposure, and include an element of remuneration.

Example 18: Calculating the costs of a derivatives financial product

An issuer enters into a derivative that gives a return or requires a payment based on 1.5 times the change in the value of a listed security over a month. For each \$100 increase in the price the issuer will receive \$148.50, and for each \$100 reduction in the price the issuer will pay \$151.50. The base value of the listed security is equal to \$100 million. The cost amount of this swap exposure equals \$1.5 million.

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Key terms

Term	Meaning in this document
Additional explanation of fees and costs	A section of the PDS that sets out the additional information required under cl 209 of Sch 10
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 s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
AREIT	Australian real estate investment trust
ASIC	Australian Securities and Investments Commission
assets test	The test for determining if an entity is an interposed vehicle based on the assets of the entity: see RG 97.56–RG 97.59
balanced investment option	An investment option in which the ratio of investment in growth assets, such as shares or property, to investment in defensive assets, such as cash or bonds, is as close as practicable to 70:30: cl 101 of Sch 10, as incorporated by cl 7(5) of Sch 10D
boxed consumer advisory warning	The consumer advisory warning set out in Div 7 of Pt 2 of Sch 10 to the Corporations Regulations, as modified by [CO 14/1252]
buy–sell spread	For a superannuation product, a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity. In relation to any other financial product, the difference between the amount required to acquire a financial product at the relevant time and the amount that would be obtained on its disposal at that time
Choice product	A superannuation product that is not a MySuper product
cl 221 (for example)	A clause of Sch 10 to the Corporations Regulations, unless otherwise specified
[CO 14/1252] (for example)	An ASIC class order (in this example, numbered 14/1252)
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act

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Term	Meaning in this document
Corporations Regulations	Corporations Regulations 2001
derivative financial product	Either an OTC derivative or a security or a managed investment product that embeds a derivative Note: The exact definition is in cl 101(3A) of Sch 10.
enhanced fee disclosure regulations	Sch 10 to the Corporations Regulations, as inserted by the Corporations Amendment Regulations 2005 (No. 1)
entity	A body, trust or partnership
example of annual fees and costs	An example, as specified in Div 5 of Pt 2 of Sch 10 to the Corporations Regulations
fees and costs template	The fees and costs template set out in Divs 1 and 2 of Pt 2 of Sch 10 to the Corporations Regulations
fees and costs disclosure requirements	The requirements relating to fees and costs set out in Schs 10, 10D and 10E to the Corporations Regulations
IDPS	Investor directed portfolio service
incorporated by reference	Information available in a document other than the PDS but incorporated by reference into a shorter PDS in accordance with regs 7.9.11E, 7.9.11P and 7.9.11X or a PDS that is not a shorter PDS in accordance with reg 7.9.15DA
indirect cost ratio	The methodology for calculating costs that are not deducted directly from a member's account, and for superannuation products, other than fees
interposed vehicle	The investment vehicle through which a superannuation entity or registered scheme might directly or indirectly invest to obtain access to the underlying product or asset Note: See Sch 10 to the Corporations Regulations, as modified by [CO 14/1252] .
intra-fund advice	Advice that a superannuation fund trustee can provide to members where the cost of the advice is permitted to be borne by all members of the fund
issuer	The person who makes available the financial product. For a superannuation product, this is the trustee of the superannuation entity and, for an interest in a registered scheme, this is the responsible entity of the scheme
listed managed investment scheme	A registered scheme that is listed on a financial market
managed investment product	An interest in a registered scheme, a legal or equitable right in such an interest, or an option to acquire by way of issue such an interest or right

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Term	Meaning in this document
managed discretionary account (MDA)	<p>An MDA means a facility, other than a registered managed investment scheme (registered scheme) or an interest in a registered scheme, with the following features:</p> <ul style="list-style-type: none"> • a person (MDA client) makes contributions; • the client portfolio assets are managed on an individual basis by another person (MDA provider) at the MDA provider's discretion, subject to any agreed limitation; and • the client and the MDA provider intend that the MDA provider will use the client portfolio assets to generate a financial return or other benefit for the client <p>Note: For more details about what we consider to be the key features of an MDA, see Regulatory Guide 179 <i>Managed discretionary accounts</i> (RG 179).</p>
MDA service	Some or all of the services and functions involved in providing an MDA
MySuper product	A default superannuation product provided under Pt 2C of the SIS Act
OTC	Over the counter. In relation to a derivative, this means not acquired on a financial market
periodic statement	A statement required to be sent to certain persons who acquired financial products as a retail client under s1017D on an annual basis and after they cease to hold the financial product
platform test	The exclusion of entities from being interposed vehicles on the basis they are investment obtained through a custodial arrangement: see RG 97.68–RG 97.75
PDS test	The test for determining if an entity is an interposed vehicle based on whether the entity could be regarded as the investment of the superannuation entity or registered scheme under the PDS: see RG 97.60–RG 97.67
Product Disclosure Statement (PDS)	<p>A document that must be given to a retail client in relation to the offer or issue of a financial product in accordance with Div 2 of Pt 7.9</p> <p>Note: See s761A for the exact definition.</p>
pure defined benefit superannuation fund	A superannuation fund where the members are entitled to benefits defined solely by reference to the factors in paras (a) and/or (b) of the definition of 'defined benefit member' in reg 1.03(1) of the SIS Regulations
reg 7.9.60B(1)(d) (for example)	A regulation of the Corporations Regulations (in this example, numbered 7.9.60B(1)(d)), unless otherwise specified
registered scheme or scheme	A managed investment scheme, as defined in s9 of the Corporations Act, registered with ASIC

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Term	Meaning in this document
responsible entity	A responsible entity of a registered scheme, as defined in s9 of the Corporations Act
retail client	A client as defined in s761G and 761GA of the Corporations Act and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations
RG 240 (for example)	An ASIC regulatory guide (in this example, numbered 240)
s1013C(3) (for example)	A section of the Corporations Act (in this example, numbered 1013C(3)), unless otherwise specified
Sch 10	A schedule to the Corporations Regulations (in this example, numbered 10)
shorter PDS	A PDS that is required to comply with the shorter PDS regime
shorter PDS fees and costs template	The fees and costs template for certain superannuation products and simple managed investment schemes, as set out in Schs 10D and 10E to the Corporations Regulations
shorter PDS regime	The requirements set out in Pt 7.9 of the Corporations Act, as modified by Subdivs 4.2B and 4.2C and Schs 10D and 10E to the Corporations Regulations, which prescribe the content and length of the PDS for certain superannuation products and simple managed investment schemes
simple managed investment scheme	A registered scheme that predominantly has very liquid assets as defined in reg 1.0.0.2 of the Corporations Regulations
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SIS Regulations	Superannuation Industry (Supervision) Regulations 1994
superannuation products	A superannuation interest within the meaning of the SIS Act
ultimate reference asset	The financial product (which includes securities) or other asset or assets from which the returns from the derivative financial product are ultimately determined. See [CO 14/1252] for a full definition

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Related information

Headnotes

costs, enhanced fee disclosure regulations, fees, IDPS, indirect costs, indirect cost ratio, insurance products, managed investment products, management costs PDSs, MDA services, periodic statements, performance fee, Product Disclosure Statements, registered managed investment schemes, shorter PDS regime, simple managed investment scheme, Stronger Super reforms, superannuation products, transaction costs

Legislative instruments and class orders

[ASIC Corporations \(Amendment and Repeal\) Instrument 2015/876](#)

[ASIC Corporations \(Amendment\) Instrument 2016/1224](#)

[ASIC Corporations \(Managed Discretionary Account Services\) Instrument 2016/968](#)

[ASIC Corporations \(Updated Product Disclosure Statements\) Instrument 2016/1055](#)

[\[CO 12/749\]](#) *Relief from the Shorter PDS regime*

[\[CO 13/763\]](#) *Investor directed portfolio services*

[\[CO 13/1200\]](#) *Periodic statements relief for AQUA quoted and listed managed investment scheme manager*

[\[CO 14/1252\]](#) *Technical amendment to Schedule 10 to the Corporations Regulations*

Regulatory guides

[RG 45](#) *Mortgage schemes: Improving disclosure for retail investors*

[RG 94](#) *Unit pricing: Guide to good practice*

[RG 148](#) *Platforms that are managed investment schemes and nominee and custody services*

[RG 179](#) *Managed discretionary account services*

[RG 181](#) *Licensing: Managing conflicts of interest*

[RG 184](#) *Superannuation: Delivery of product disclosure for investment strategies*

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[RG 234](#) *Advertising financial products and advice services (including credit): Good practice guidance*

[RG 240](#) *Hedge funds: Improving disclosure*

Legislation

Corporations Act, Pts 5C.7, 6CA, 7.9; s601FC(1)(d), 674, 675, 1012J, 1012A(1), 1012IA(1), 1013C(3), 1017B, 1017D, 1021B(1A) and 1022A(1A)

Corporations Amendment Regulations 2005 (No. 1)

Corporations Regulations, Ch 7; Pt 7.9 Subdivs 4.2–4.2C; regs 1.0.02, 7.9.11P, 7.9.11X, 7.9.20(1)(a), 7.9.20(1)(b), 7.9.37(1)(k), 7.9.60B(1)(d), 7.9.60B(2), and 7.9.60B(5); Sch 10, Sch 10A Pts 5B and 5C, Sch 10D and Sch 10E

SIS Regulations, regs 1.06(2), 1.06(6), 1.06(7)

SIS Act, s99F

Superannuation Legislation Amendment (MySuper Measures) Regulation 2013