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entitlements,
secured.**



Feedback Submission

ASIC Options for Regulation of
Employee Redundancy Funds

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Australian Securities and Investment Commission Options for Regulation of Employee Redundancy Funds

5th August 2025

The National Entitlement Security Trust (NEST) was established in 2000 to provide a vehicle to secure worker entitlements in the Manufacturing Industry.

Workers in NEST are covered by enterprise agreements that include contributions to Worker Entitlement Funds (WEFs).

WEFs play a key role in securing the entitlements of workers. This gives workers' peace of mind that they will be paid what they are owed in a timely manner in the event of their employer going into administration. These funds are also vital in providing for portability of worker entitlements. As work continues to change and the number of workers in insecure work increases, workers entitlements funds can ensure that workers maintain access to the full suite of industrial rights.

The current review by the Australian Securities and Investments Commission (ASIC) into the regulatory framework for employee redundancy funds is a timely exercise. It presents an opportunity to reinforce the proven strengths of WEFs while refining oversight to safeguard members' interests.

Option 2(b)

This submission, aligning with the Australian Council of Trade Unions' (ACTU) position and reflecting the practical experience of the Manufacturing Industry via the National Entitlement Security Trust (NEST), endorses Option 2(b) as the most balanced and effective regulatory approach.

In NEST's view Option 2(b) offers a regulatory model that continues the trajectory of transparency and accountability without burdening WEFs with duplicative or ill-fitting requirements. The option recognises the existing fiduciary obligations and strong governance structures unique to WEFs, providing targeted relief from regulations designed for fundamentally different financial products. Our reasons for supporting Option 2(b) include:

- **Risk-Appropriate Regulation:** Option 2(b) tailors regulation to risks faced by WEFs, avoiding the pitfalls of a one-size-fits-all managed investment scheme model. It acknowledges the not-for-profit nature of these funds and is more likely than Option 1 or 2(a) to ensure that the primary purpose of the funds —protecting worker entitlements—is not diluted by excessive compliance obligations.

- **Transparency and Accountability:** The measures in Option 2(b) offer sensible requirements to maintain high standards of governance, with clear policies and procedures for member benefit and appropriate levels of oversight.
- **Recognition of Historical Success:** The option is informed by decades of effective fund operation under existing relief, during which WEFs have demonstrated a strong track record of paying out entitlements and protecting members from financial harm.

Alternatives to Option 2(b)

The consultation paper and previous industry feedback highlight that imposing a regulatory framework akin to that for managed investment schemes (Option 1) would generate the highest cost burden, endanger the vital function of WEFs, and could lead to practical difficulties for operators. Such a model would not be fit for purpose, risks undermining the viability of funds, and ultimately disadvantages the very workers the regulatory regime is intended to protect.

While Option 2(a) provides some relief, it still imposes additional and duplicative requirements that do not align with the operational realities of WEFs. NEST supports a model that eschews unnecessary duplication, maintains robust protections and enables funds to continue delivering on their promises to members.

If after consulting with the relevant stakeholders, ASIC comes to the view that Option 2(b) is not appropriate, NEST also considers Option 3 a reasonable and proportionate regulatory approach. It recognises that no WEF has failed to meet its obligations to members, nor is there evidence of systemic prudential risk in the sector. The conditions proposed under Option 3 are practicable and, while they may add some administrative burden, they strike a balance between oversight and the continued effective operation of WEFs.

Thank you for the opportunity to contribute. Should further information or evidence be required, we would be pleased to assist.

Securing your future, together.

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