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03-243 ASIC releases fee disclosure model

Tuesday 5 August 2003

The Australian Securities and Investments Commission (ASIC) today released a good practice model for fee disclosure in the Product Disclosure Statements (PDSs) of investment products.

'Investors have a right to clear, concise, and comprehensive information about the fees they will pay for an investment product', ASIC Executive Director, Financial Services Regulation, Mr Ian Johnston said.

'ASIC believes that significant fees should be disclosed in a single table which investors can read easily "at a glance". Used consistently by providers, this sort of table will help people understand their fees, and help them to compare fees across different products', Mr Johnston said.

ASIC suggests that a second table should itemise ongoing fees, and be supplemented by a section for other important additional disclosure items such as worked examples, information about adviser remuneration and information about fee changes.

'Improving fee disclosure is an ongoing process, and our good practice model is an important foundation of that process. While we acknowledge that it will take time to make the transition to using it consistently, we encourage industry to adopt it as soon as possible', Mr Johnston said.

The development of a fee disclosure model follows the release in September 2002 of Professor Ian Ramsay's report *Disclosure of Fees and Charges in Managed Funds*, which was commissioned by ASIC. Professor Ramsay is Dean of the Law School at Melbourne University, and director of the Centre for Corporate Law and Securities Regulation.

'ASIC has prepared this report using Professor Ramsay's recommendations as a basis, and we believe it is the best example that can be achieved through a consensus-based approach. In the absence of specific legislation regarding a comparability tool such as an MER or OMC*, ASIC encourages industry to do further work on these issues and is happy to be involved in the process', Mr Johnston said.

ASIC's model aims to address issues identified in the report as requiring attention, such as:

- the use of common terms;
- standardised descriptions;

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- disclosure of the purpose of particular fees;
- improved disclosure of adviser remuneration; and
- transparency of fees.

ASIC recommends that industry participants undertake consumer testing of the model, as suggested by Professor Ramsay.

The fee disclosure model appears as Appendix A to ASIC's report on the fee disclosure project. The report outlines the approach taken in developing the model, the consensus reached and potential areas for further development as industry standards.

The model was developed following extensive consultation with industry stakeholders over more than six months.

ASIC consulted stakeholders including:

- the Investment and Financial Services Association Ltd (IFSA);
- the Association of Superannuation Funds of Australia Ltd (ASFA);
- the Australian Consumers Association (ACA);
- the Industry Funds Forum (IFF);
- the Australian Institute of Superannuation Trustees (AIST);
- the Corporate Superannuation Association (CSA);
- the Institute of Actuaries,
- the Australian Investors Association (AIA);
- the Australian Friendly Societies Association (AFSA); and
- Mr Colin Grenfell.

'We have consulted widely in reaching a position on consistent disclosure of fees and charges. Consumer groups, industry bodies and professional experts have all made a valuable contribution to the process, and I would like to acknowledge the cooperation we have received', Mr Ian Johnston said.

A copy of the report is available from ASIC's website on www.asic.gov.au.

**Management Expense Ratio (MER) or Ongoing Management Charge (OMC).*

End of release

[Download a copy of the report](#) (PDF file, 316KB)

Updated: 06/08/2003

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