



ASIC

Australian Securities & Investments Commission



Search this site

De

visit our c

[what's new](#) > [news archive](#) > [company forms](#)

ASIC RESOURCES ▾

Companies

- Searching & lodging ASIC forms
- Starting a company or business
- Running, closing down a company
- Deregistered companies
- Small business

Investors & consumers

- FIDO's tips, Scams
- Unclaimed money
- Check licences

Financial services

- Licensing, Training
- Banking, Insurance
- Managed investments
- Superannuation, More

Markets & corporate finance

- Markets, Takeovers
- Financial reporting
- Auditors & liquidators
- Fundraising, More

Publications

- Media releases
- Information sheets
- More topics

About ASIC

- Contacting us
- Jobs, More topics

**Conditions of use
Privacy**

Media and information releases



- Media releas
- 2003 :
- Annu:
- Conta
- Comp comp
- Job v:
- Copie
- Comn recor
- E-con
- Hints site
- Copyr our w

02/352 ASIC releases Ramsay report on disclosure of fees and charges

Wednesday 25 September 2002

The Australian Securities and Investments Commission (ASIC) today released *Disclosure of fees and charges in managed investments, review of current Australian requirements and options for reform*, a report about the disclosure of fees and charges for investment products.

The report was prepared for ASIC by Professor Ian Ramsay, Dean of the Faculty of Law and Director of the Centre for Corporate Law and Securities Regulation at the University of Melbourne.

The report contains:

- an overview of approaches to disclosure of fees and charges in a number of international jurisdictions as well as in Australia; and
- options for improving the quality and comparability of fees and charges disclosure, particularly in Product Disclosure Statements and periodic statements.

The report was compiled after consultation with a cross-section of industry participants and consumer representatives

'The report is a significant contribution to the current debate about how to take forward the disclosure of investment fees and charges within the Financial Services Reform Act (FSRA) framework', Peter Kell, ASIC's Executive Director, Consumer Protection, said.

'Professor Ramsay's report canvasses a number of disclosure options designed to promote consumer understanding of fees and charges for investment products, and to assist consumers make comparisons between similar products', Mr Kell said.

'The report will facilitate further consultation by ASIC with industry and consumer representatives about the future direction of disclosure for investment products under the FSRA regime', Mr Kell said.

This work is being undertaken with the encouragement of the Parliamentary Secretary to the Treasurer, who has written to industry encouraging their participation.

'It is, however, important to note that while Professor Ramsay's report will assist consideration of disclosure options it does not represent ASIC endorsement of any specific disclosure proposals', Mr Kell said.

ASIC also announced today that it will be introducing an investment fees calculator on its consumer website. Introducing such a calculator is one of the report's recommendations and ASIC expects it to be on-line by early next year.

'ASIC's calculator will assist consumers to work out the charges they may incur when considering different investments', said Mr Kell.

Background

On 20 December 2001, ASIC announced the first stage of a new project to foster better disclosure of fees and charges in the product disclosure statements for investment products.

This project followed release of ASIC Policy Statement 168 *Disclosure: Product Disclosure Statements (and other disclosure obligations)* that foreshadowed further work to promote comparability through the use of the new Product Disclosure Statements.

The first stage in the project was to engage Professor Ramsay to prepare an options paper on how ASIC, industry and consumer groups can work together to produce effective disclosure of fees and charges for investment products. [Note: Professor Ramsay's report was prepared prior to the recent disallowance of proposed FSRA regulations relating to the use of the ongoing management charge measure in superannuation disclosure.]

The release of that report today marks the end of the first stage and the beginning of the second stage of this project.

Copies of *Disclosure of fees and charges in managed investments, review of current Australian requirements and options for reform* are available from the ASIC web site www.asic.gov.au.

Following is summary of the report's recommendations.

Attachment: summary of the report's recommendations

The report makes recommendations relating to:

- Improved disclosure and comparability of fees and charges in Product Disclosure Statements (PDS); and
- Improved disclosure and comparability of fees and charges in periodic statements.

Recommendations relating to PDSs

1. There should be standardised descriptions and definitions of fees including:

- a) all fees to be shown in the one place in PDS (a 'fees section');
- b) disclosure of the purpose of any fees imposed; and
- c) standardised fees table identifying significant fees (eg entry, exit, switching and investment management fees).

2. There should be separate disclosure of administration fees and investment fees.
3. There should be improvements in the disclosure of entry/contribution fees and exit/withdrawal fees including:
 - a) use of common terminology across all products;
 - b) the purpose of these fees should be disclosed (including if used for adviser remuneration).
4. The capacity to increase fees and maximum fees should be disclosed in the fees section of PDS.
5. The concept of an ongoing management charge (OMC) should be used as measure of ongoing expenses ('expense measure') across all products (not just superannuation related products) including:
 - a) expense measure should not include discretionary fees (eg. entry or exit fees);
 - b) standardised description of the expense measure; and
 - c) conversion of expense ratio to a dollar amount for an account balance of \$10,000 for managed funds (not just superannuation related products).
6. The effect of fees on returns should be shown over various periods via a table (subject a specified rate of return being set for industry participants and appropriate disclosure of assumptions used).
7. There should be disclosure in dollar terms, to the maximum extent possible, in *addition* to showing percentages.
8. There should be disclosure of fees paid to advisers in fees section of PDS (both for initial investment and on an ongoing basis) including:
 - a) showing source of adviser payments (eg. trailing commission comes out of investment management fee); and
 - b) disclosure, via a general statement, of the existence of 'soft commissions' and cross-reference to Financial Services Guide (FSG) and Statements of Advice (SoA) for more detail.
9. There should be standardised descriptions of buy/sell spreads.
10. The fees section of PDSs should be adjacent to section of PDS which discloses returns.
11. There should be standardised disclosure of ability to negotiate rebates with advisers (eg. statement that adviser can determine amount of entry fee).

Recommendations related to periodic statements

There should be disclosure of actual fees relating to a person's investment (where this can be calculated) subject to ASIC obtaining information from industry about the costs of providing this sort of disclosure or, alternatively, disclosure of an indicative amount (either an amount determined by multiplying a fund's per share (unit) asset value by the fund's expense ratio and then by the average number of shares (units) a person owned during the reporting period OR a dollar amount based on a fund's actual expenses of a standardised investment amount (eg. \$10,000) assuming a standardised return (eg. 5%).

End of release

The Ramsay Report can be downloaded as a PDF file. The full report is 5.51MB in size and so will, on most computers, take a long time to download. We suggest you first download the file to your hard drive before trying to open it or print it. To do this

- click on the link below to take you to the PDF Download page, and then
- 'right-click' on the link and download the file to your computer.
- You can then launch it directly into Acrobat Reader.

Download a copy of:

[The full report](#) (5.51MB)

[The executive summary](#) (232 KB)

[Section 6: Options for improved disclosure](#) (387KB)

You can also download a copy of ASIC Chairman David Knott's speech to the AFSA luncheon in Sydney, 25 September 2002, "[Changing dynamics of the Australian superannuation industry](#)"

Updated: 25/09/2002

 [BACK](#)