



Prudential Standard SPS 450

Eligible Rollover Fund (ERF) Transition

Objectives and key requirements of this Prudential Standard

This Prudential Standard sets out minimum processes for RSE licensees of existing eligible rollover funds (ERFs) in relation to the requirement under section 394 of the *Superannuation Industry (Supervision) Act 1993* to transfer the amount held in the ERF to a regulated superannuation fund that is an authorised ERF or that offers a MySuper product within 90 days of 1 January 2014.

The key requirements of this Prudential Standard include:

- the identification of a suitable authorised ERF or RSE offering a MySuper product;
- the preparation and implementation of a transition plan addressing the movement of the amount held in the ERF to the identified successor entity; and
- specified reporting to APRA.

The Prudential Standard also sets out requirements to be met by an authorised ERF to implement its election under s. 242B in the event that its authorisation is cancelled.

Authority

1. This Prudential Standard is made under section 34C of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*.

Application

2. This Prudential Standard applies to each registrable superannuation entity (**RSE**) licensee:
 - (a) in respect of any eligible rollover fund (**ERF**)¹ within its business operations²; or
 - (b) which receives the transfer or rollover of the interests of members of an ERF which is not authorised, or for which authorisation is cancelled by APRA.
3. All RSE licensees must comply with this Prudential Standard in its entirety, unless otherwise expressly indicated.
4. This Prudential Standard commences on 1 July 2013.

Seeking authorisation to operate an RSE as an ERF after 1 January 2014

5. An RSE licensee which includes an ERF within its business operations as at 1 July 2013 (**the existing ERF**) must, by no later than 15 July 2013, advise APRA whether it will seek authorisation to operate an RSE as an ERF from 1 January 2014.
6. An RSE licensee which operates an existing ERF (**the transferring RSE licensee**) must either:
 - (a) submit to APRA by no later than 15 August 2013 an application for authorisation to operate that RSE as an ERF after 1 January 2014; or
 - (b) by 31 October 2013 prepare a transition plan, approved by the Board of the RSE licensee (**the Board**), to provide for the orderly transfer of each member's interest held in the existing ERF :
 - (i) to a single authorised ERF or;
 - (ii) only if no suitable ERF can be identified for that member or class of members, to a single RSE that offers a MySuper product.

¹ An ERF is defined in s.242 of the SIS Act with effect until 31 December 2013. From 1 January 2014, the definition is replaced by the amended definition in s. 10(1) of the SIS Act.

² For the purposes of this Prudential Standard, an 'RSE licensee's business operations' includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.

Different members or classes of member may be transferred to different authorised ERFs or, if no suitable ERF can be identified, to different RSEs that offer a MySuper product.

7. An RSE licensee which operates an existing ERF and has submitted an application for authorisation to operate that RSE as an ERF but which has not received that authorisation by 15 November 2013 must prepare a transition plan by no later than 13 December 2013.

Transition plan for transferring RSE licensees which operate an existing ERF

8. The transition plan must, at a minimum:
 - (a) at the date of first approval by the Board
 - (i) articulate the processes and expected timeframes for identifying, for each member or class of members:
 - A. a single suitable ERF³ which the RSE licensee has reasonable grounds to believe will be authorised at 1 January 2014 or;
 - B. only if no suitable ERF can be identified for that member or class of members, a single suitable RSE which offers a MySuper product⁴to which amounts from the existing ERF are to be transferred (collectively, **the successor entity**⁵); and
 - (ii) set out the process for capturing and transmitting to the successor entity all data which identifies each member with an interest in the existing ERF, and the value of that interest⁶;
 - (b) by 10 January 2014, name the successor entity;
 - (c) by 31 January 2014:
 - (i) include a detailed plan for the transfer of the data and assets representing the interests of the members of the existing ERF to the successor entity by no later than 31 March 2014, allowing for the retention of sufficient assets to meet costs necessarily incurred in the wind up of the fund; and

³ A suitable ERF is defined in paragraph 12.

⁴ A suitable RSE which offers a MySuper product is defined in paragraph 13.

⁵ For the purpose of this Prudential Standard, “the successor entity” is defined to include each successor entity if more than one suitable ERF or more than one suitable RSE which offers a MySuper product is identified in the transition plan.

⁶ If the transition plan identifies more than one successor entity, data and assets provided to each successor entity must be restricted to those which are referable to the members whose interests are to be transferred to that entity.

- (ii) include a detailed plan to wind up the existing ERF by 30 June 2014.
9. The transferring RSE licensee must ensure that the processes in the transition plan promote the financial interests of the ERF members.

Transition plan for RSE licensees for which authorisation to operate an existing ERF may be cancelled

10. An RSE licensee that operates an authorised ERF which proposes to seek cancellation of its authorisation must notify APRA in writing of that intention no less than 90 days before the proposed date of cancellation. The notification must be accompanied by a transition plan that includes:
- (a) the name of the successor entity;
 - (b) the process for capturing and transmitting to the successor entity all data which identifies each member with an interest in the ERF and the value of that interest; and
 - (c) a detailed plan for the transfer of the data and assets representing the interests of the members of the ERF to the successor entity within 90 days after the proposed date of cancellation of the authorisation, allowing for the retention of sufficient assets to meet costs necessarily incurred in the wind up of the ERF.
11. If APRA issues a notice to an RSE licensee which operates an authorised ERF inviting it to show cause why its authorisation should not be cancelled, the RSE licensee must, within 60 days of receipt of that notice, prepare, have approved by its Board and provide to APRA a transition plan to be implemented in the event that APRA cancels its authorisation. The transition plan must include:
- (a) the name of the successor entity;
 - (b) the process for capturing and transmitting to the successor entity all data which identifies each member with an interest in the ERF and the value of that interest; and
 - (c) a detailed plan for the transfer of the data and assets representing the interests of the members of the existing ERF to the successor entity within 90 days of the date of cancellation of the authorisation, allowing for the retention of sufficient assets to meet costs necessarily incurred in the wind up of the ERF.

Identifying a suitable ERF or suitable RSE which offers a MySuper product

12. An ERF will be suitable for the purposes of paragraph 8(a), 10(a) or 11(a) if it is an RSE:
- (a) that

- (i) an RSE licensee (**the receiving RSE licensee**) is authorised to operate as an ERF after 1 January 2014; or
 - (ii) the transferring RSE licensee has reasonable grounds to believe will be authorised to operate as an ERF after 1 January 2014; and
- (b) whose governing rules permit the acceptance of the interests of the members of the existing ERF; and
 - (c) the transferring RSE licensee has formed the reasonable view that transferring to the receiving RSE licensee the data and assets representing the interests of the ERF members can be undertaken efficiently and with an acceptable level of risk; and
 - (d) the transferring RSE licensee has formed the reasonable view that transfer of the interests of the existing ERF member or class of members to that ERF promotes the financial interests of those existing ERF members.
13. An RSE will be suitable for the purposes of paragraph 8(a), 10(a) or 11(a) if:
- (a) for a specified existing ERF member or class of members, there is no authorised ERF which meets the requirements of a suitable ERF; and
 - (b) at the time of preparation of the transition plan an RSE licensee (**the receiving RSE licensee**) is authorised to offer a class of interest in the successor entity as a MySuper product; and
 - (c) the governing rules permit the acceptance of the interests of the existing ERF members ; and
 - (d) the transferring RSE licensee has formed the reasonable view that transferring to the receiving RSE licensee the data and assets representing the interests of the existing ERF members can be undertaken efficiently and with an acceptable level of risk; and
 - (e) the transferring RSE licensee has formed the reasonable view that transfer of the interests of the existing ERF members to the successor entity promotes the financial interests of those members.

Transfer of ERF members' interests into a successor entity

- 14. The transferring RSE licensee must implement the transition plan.
- 15. The transferring RSE licensee must provide all reasonable assistance to the receiving RSE licensee to ensure that existing ERF member interests can be correctly attributed to that member in the successor entity.
- 16. The receiving RSE licensee must attribute the ERF member interests to the account of that member in an ERF if it operates one within its business operations.

17. If the receiving RSE licensee is not authorised to operate an RSE as an ERF, it must attribute all amounts transferred from the existing ERF to a MySuper interest in the name of the member. The interest must be in the MySuper product in the RSE that, in the reasonable opinion of the receiving RSE licensee, best promotes the financial interests of the member.

Adjustments and exclusions

18. APRA may, by notice in writing to an RSE licensee, adjust or exclude a specific prudential requirement in this Prudential Standard in relation to that RSE licensee.⁷

⁷ Refer to section 34C(5) of the SIS Act.