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Discussion Paper – Cost Recovery  
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### **Discussion Paper: Cost Recovery for AUSTRAC's Regulatory Functions**

The Superannuation Administration Corporation trading as Pillar Administration (Pillar) would like to provide the below comments in relation to the discussion paper on the proposed methodology for AUSTRAC's regulatory cost recovery model.

#### **About Pillar**

By way of background, The Superannuation Administration Corporation trading as Pillar Administration (Pillar) provides superannuation administration and related services in both the public and private sectors. Pillar is a New South Wales statutory State owned corporation established by the *Superannuation Administration Corporatisation Act 1989 (NSW)* and is governed by a Board of Directors who report to Shareholding Ministers appointed under the *State Owned Corporations Act 1989 (NSW)*, and to a Portfolio Minister.

Pillar presently provides such services to the trustees of superannuation funds and holds an Australian Financial Services Licence (AFSL 245591) to provide personal product advice to members of the superannuation funds under its administration and to deal in superannuation products.

The Trustees of a number of major superannuation funds have authorised Pillar (as their fund administrator), under contractual outsourcing arrangements, to undertake a number of the administrative processes required to ensure compliance with the Funds' AML/CTF obligations.

Pillar is a reporting entity under Item 54 of table 1 in section 6 of the AML/CTF Act as Pillar is the holder of an Australian Financial Services Licence who arranges for and undertakes the necessary administration activities for members of superannuation funds to receive certain designated services. Pillar does not provide any other designated services

## Comments on methodology and impact on item 54 only service providers

Pillar has concerns regarding the method of the calculation of the levy, specifically the *large entity component* of the levy insofar as it applies to reporting entities whose only designated services are Item 54 services provided under outsourcing arrangements with superannuation funds.

Superannuation fund administrators such as Pillar are captured as AML/CTF reporting entities because they provide a designated service under Item 54 of Table 1 in section 6 of the AML/CTF Act. In particular, superannuation fund administrators generally hold an Australian Financial Services Licence so that they can arrange for and undertake the necessary administration activities for superannuation fund members to receive the following designated services:

- Item 40 – accepting the purchase price of a pension;
- Item 41 – making payments by way of pension or the commutation of pensions;
- Item 42 – accepting superannuation contributions, rollovers or transfers of benefits;
- Item 43 - payment of the whole or part of a superannuation benefit

However, it needs to be noted that it is the superannuation fund that is the **provider** of item 40-43 designated services, not the administrator, and it is the superannuation fund that is required to submit reports, such as suspicious matter reports and compliance reports, to AUSTRAC in respect of these services. The administrator aids the Funds in this process but the Fund has the ultimate reporting responsibility.

Superannuation administration companies are large organisations, typically employing many more than 150 staff (Pillar has approximately 600 staff). As such, under the current proposal in the discussion paper, they will be liable for both the *base component* and the *large entity component* of the AUSTRAC supervisory levy.

As these administrators provide only Item 54 services they have reduced obligations under the AML/CTF Act regarding customer identification and record keeping, an exemption from lodging AML/CTF Compliance Reports and are only required to have a Part B AML/CTF Program. Based on the above reduced obligations, it is apparent that AUSTRAC consider these entities as low risk and that the supervisory resources required for regulating such an entity would be far less given the reduced legislative obligations.

That such an entity should be required to pay a *large entity component* is inconsistent with the stated reason for the large entity component: “that it relates to additional expenses incurred by AUSTRAC in regulating large entities”. Further, the statement that “larger entities have relatively more customers and typically provide products that are more complex over multiple distribution channels and multiple jurisdictions” is certainly not applicable to a pure administration company. In light of the reduced obligations, and that reduced obligations apply to entities when only providing item 54 services, the application of the large entity component is seen as being inappropriate.

Pillar considers that, as a minimum, reporting entities whose only services are item 54 services should be exempt from the large entity component, and we request AUSTRAC to consider such an exemption.

If you have any questions or comments on this matter, please do not hesitate to contact Bill Morris, Manager Quality and Compliance

Yours faithfully,

Bill Morris  
Manager Quality and Compliance