

Summary of key changes in revised RG97



Overview

On 29 November 2019 ASIC released its long-awaited updated guidance on fees and cost disclosure for issuers of superannuation and managed investment products with the revised Regulatory Guide 97 Disclosure of fees and costs in PDSs and periodic statements (RG 97). The purpose of RG97 is to drive greater transparency and consistency in fees and cost disclosures.

This follows on responses from industry to ASIC's Consultation Paper (CP 308) in relation to proposed amendments to RG97 and incorporates all key recommendations from Darren McShane's (the independent expert) report of August 2018 issued to ASIC. Modification of the law has been achieved by way of two legislative instruments, *ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070* and *ASIC Corporations (Amendment) Instrument 2019/1071*.



Key effective dates and ASIC expectations

PDS

- Issued on or after 30 September 2020.
- No early "opt-in" allowed.

ASIC expects industry to comply with the fees and costs disclosure requirements found in CO 14/1252, until the transition period ends. ASIC recommended that while the transitional version of RG 97 (released March 2017) will continue to be relevant during the transition period, the industry can obtain immediate benefit from the clearer guidance in the updated version of RG 97 released in November 2019 about existing fees and costs disclosure requirements that have not changed.

The industry has been welcoming of the changes, however have raised concerns over the short timeframe given for implementation.

Periodic/Exit Statements

- Reporting period commencing on or after 1 July 2021.
- Early "opt-in" allowed for reporting period commencing on or after 1 July 2020 or ending on or after 1 July 2020 for exit statements.



"Consistent and comparable disclosure helps consumers and their financial advisers to better understand the fees and costs involved, compare products more easily and make more informed assessments about whether a product is suitable for the consumer." ASIC Commissioner Danielle Press

The key changes to RG97 are summarised below:



Performance fees to be calculated by reference to the average of each of the previous five financial years instead of one year

Performance fees should be calculated by reference to the average of each of the previous five financial years or if less than 5 years, the number of financial years in which it operated or had a performance fee charging mechanism in place.

Related performance information should be included in the 'Additional explanation of fees and costs' explaining the costs including the methodology.



Exclusion of property operating costs, borrowing costs and implicit transaction costs from PDSs and periodic statements

The amended RG97 defines the following as "Excluded transaction and operational costs"

- Borrowing costs
- Property operating costs
- Implicit transaction costs or market impact costs such as bid ask spreads.

These costs have been excluded as these have been identified as costs categories that are hard to accurately measure consistently and have limited value for users.



Separate requirements for superannuation and managed investment products fee disclosure

Separate sections have been added to deal with superannuation and managed investment products fee disclosures such as Fees and costs summary tables. The amended RG97 provides guidance to improve consistency in presentation of fee information in the 'Fees and costs summary' across different products to drive greater comparability.



Simplification of disclosure of Fees and costs in PDS

The 'Fees and costs summary' as prescribed in Schedule 10 of *Corporations Regulations 2001*, has been amended through the re-grouping and re-naming the fees and costs with clear labeling of:

- Ongoing entity related fees and costs
- Member activity related fees and costs

Simplification of ongoing fees and costs

Ongoing fees has been further simplified through segregation into 3 groups:

- Administration fees such as costs for marketing, custody, etc.
- Investment fees such as cost of expertise for investments.
- Transactions costs such as brokerage costs

Disclosure of a single 'Cost of Product' figure in a PDS

A single 'Cost of product information' is prescribed to ensure comparable information is available to consumers. The Cost of product information would include the total cost of investing in that product.

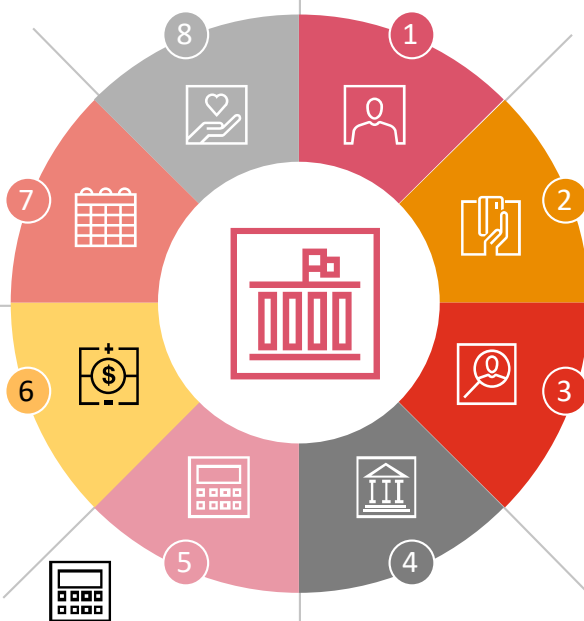
Simplification of fee and costs disclosure in periodic statements

Fees and costs disclosure in Periodic Statements has been simplified by re-grouping and re-naming the fees and costs as:

- Fees deducted directly from your account
- Fees and costs deducted from your investments

Clarification on costs categories to be included in the disclosed costs

ASIC has clarified the cost categories and their treatments in calculation/disclosure of fees and costs by providing clear definitions and a list of included/excluded fees and costs. ASIC has also produced a consolidated version of Schedule 10 of the *Corporations Regulations 2001* as included in the legislative instrument as relevant for RG97.



How can PwC help?



Review of changes to methodology and calculations resulting from the newly released RG97



Review of methodology and calculations supporting PDSs and periodic statements



Review of proposed communications with stakeholders (media releases, script for call centres, board communications etc.)



RG97 training to directors, client teams and other key stakeholders



Contacts

Please reach out to any of the below contacts should you wish to obtain further information on the expert review and its consequences.



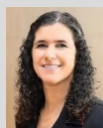
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