The Law
Reform
Commission

Report No 65

The Companies
and Securities
Advisory Committee

Report

COLLECTIVE INVESTMENTS: OTHER PEOPLE'S MONEY

SUMMARY

This Report reflects the law as at 1 June 1993

[It assumes that the *Corporate Law Reform Act 1992* (Cth) and the Corporate Law Reform (No 2) Bill 1992 [1993] (Cth) are both fully in operation.]

ISBN 0 642 19350 9

ALRC Reference: ALRC 65

The Law Reform Commission was established by the *Law Reform Commission Act 1973* section 5 to review, modernise and simplify the law. It started operation in 1975. The office of the Commission is at 99 Elizabeth Street, Sydney, NSW, Australia (tel (02) 231 1733; fax (02) 223 1203).

The Companies and Securities Advisory Committee was established by the *Australian Securities Commission Act 1989* to monitor and advise on the operation of national scheme laws. It started operation in 1989. The office of the Committee is at Level 16, Westpac Plaza, 60 Margaret Street, Sydney, NSW, Australia (tel (02) 911 2950; fax (02) 911 2955).

Printed by Alken Press Pty. Ltd. – Smithfield

Contents

Terms of reference

COMMONWEALTH OF AUSTRALIA

Law Reform Commission Act 1973
Australian Securities Commission Act 1989

1. I, Michael Duffy, Attorney-General of Australia noting:
   - the report of the Companies and Securities Law Review Committee to the Ministerial Council for Companies and Securities titled 'Prescribed Interests'; and
   - the need to ensure that there is a proper legal framework for prescribed interests and like collective investment schemes (collective investment schemes) that:
     - — promotes commercial stability, and efficiency in capital raising and capital formation; and
     - — provides an appropriate level of regulation that adequately and effectively protects the interest of investors,

refer to the Law Reform Commission for review and report under the *Law Reform Commission Act 1973* section 6:

(1) Whether the present legal framework for collective investment schemes provides for the most efficient and effective legal framework for the operation of the various kinds of such schemes and, in particular, whether a different operating structure should be provided for such schemes, including whether separate structures should apply to different kinds of schemes;

(2) Whether there is a proper level of regulation of the various kinds of collective investment schemes, and in particular:
   - whether different systems of regulation should be provided for different kinds of such schemes;
   - what disclosures should be made to the public;
   - whether scheme documents, such as trust deeds, can be simplified or standardised;
   - what should be the powers, duties and responsibilities of the persons who promote, manage, or supervise the operation of collective investment schemes, such as managers and trustees, including whether, and the extent to which, such duties and responsibilities should be codified;
   - whether any form of self-regulation would be appropriate;
   - what prudential requirements, if any, should be imposed on such persons as promoters, managers or trustees of such schemes, including requirements as to availability of capital;
   - whether a special framework for the liquidity of collective investment schemes, and for the secondary sale or trading of collective investment scheme interests, is desirable, including whether buy-back arrangements are appropriate and, if so, whether there is a need for particular buy-back provisions for particular kinds of such schemes; and

(3) any related matter;

and, under the *Australian Securities Commission Act 1989* section 148, request the Companies and Securities Advisory Committee to advise me about those matters.

2. In carrying out their functions, the Commission and the Committee are to consult the Australian Securities Commission, the Commonwealth Attorney-General's Department, relevant Commonwealth, State, and Territory authorities, the securities industry and any other person or body they think appropriate, having special regard to the Commonwealth's Access and Equity policy.

3. The report and advice should include draft legislation and an explanatory memorandum.

4. The report is to be delivered by 1 November 1992.

DATED: 24 May 1991

Michael Duffy
Attorney-General

Participants

Australian Law Reform Commission

The Division of the Commission for the purpose of this report comprised:

President
Justice Elizabeth Evatt AO
Members
Jim Armitage (to 31 December 1992)[1]
Leigh Hall (to 31 December 1992)[2]
Stephen Mason
Mr Mason drafted the legislation in Volume 2.
Christopher Sidoti
Justice John von Doussa (from 17 September 1992)

The Companies and Securities Advisory Committee

Convenor
Mr Mark Burrows
Members
Mr Don Argus
Mr John Barner
Mr Reg Barrett
Professor Philip Brown
Mr Alan Cameron (from 1 January 1993)
Mr David Crawford
Mr Kevin Driscoll CBE
Mr William Gurry
Mr Leigh Hall
Mr Tony Hartnell (to 31 December 1992)
Mr Wayne Lonergan
Ms Ann McCallum
Mr Alan McGregor AO
Mr Mark Rayner
Mr Andrew Turnbull

Officers (ALRC)

Project manager[3]
Russell Agnew

1. Mr Armitage and Mr Hall continued to work with the Review until the completion of this report.
2. Mr Hall is also a member of the Advisory Committee.
3. By agreement, the ALRC project team had primary responsibility for preparing this report.

Senior Law Reform Officers
Mark Blair (5 November 1992 to 26 February 1993)
Kate Hamilton (21 April 1992 to 4 November 1992)
Margaret Ryan
Research Assistant
Steven Lam (from 4 January 1993)
Project Assistant
Lynne Munnich
Typesetting
Anna Hayduk
Library
Joanna Longley *Librarian*
Louise Levido *Library Assistant*

Officers (Advisory Committee)

Executive Director
John Kluver
Officers
Mark Blair (to 4 November 1992)
Vincent Jewell (from 17 February 1992)
Executive Assistant
Ms Timmi Parrino

Consultants to the Australian Law Reform Commission[4]

Mr Robert Ferguson, Managing Director, Bankers Trust Australia

Mr Richard Beetham, then Commissioner, Insurance & Superannuation Commission
Mr Don Blyth, National Director, Trustee Companies Association
Mr Richard Braddock, Head, Economics Discipline, School of Economics and Financial Studies, Macquarie University
Mr Tony Cole, then Secretary, Department of the Treasury
Mr David Davis, Managing Director, Permanent Trustee Company
Mr John Denyer, then Executive Director, Investment Funds Association of Australia
Mr John Field, Partner, Blake Dawson Waldron
Ms Lyn Gearing, Director, Rothschild Australia Asset Management Limited
Professor David Knox, Associate Professor in Actuarial Studies, School of Economics and Financial Studies, Macquarie University
Mr Mike Lyons, Partner, Clayton Utz
Mr Donald Magarey, Partner, Blake Dawson & Waldron
Mr Ian Martin, Director, Bankers Trust

4. The recommendations, statements of opinion and conclusions in this report are those of the members of the ALRC and the Advisory Committee. They do not necessarily represent the views of consultants or of the organisations with which they are associated.

Ms Jenni Mattila, Partner, Tress Cocks & Maddox
Mr John Morgan, Partner, Allen Allen & Hemsley
Mr Jim Murphy, Special Adviser, Business Affairs Division, Attorney-General's Department, Canberra
Ms Catherine Prime, Catherine Prime & Associates
Mr David Purchase, Executive Director, Life Insurance Federation of Australia
Mr Ken Robinson, Tax and Legislation Manager, National Mutual Life Association of Australasia Ltd
Mr Joseph Rooney, Partner, Tress Cocks & Maddox
Mr Iain Ross, Assistant Secretary, ACTU, Melbourne
Mr John Rutherford, Director, Corporate Supervision Unit, Australian Securities Commission
Mr Ray J Schoer, Director of Operations, Australian Stock Exchange
Mr Brian Scullin, Executive Director, Association of Superannuation Funds of Australia
Mr Malcolm Starr, Director, Companies and Securities, International Banks and Securities Association of Australia
Professor Tom Valentine, Director, Centre for Applied Finance, University of Technology, Sydney
Mr Garry Weaven, Senior Consultant, Westpac Financial Services Group
Ms Sarah Worthington, Lecturer, Faculty of Law, Melbourne University

Collective investments: other people's money

Introduction

1. This is a summary of a major report prepared by the ALRC and the Companies and Securities Advisory Committee (Advisory Committee) called *Collective investments: other people's money* (ALRC 65, 1993). That report sets out and explains the way in which the law should regulate 'collective investment schemes'. These schemes include unit trusts (such as cash management trusts, equity trusts and property trusts), 'enterprise schemes', where an asset such as a farm, time share flat or a racehorse is managed for fun or profit for several investors and other similar schemes. The report was commissioned by the federal Government and is the first full review ever undertaken of the law governing these schemes. It was written after a long process of public and industry consultation, and in the light of well over 100 written and oral submissions.

Background to the report

Collective investment schemes and the report

2. The report focuses on schemes that are presently governed by the Corporations Law, the national law regulating fund raising by corporations. There is an enormous variety of such schemes, from the largest commercial property and cash management trusts through to yabbie farm schemes, pine forest schemes, jojoba bean plantation schemes and racehorse syndicates. During the 1980s these schemes grew rapidly, partly as a result of deregulation in the financial sector. Investments in unit trusts alone grew from less than $2 billion in 1980 to over $38 billion in 1992. The fastest growing unit trusts were cash management trusts and, until recently, property trusts. The amount of money invested in collective investment schemes will continue to increase now that superannuation is compulsory for most workers.

Who invests in collective investment schemes?

3. Anyone can invest in a collective investment scheme. More and more of the people who do so will be retired persons investing their superannuation lump sums. While many investors are keenly aware of what they are doing, others do not have the experience or expertise to recognise the pitfalls and risks involved in investing. Many investors choose to invest in these schemes because they do not want the worry and responsibility of

day to day management of their money. They rely on the law, rather than on their own expertise, to give them appropriate protection. The report asks whether investors in these schemes now get appropriate protection.

Collective investment schemes and the economy

4. Giving appropriate protection to investors in these schemes is important for other reasons too. Collective investment schemes are a major way in which households — ordinary Australians — save and invest. They allow individuals and groups with relatively small savings to get better returns by pooling their money, giving them more investment opportunities. Australia needs to invest more to create jobs and to help maintain and improve the incomes and living standards of all Australians. In fact, households — ordinary Australians — are the main source of money (apart from foreign borrowings) for Australia's investment. Neither government nor businesses can, in current circumstances, generate enough savings or new capital for investment. Providing appropriate protection for investors helps to encourage ordinary Australians to invest.

What is appropriate investor protection?

What risks?

5. What investor protection is appropriate depends on what kinds of risks investors face, and how the law can deal with each kind of risk. The risks that investors face that might affect the value of their investments are

- *investment or market risk* — the risk that the investment will decline in value, either because the market as a whole declines, reducing the value of virtually all investments, or the particular investment declines in value
- *institution risk* — the risk that the institution which operates the scheme will collapse
- *compliance risk* — the risk that managers and others associated with the scheme will not follow the rules set out in the scheme's constitution or the law that governs the scheme, or will act fraudulently or dishonestly.

All investors face these risks to some extent, whatever they invest in.

What protections are appropriate?

6. ***Investment risk.*** An investor in a collective investment scheme covered by the Corporations Law is, generally speaking, investing in the assets that the scheme has, but indirectly, rather than becoming a direct owner. It is not practicable or economically efficient for laws and regulations to try to protect individual investors from a fall in overall market values or a decline in value of a particular investment. The law governing collective investment schemes cannot — and should not — eliminate investment risk. The cost of doing so would be too great, and fund managers would be discouraged from devising innovative financial products. The law can, however, ensure that the investors are given, as clearly and simply as possible, all the information they need to understand fully, and judge for themselves, the level of risk involved in the investment.

7. ***Compliance and institution risk.*** The law can help with risks associated with how the scheme is run, and the institution that runs it. It can establish rules to ensure that these risks are kept at an acceptably low level. A focus on compliance risk is particularly important because collective investment schemes are often designed with restricted investment objectives, say, to real property or the short term money market or equities (shares). Investors put their money into these schemes on the promise that investments will be restricted in the ways described. Addressing institution risk is also important. The disruption that would occur, and the costs that would be imposed, if a scheme operator collapsed warrant the law imposing some controls to reduce that risk and to keep the disruption to a minimum. The Review's recommendations would ensure that investors get appropriate protection at an acceptable cost.

Why is reform needed?

8. The Review has found that the present law does not properly address either institution risk or compliance risk.

- The law requires each scheme to have a manager and a trustee or investors' representative. But it is far from clear which of them is responsible for which aspect of the scheme's operation. This not only leads to unnecessary confusion — it is inflexible, encourages unsatisfactory commercial practices and sometimes results in neither taking responsibility for compliance with the law because each can blame the other.

- There are gaps in the rules that set out how much information must be given to investors in schemes, and to those who are considering investing. Investors may not fully understand what their money is going into and what risks they face.

- The law requires most scheme managers to buy back investors' interests when asked. This leads investors to think that they can get their money back more easily than the assets of the scheme can be sold. This is a fundamental problem. It was graphically illustrated in mid 1991 with the collapse of the property market.

- There are very few restrictions on who can run a collective investment scheme. In particular, there is no requirement that scheme managers have any significant capital backing.

There are other deficiencies. For example, the rules governing the way some collective investment schemes operated by life insurance companies are marketed to the public do not require complete disclosure of the benefits that the adviser will get.

What has to be done — ensure that scheme managers focus on complying with the law and the rules they write for the scheme

The present law

9. The present law requires that each collective investment scheme covered by the Corporations Law must have a deed approved by the Australian Securities Commission (ASC). The deed must be between the manager of the scheme and a trustee or representative, again, approved by the ASC. The Corporations Law sets out a large number of covenants that must be reflected in these approved deeds, including covenants

- that the trustee will not agree to a transaction involving an 'associate' of the manager unless the trustee believes that the transaction is in the bests interests of the investors
- that the trustee will 'exercise all due diligence and vigilance in carrying out his, her or its functions and duties and in protecting [the investors'] rights and interests'.

This last covenant has been the cause of significant confusion in the industry because it is so vague.

The problems

10. There are serious problems with this structure.

- ***Displacement of responsibility.*** The Review was told, particularly by trustee companies, that some managers tend to regard a proposal as acceptable if they can 'get it past' the trustee. This attitude is a direct result of the two-party structure that the law imposes, which does little to encourage scheme managers to take responsibility themselves for seeing that the law and the scheme's constitution are adhered to.

- ***An inefficient structure to promote compliance.*** What will best promote a scheme operator's compliance with the law and the scheme's constitution will depend, among other things, on how the operator is structured, what is involved in running the scheme and how restrictive and complicated the constitution of the scheme is. But the present law, with minor exceptions, recognises only one way to promote compliance. In practice, at least for significant trusts, a statutory trustee company is employed as 'trustee or representative'. It is inefficient to limit schemes in this way. This inefficiency is compounded by the trustee companies' fee structure. The fee for each scheme is generally worked out as a small percentage (often no more than 0.1%) of the value of the scheme's assets no matter what the work load. Many participants in the collective investments industry agree that this fee structure does not produce enough revenue for trustee companies to carry out even their present role effectively.

What has to be done — the obligations of operators

11. The law must be changed to promote a culture of compliance among scheme operators. The first step is to make each scheme have a single, clearly identified entity responsible to investors and to public authorities for running the scheme. The split in responsibility presently prescribed by the law should cease. The scheme operator should have a clear set of obligations, prescribed by law, that it owes directly to the investors in the scheme. These would include the obligation to act honestly in all matters concerning the scheme and to prefer the interests of the investors to its own interests in all matters concerning the scheme.

What has to be done — a focus on compliance

12. *Compliance measures.* The law should ensure that scheme operators take responsibility for compliance with their obligations under the law and the constitution of the scheme — in other words, for keeping the promises that they made when the investors invested. It should do this in two ways. First, the law should encourage operators to have measures to prevent

contravention of the law by making available the defence that they were taking reasonable measures to prevent contraventions of the law and of the scheme constitution. Secondly, the directors of the operator should be made to take some responsibility for developing the compliance measures that the scheme is to operate with. The present requirement that a trustee or representative be appointed should be abolished. The law should not force a scheme to have a trustee or investors' representative any more than it should force a life insurance company or a superannuation scheme to have a separate trustee. It should be up to the operator of each scheme whether it involves a trustee, custodian or investors' representative — if it thinks that this is efficient and cost effective, or is what the investors want and will pay for. Having one will not, however, relieve the scheme operator of any responsibility for the scheme's operations.

13. ***Licensing.*** The report recommends that all scheme operators should have to be licensed by the ASC. The main function of this licence should be to ensure that the scheme operator has a proper system of compliance measures. The ASC should have to consider whether an applicant's proposed compliance measures are adequate. It should impose on an operator's licence conditions related to compliance measures. Directors of the operator must certify, before the licence is granted, that the operator is able to comply with those conditions and that they consider them reasonably likely to detect and prevent possible breaches of the law and the scheme constitution. However, if the scheme operator were prosecuted, it would have to prove to the court that it had taken reasonable measures to prevent breaches of the law or the scheme's constitution — the fact that it was complying with its licence conditions would not be enough. A licensing system will also make it easier to prevent bankrupts and people convicted of serious criminal offences from managing collective investment schemes — from getting their hands on other people's money.

What has to be done — the role of directors

14. The report also recommends that the directors of each company that is the operator of a collective investment scheme should have clear obligations to the investors, obligations similar to those they owe to the company itself, such as not to profit improperly from their position. Furthermore, at least half the board of the company should consist of non-executive directors. Non-executive directors are directors who do not play any part in the day to day running of the company and have no shares or other interests in the company. They can look at proposals in a detached way, and their presence will help ensure that the scheme operator complies with the law and the scheme's constitution.

What has to be done — surveillance and audit

15. ***Enhanced role for the ASC.*** The report points out that the ASC will need to play a strong and active role in the regulation of collective investment schemes. It recommends that the ASC should have clearly expressed powers of surveillance of scheme operators and collective investment schemes. The ASC should establish a surveillance program over scheme operators. To do this effectively, the powers of the ASC will need to be increased. In particular, the ASC should have effective powers of entry, search and examination of books and records. The report also recommends that the ASC should be able to make legally binding agreements, instead of having to take court action, in relation to collective investment schemes, in the same way as recent amendments to the *Trade Practices Act 1974* (Cth) allow the Trade Practices Commission to do.

16. ***Enhanced role of auditors.*** Auditors will also play a significant role in promoting compliance by scheme operators. The report recommends that an auditor who identifies a breach of a scheme's constitution or the Corporations Law during an audit should have to report it to the ASC. Auditors should also have to report to the ASC whether the licence conditions imposed by the ASC are being complied with.

What has to be done — ensure that investors know about the scheme

A general obligation to disclose

17. The Corporations Law already imposes a general obligation on managers of collective investment schemes to issue prospectuses that give all the information that an investor 'would reasonably require, and reasonably expect to find in the prospectus, for the purpose of making an informed assessment' of (among other things) the benefits and risks associated with the proposed investment. The report recommends that this obligation continue, and that recent and proposed amendments to the Corporations Law that increase the level of disclosure required should also be imposed on collective investment schemes.

Further disclosure needed

18. More is needed. The report identifies a range of measures that have to be taken to improve the level and quality of information that investors, and those who want to invest, get about collective investment schemes.

- ***Prospectuses to disclose specific matters.*** Prospectuses should have to disclose a number of particular matters. Most importantly, they should have to set out the full range of investments allowed under the scheme's constitution, information about the scheme's performance in recent years and precise details about how fees and charges, including the scheme operator's fees and charges, are worked out.

- *Possible borrowings.* A scheme that, under its constitution, can borrow more than 10% of the value of the scheme property should have to disclose that fact and call itself by a name that draws attention to the fact (such as a name that includes the word 'geared').

- ***Telling the investors.*** Scheme operators should be obliged to provide investors with annual reports and the accounts of the scheme. There should be clear obligations on the operator of the scheme to notify investors of critical events.

What has to be done — link the investors' right to get their money back to how easy it is to sell the assets of the scheme

The problem

19. Interests in some kinds of collective investment schemes (for example, listed unit trusts) are listed on the Australian Stock Exchange (ASX) and can be bought and sold freely just like shares. The Corporations Law requires the managers of other schemes to buy back investors' interests when asked. The scheme operator, in effect, acts as banker to the scheme. In many instances the scheme operator funds these purchases by redeeming the interests it buys out of the scheme property. This property can range from cash or readily saleable assets such as shares to assets which can be hard to sell such as commercial office buildings. But the same kind of buy back obligation is imposed on most kinds of schemes. This gives investors a false picture — they are encouraged to see their investment as being able to be 'cashed in' relatively easily. But if the operator cannot pay for the buy backs with its own funds or redeem out of the liquid assets of the scheme (often the money paid in by new investors), it will be forced to borrow or to sell the assets of the scheme. Neither course is attractive — both are likely to diminish the value of the scheme assets to the disadvantage of remaining investors. If the operator wants to sell the assets, it may not be able to do so before it has to pay out the departing investors. The difficulties that the law's insistence on a buy back obligation can cause were demonstrated graphically in the crisis in unlisted property trusts in mid 1991.

Principles for reform

20. The Review has identified a number of principles to guide reform in this area. So far as buy backs are concerned, the report recommends that buy back facilities should only be offered to investors on a basis that is fair and equitable to all investors in the scheme. So far as redemptions are concerned, the report recommends that redemption facilities should only be offered if they

- are offered on a basis that is fair as between all the investors who take up the offer
- do not prejudice the interests of investors who want to remain in the scheme.

This means that investors' rights to get their money back will reflect how easy it is to sell the scheme's assets or to find willing buyers for scheme interests or scheme assets. The means by which investors leave a scheme should be designed to preserve the asset base of the scheme rather than to allow it to be sold up.

What has to be done

21. ***Buy backs.*** The report recommends that the statutory obligation to buy back investors' interests should be abolished. A scheme operator should be able to buy back interests itself, but only from funds it has identified for that purpose and if it makes a general offer to investors to do so. The report recommends a simple and fair procedure that scheme operators will have to follow when they offer buy backs to investors. An operator should have to disclose in advance how much it will spend to buy back interests. If that amount is not enough to buy all the interests offered for sale, the operator should buy them proportionately.

22. ***Redemptions.*** The law should be changed to ensure that an investor can redeem, or 'cash in', his or her interests out of the scheme property only to the extent that the scheme has cash available to pay for them. There should be a clear and strong link between the ability of investors to get their money back out of the scheme and the ease with which the assets of the scheme can be sold. If the operator wants to redeem the interests it holds, or to offer investors the opportunity to redeem their interests, out of the scheme property, two conditions should apply. First, the operator should make the offer in terms that indicate that redemption requests will only be satisfied if the liquidity of the scheme allows. Secondly, *all* investors should have the opportunity to participate in the redemption, sharing proportionately, if necessary, the amount of cash available. Investors in schemes that have assets that are easy to sell, or whose units are traded on a secondary market (like the ASX), will not be affected by this recommendation. However, where

assets are less easy to sell, such as office or commercial buildings, investors will be restricted in the extent to which they can have their interests redeemed. These recommendations will mean that investors will clearly understand that, by investing in a collective investment scheme, they are investing in the assets of the scheme, and cannot treat it as a bank account.

What has to be done — other measures

Capitalisation of scheme operators

23. Many submissions to the Review urged that a capital requirement be imposed on scheme operators, so that they could not manage a collective investment scheme unless they had a stated amount of money backing them up. The report concludes that a capital requirement should be imposed to reduce institution risk. Scheme operators should have to have net capital of at least 5% of the total value of assets under management. There should be a minimum amount fixed of $100 000 but no more than $5 000 000 should be required at any time.

Intermediaries (financial advisers and planners and securities dealers)

24. Many people invest in collective investment schemes through intermediaries such as investment advisers, financial planners and securities dealers. Dealers and investment advisers are already licensed under the Corporations Law. That licensing scheme should continue. However, several changes ought to be made.

- *'Independent' advisers.* Intermediaries should only be allowed to call themselves 'independent' if they are paid by their clients, not by scheme operators.

- *Positive duty to make inquiries.* All intermediaries should be under a positive duty to make appropriate inquiries, including inquiries of their clients directly, before they recommend how the client should invest.

- *Full disclosure of fees and commissions.* Intermediaries should have to tell their clients how much of the client's money will actually be invested and how much will be spent on commissions, fees and other charges. Intermediaries should also have to tell their clients exactly what commissions and fees they themselves receive on account of the investments they recommend.

There should not be any controls on the amount that intermediaries can earn through commissions or fees but their clients — who, one way or another, pay these fees — should have full knowledge of the intermediaries' interest when they decide whether to invest or not.

Investors' rights

25. While investors in collective investment schemes generally do not look to have day to day involvement in the management of their investment, the report recommends that they should have a number of specific rights. These include:

- the right to dismiss the operator of the scheme and substitute another operator
- the right to decide whether to terminate the scheme and have it wound up
- the right to amend the constitution of the scheme.

They should also have specific protection against oppressive or discriminatory conduct by the scheme operator or other groups of investors.

Resolving disputes

26. The report considers what is the best way to resolve disputes between investors and scheme operators. Relying on court action by individual investors is clearly impractical, given that court action often costs too much for ordinary people. Recent legislation introduced into the federal Parliament would establish a complaints tribunal for the superannuation industry. A similar measure for collective investment schemes generally is not needed at this stage. However, each scheme operator should have to have an appropriate internal mechanism to try to resolve any misunderstandings or disputes which might arise.