



28 June 2024

Senate Standing Committee on Economics
Parliament House, Canberra ACT 2600

Margaret Cole, Deputy Chair

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Dear Committee Members,

Inquiry into improving consumer experiences, choice and outcomes in Australia's retirement system

Thank you for the opportunity to make a further submission to this Inquiry. We understand that the Committee seeks APRA's input on the viability of using superannuation as a mortgage offset.

As outlined in our first submission of 1 March 2024, APRA's primary role in relation to superannuation is to drive trustees to deliver better outcomes for members while ensuring the prudential soundness and safety of the sector. We do this by establishing and supervising enforceable prudential standards, including those relating to strategic management, risk management, governance and investment governance, as well as enforcing legislative obligations. Policy changes to broaden the role of superannuation beyond providing for members in retirement to achieve other objectives, such as facilitating home ownership, are outside of APRA's mandate and would be a matter for Government.

APRA's preliminary view is that regulatory implications of using superannuation as a mortgage offset would vary depending on whether the funds used for the mortgage offset were to remain within the superannuation system or released from the superannuation system.

If funds remain inside the superannuation system while being used as a mortgage offset, a challenge would be that while the superannuation trustee would remain the legal owner of the funds, the trustee would not be able to generate a return on the funds while they are used for offset purposes. This would have implications for obligations imposed under the *Superannuation Industry Supervision Act 1993* including the best financial interests duty (section 52), the sole purpose test (section 62) and the prohibition on financial assistance (section 65). Further, an arrangement where the funds remain within the superannuation system but are used as a mortgage offset is likely to be complex and difficult to administer due to the multiple parties (e.g lenders, trustees, members) to the arrangement with potentially competing interests in relation to the offset funds.

Alternatively, if the funds were moved outside of the superannuation system, the possible impact on the liquidity of superannuation funds and how trustees would manage this impact would need to be considered.

Under either approach, there is the potential for a mortgage offset scheme to be subject to scams or fraud and legislative safeguards would be necessary to manage this risk.

Any policy change to introduce a mortgage offset scheme would require broad consultation with stakeholders to determine how such a scheme would fit with the existing regulatory obligations and how lenders would be able to give effect to any mortgage offset.

Following the Committee's Inquiry, should the Government decide to investigate a superannuation mortgage offset scheme, APRA would be in a position, if requested, to provide advice to Government on any prudential implications of such a scheme including whether any amendments to the prudential framework are required.

We look forward to continuing to assist Committee with its work on this Inquiry.

