

Rest Submission – Enhancing Member Protections – May 2026

Rest welcomes the opportunity to provide feedback and comments on reform options to enhance member protections in the superannuation system, seeking to address risks associated with the recent collapses of the Shield and First Guardian Master Trusts.

Rest is one of Australia’s largest superannuation funds, with around two million members – or around one-in-seven working Australians – and around \$105 billion in assets under managementⁱ. We represent around one million members under the age of 30, who are decades from retirement. Many of our members work in part-time or casual jobs, which can make it harder to build super consistently over their working lives. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

Executive Summary

The collapse of Shield and First Guardian resulted in losses to almost 12,000 Australians, of around \$1.2 billion.ⁱⁱ There were several factors that appear to have contributed to these losses, including lead generation activity, limitations in the regulatory framework for managed investment schemes, deficiencies in the exercise of due diligence over investments on platforms, and inappropriate advice provided to working Australians who had worked over many years to build their retirement savings. These losses show that current consumer protections have not kept pace with the development of new commercial models.

Rest is strongly supportive of measures to ensure that robust governance requirements apply across the variety of models in which members hold superannuation interests. The compulsory nature of superannuation, and its role as one of the pillars of the retirement system means that strong prudential management, transparency and effective governance are crucial.

Platform trustees

It has become clear that some superannuation structures, developed over time, may not support the best outcomes for superannuation members. We believe that where a Registrable Superannuation Entity (RSE) is responsible for superannuation fund decisions, governance and accountability, the regulation and Financial Accountability Regime (FAR) accountabilities of the RSE should be aligned, regardless of business model. We are therefore supportive of the proposal to define ‘Platform Trustee,’ with the objective of addressing identified gaps in these accountabilities and ensuring that these trustees operate with the same focus on protection for members as other RSEs.

Measures related to this, such as platforms having codified requirements for due diligence on products on their platforms, proportional to the risk relevant to the product, and holding limits for members in potentially high-risk products should be considered with a similar approach.

In the superannuation environment, the interests of members are also best served when there is a close relationship between the trustee and accountable persons, and we therefore believe that outsourced trustees, or ‘trustee-for-hire’ models should be banned.

Furthermore, we consider there should be a broad-based ban on arrangements and payments that influence product listing decisions or volume-based incentives that are inconsistent with prioritising members' best interests.

Waiting periods for inter-fund superannuation switching

Rest does not support the introduction of waiting periods for inter-fund switches. The operational impacts of this measure would be significant, resulting in an unacceptable increase in costs, resourcing and operational risk with no clear indication of improved outcomes for superannuation fund members.

Improvements in accountability and governance across schemes and products that carry elevated risk should be prioritised above measures that place expectations on APRA-regulated funds to act as the primary protection from misconduct in other sectors.

Rest strongly believes that prioritisation of measures to improve consumer protections should be focussed on 'up-stream' actions, including at the point of consumers considering establishing self-managed super funds (SMSFs), advice provision, and lead generation.

With the extent of claims on the Compensation Scheme of Last Resort (CSLR) by SMSFs, and the exposure of SMSFs in the Shield and First Guardian Master Trust failures, Rest proposes the development of a package of reforms that focuses on uplifting the education and understanding of risks that SMSF trustees undertake, including warnings issued by a regulator at the time of establishment, minimum recommended balances, and mandatory online education and acknowledgement of accepting the risks and implications of being a SMSF trustee. We believe this approach would support improved consumer outcomes better than additional frictions applied at the switching stage.

Limiting fee deductions for switching-related financial advice

Rest does not support a broad-based ban on deductions for advice fees from superannuation funds and believes that the current arrangements support the ability for some members to access advice they may not otherwise be able to.

We would have significant concerns about any reform that would require trustees to monitor the purpose and appropriateness of advice fees charged beyond existing obligations, from both an accountability and operational perspective.

More detailed comments on the specific reform options proposed in the consultation paper are included in pages following.

Comments on the reform options

Proposal 1: Strengthening governance requirements for Platform Trustees

Rest is supportive of the proposal to define a 'Platform Trustee,' and that reasonable governance requirements should apply to those defined as such. A definition that uses a multi-criteria approach, combining an initial distinction according to number of investment options, with additional criteria on the option types and level of diversification should provide a reasonable view of a platform offering, without unnecessarily capturing funds that simply offer access to a limited investment menu.

The key objective should be to ensure that there are appropriate trustee responsibilities and accountabilities for the levels of risk and choice that an RSE makes available.

Option 1.1 and 1.2 - Requirement to set and enforce holding limits for investment options and codified due diligence requirements

In a platform environment, requirements on RSEs to set and enforce holding limits, and exercise codified due diligence requirements is appropriate, once an effective principles-based approach is established.

Consideration of risk must be key in the development of these requirements. Both lack of diversification and overall risk of certain investment options must be the focus of holdings limits. For example, it may be appropriate at times that a member invests in a single un-diversified option such as Cash for a period of time, and while this may raise a risk of not meeting return expectations, it raises little risk of loss of capital. The principles to establish limits must account for a range of member priorities.

Similarly, due diligence on products on platforms should be codified, but proportional to the risk relevant to the product, so as not to place unreasonable burden on either the RSE or product issuers who have products on the platform that raise no significant risks for investors.

Option 1.3 - Limiting certain conflicted arrangements and payments

Rest supports a broad-based ban on all arrangements and payments that influence product listings on platform, and those that operate like volume-based incentives. In light of the developments that have seen these payments re-emerge, and increase, since the reforms of Future of Financial Advice, we believe that specific limitations on conflicted payments in relation to platform arrangements are required.

Option 1.4 - Restricting certain trustee operating models

Rest believes there are inherent risks to members in a model that engages an external, outsourced trustee. In particular, greater separation between the trustee and platform operations may weaken end-to-end accountability and reduce effectiveness of governance, oversight and timely intervention in response to risks. The best interests of consumers are better managed when there is a close accountability relationship between the trustee and management through to direct responsibilities to members. Rest therefore recommends that the 'trustee-for-hire' model be banned.

We also believe that, while the Financial Accountability Regime (FAR) applies to these operating models, the separation inherent in the outsourced trustee model may limit the effectiveness of

promoting the principles and intent of the Financial Accountability Regime (FAR), which seeks to draw aligned single responsibilities for all key accountabilities through a superannuation fund's governance arrangements.

Proposal 2: Increase penalties under the SIS Act

Rest is not supportive of proposed increases to existing penalties under the SIS Act. While we agree that an enforcement framework that provides effective deterrent where obligations are not met is appropriate, the consultation paper acknowledges that any increase in penalties under the SIS Act is likely to most directly affect superannuation trustees. The recent consumer harms resulting in significant financial losses has been attributed to a very small number of superannuation trustees running platforms, managed investment schemes (MISs), advice providers and lead generators. Applying significantly higher penalties across all superannuation trustees is not a proportionate or targeted response to the misconduct that led to these losses.

Proposal 3: Introduce a waiting period for inter-fund superannuation switching

Rest does not support the introduction of waiting periods for any inter-fund switches. As noted above, this measure would introduce considerable operational burden, resulting in increased costs for little demonstrable consumer benefit. We believe that targeted protections for consumers would be more effective at an earlier point in the decision-making process than at the execution of an inter-fund switch, at which point the member is often committed to a decision.

Better regulation of lead generators, as contemplated in the consultation paper *Curbing lead generation activity*, and their interactions with advice providers, better regulation of managed investment schemes, as well as the measures outlined above on due diligence obligations for platforms in the superannuation environment, should assist in ensuring that at the time a decision is made to switch funds, it is a considered one.

Improvements to education and accountability for SMSFs

Further, Rest believes that improvements could be made to the education and understanding of SMSFs trustees, including of the responsibilities and risks they undertake when switching to SMSFs. Strengthening education and awareness for SMSF trustees can help ensure that members are better informed about the risks and obligations associated with SMSFs, including the need to undertake their own investment oversight, and the increased exposure to conduct and governance risks. This can also enhance member protection, particularly where switching decisions are made in high-pressure environments. Education should include:

- appropriate warnings issued by a regulator at the time of establishment
- minimum recommended balances for SMSFs, and
- mandatory online education and acknowledgement of accepting the risks and implications of being a SMSF trustee.

We believe this approach would support consumer outcomes better than additional frictions applied at the switching stage.

Proposal 4: Limit fee deductions for switching-related financial advice

Rest is not supportive of a broad-based ban on the deduction of advice fees from superannuation accounts, or any reform that would require trustees to verify the nature and purpose of advice provided beyond existing obligations.

The current limitations, including the requirement that advice fees deducted from superannuation funds relate to the member's superannuation interest and satisfy the sole purpose test, provide an important level of protection from inappropriate fees, while maintaining the potential for members to be able to pay for advice they may not be able to afford otherwise.

Acknowledging the concerns identified in the consultation paper, we would be supportive of consideration of a fee cap, as an additional step to protect members from excessive advice fees.

Proposal 5: Requiring Platform Trustees to compensate members for eligible losses

Rest supports the proposal to require platform trustees to contribute to compensation for members who experience eligible losses due to product or other failures. Further consultation would be required to determine a targeted definition of eligible losses that would lead to liability for compensation, including an appropriate relationship to the platform trustee's misconduct or operation under unacceptable risk.

Other reforms

Delivering better financial outcomes (DBFO)

DBFO Tranche 1 has introduced improvements to client consent for advice fee deductions, and clarity on some conflicted remuneration provisions. Possible future elements of DBFO, when implemented, would also contribute to a framework for protecting members from losses, and potentially compensating them when failures or misconduct occurs. In particular, a more practical re-working of the Best Interests Duty, and removal of the safe harbour provisions, could contribute to improving member protections.

For these reasons, we consider the consultation and implementation of reforms related to consumer protections should not impede the progress of DBFO reforms, which will improve the accessibility and affordability of advice for members.

FAR Accountabilities

The consultation paper does not contemplate modifications or improvements that could be made to the Financial Accountability (FAR) regime, or whether the regime remains effective in the context of certain platform trustee operating models involving additional parties or entities. Rest believes that there are opportunities to consider the operation of FAR in the platform trustee environment, particularly where accountability may be distributed across multiple parties including outsourced trustees and platform operators, and whether improvements could be made to the regime in light of recent failures.

Risk-based product labelling

Rest has previously proposed (Pre-Budget Submission 2026-27) that Government should commence the development of a standardised investment product labelling framework that applies consistent risk categories and descriptors across comparable options, enabling clear, like-for-like member comparison and improved consumer understanding.

Current inconsistencies in how investment options are labelled can create confusion as to the risks that a consumer may be exposed to. We believe that better labelling and disclosure of risk may contribute to the prevention of losses from consumers entering products that are unsuitable for their risk profile.

Conclusion

Rest appreciates the opportunity to provide feedback on these important reforms and welcomes the government's attention on addressing serious financial losses in sectors of the financial services sector.

Submitted: 22 May 2026

ⁱ As at 31 December 2025.

ⁱⁱ <https://www.asic.gov.au/about-asic/asic-investigations-and-enforcement/enforcement-activities/first-guardian-master-fund/>