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# Time for ASIC to get interested in investment committees



[Tahn Sharpe](#) October 18, 2018

in









*Annika Bradley, director of financial services consultancy firm Lodrino*

The regulator is struggling to produce relevant regulation around investment committees, a leading consultant on managed account operations says.

Annika Bradley says ASIC is doing as well as it can, given the limited resources at its disposal, but the speed at which the industry is evolving has left the agency unable to regulate the finer points of the managed account industry adequately, with investment committees becoming a dangerous blind spot.

“Investment committees are obviously one of the key structures used in the managed account space and I don’t think the legislation is particularly prescriptive as to how an investment committee framework works,” Bradley says. “It’s something I believe ASIC are really trying to come up to speed with. I wouldn’t say it’s the wild, wild west, but it’s an area of the industry that’s really evolved in the last few years and it’s developed very quickly.”

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schemes commonly known as managed accounts and traditional managed funds, which are unitised products. Understanding the roles of the people behind these mechanisms is important, she says, because they are the ones that affect “Mum and Dad’s return”.

“As a starting point, [ASIC] needs to get its head around the structures,” she says. “If there’s an external responsible entity (RE) and then you’ve got an investment manager and a platform in place, you need to be making sure that they’re clear as to who all the different players are.”

The managed account industry has undergone tremendous growth in the last five years. Research from the Institute of Managed Account Professionals and Milliman concluded that in the 12 months to June 30, 2018, funds under management in managed accounts increased 30 per cent to \$62.4 billion. The rise and implicit conflicts of managed accounts [were explored recently](#) by *Professional Planner*.

ASIC’s regulatory guidance with regards to investment committees is sparse. [Regulatory Guide 179](#), which deals with managed discretionary accounts, makes only one reference to investment committees, citing “the use of an independent investment committee to make or review investment decisions” as one possible measure to “control conflicts of interest that may arise”. The guide was published in 2016.

The regulator’s [index listing for managed investment schemes](#) contains several guides pertaining to managed funds and the role of the RE, but nothing explicitly pertaining to the role of investment committees.

Bradley, who has published a guide on the Portfolio Construction Forum website called “[5 essential investment committee tools](#)” (login required), says there are “a few different component parts that [ASIC] is still trying to work out”.

“There are nuances that are new, especially around things like rebates,” she says. “The growth has been so quick and they’re playing a bit of catch-up because there are a few things that they need to get ahead of.”

[ANNIKA BRADLEY, ASIC, INVESTMENT COMMITTEES, LODRINO, MANAGED ACCOUNTS](#)



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