

Quill expands in SMSF administration

Sally Patten

Quill Group, a Queensland-based accountancy and financial planning practice, is gearing up for an assault on the self-managed super fund administration market by acquiring Brisbane accountants Sims Crawford Elliott and making plans to merge its administration division with an Adelaide company.

The deals are a sign consolidation is afoot in the highly fragmented do-it-yourself administration industry. Quill, which is part-owned by DKN Financial, a listed financial services company, established an administration firm specialising in DIY superannuation funds, Superfund Partners, 18 months ago.

KEY POINTS

- Mergers are a sign consolidation is afoot in the highly fragmented DIY administration industry.
- About 79 per cent of DIY funds use accountants, 14 per cent specialist firms and 7 per cent of trustees do their own administration.

Superfund Partners administers 300 funds, but following acquisition of Sims this has risen to 500. Quill managing director Kevin Nicol said if the merger between Superfund Partners and the Adelaide-based firm succeeded, the number of accounts would double to 1000.

“Self-managed super has every-

thing to do with this acquisition,” Mr Nicol said of the Sims deal. “We’re scaling up [on the administration front]. We want thousands of funds under administration.”

Administration is highly fragmented. It has been estimated 79 per cent of DIY funds use accountants, 14 per cent use specialist administration firms such as Multiport, Hefron and Cavendish, and about 7 per cent of trustees undertake their own administration, employing an auditor for the end-of-year assessment.

Cavendish is the largest administration firm in Australia with about 5000 super fund clients.

Many in the industry believe the status quo is unsustainable, as the Australian Taxation Office increases

its scrutiny of the sector, super regulations become more complex and DIY fund trustees seek cheaper fees and improved services.

The Quill chief predicts more self-managed schemes will use specialist administration firms in the future.

He argues that accounting practices servicing fewer than 100 self-managed funds are failing to make a profit because of lack of automation and dedicated internal expertise, and are using it as a loss leader. Superfund Partners uses a platform backed by technology from Class Super, which is highly automated.

Mr Nicol said Superfund Partners’ administration fees were cheaper than those charged by firms in Sydney and Melbourne. The Quill sub-

sidary typically charged a fund between \$1500 and \$3000 a year, against \$3000 to \$5000 typically charged by companies based in Australia’s biggest commercial centres.

Although the merger was largely driven by the desire to consolidate the administration businesses, Mr Nicol said both Quill and Sims would continue to provide broad accountancy and financial planning advice.

Sims partner David Elliott said: “We believe the decision to join forces with Quill Group, a well-established firm that can offer additional services with a team of dedicated specialists in accounting, financial planning, insurance, finance and superannuation, is a move in the right direction for our clients and staff.”

China lowers foreign funds hurdles

Cathy Chan HONG KONG

Blackstone Group has received approval from Shanghai authorities to invest money raised abroad in China without seeking permission from the foreign exchange regulator.

Blackstone’s 5 billion yuan (\$725 million) domestic fund was approved for the Qualified Foreign Limited Partner (QFLP) program, insiders said.

The New York firm has raised about half the fund, some of it from overseas. The permit removes a hurdle in China for Blackstone, which previously needed approval from the State Administration of Foreign Exchange for changing dollars into yuan for every deal it made. The Blackstone fund will still be treated as a foreign investor, keeping it at a potential disadvantage to local rivals because its acquisitions need Ministry of Commerce approval.

The QFLP rules “are not giving foreign fund managers and investors everything they want,” said Larry Sussman, a Beijing-based partner at O’Melveny & Myers who advises private equity firms setting up domestic funds in China. “They’re certainly not the silver bullet that many people were hoping for, but it’s a sign that regulatory changes are going in the right direction.”

Blackstone in 2009 became the first global buyout firm to announce plans for a local-currency fund in China, where private-equity investments jumped 40 per cent to \$19.7 billion last year, according to the Asian Venture Capital Journal. TPG and Carlyle Group followed.

Together, the three firms have announced plans to raise a combined 20 billion yuan for local-currency funds.



Making inroads . . . Stephen Schwarzman, chief executive of Blackstone Group.

Photo: BLOOMBERG

The QFLP program in Shanghai encompasses funds that are partly or wholly backed by overseas investors, known as limited partners. China was expected to extend the pilot program to Beijing and Tianjin, said Hubert Tse, a partner at Chinese law firm Boss & Young.

“We won’t have any issues in the future with currency conversion,” said Benjamin Jenkins, a Hong Kong-based managing director at Blackstone. The QFLP program “is an easier vehicle to use for domestic deals, and it gives us an opportunity to access a new investor base”.

Mr Jenkins said the firm’s local-currency fund would get a “majority” of its capital from Chinese investors.

When Blackstone first announced its plans to raise the yuan fund in August 2009, the QFLP program

had not been unveiled, he said.

China’s currency regulator will grant Shanghai and Beijing a \$3 billion quota each for the QFLP program. *Cixin* magazine reported in January.

The QFLP program allows private equity firms to convert foreign

subject to more scrutiny than local rivals, potentially hampering their ability to complete deals.

China accounted for 37 per cent of private-equity deals in Asia last year, an increase from 29 per cent in 2009, according to the *Asian Venture Capital Journal*.

Entrepreneurs in China were more inclined to accept capital from domestic private equity firms as it was subject to fewer regulatory restrictions, said Mr Tse of Boss & Young.

Getting local funding also allowed them to escape being classified as foreign-invested enterprises, which can increase red tape, he said.

“I don’t think that’s an insurmountable hurdle,” Mr Jenkins said. “In theory, we can compete with them with our global fund.”

Bloomberg

Cheever signs on

State Street said Daniel Cheever had been appointed to the newly created role of head of superannuation for its global services business in Australia, while Richard Coia will join State Street in another newly created role as head of sales and client management based in Melbourne.

CFS platform enhanced

IRESS has announced the joint development between Colonial First State’s FirstChoice platform and XPLAN, which it said would result in increased efficiency for advisers. Advisers can now automate the production of FirstChoice applications which, when submitted to CFS, will generate real-time account numbers linked immediately to clients in XPLAN.

Edited by Vesna Poljak

Bank ratings unshaken

George Liondis

Australia’s big four banks have weathered the impact of the New Zealand earthquakes, with their operations across the Tasman given a clean bill of health.

Credit agency Fitch Ratings said yesterday it had reaffirmed the existing ratings of Australia’s banks in New Zealand following a review. ANZ Banking Group, Commonwealth Bank, National Australia Bank and Westpac dominate the banking landscape in New Zealand.

The country was struck by two devastating earthquakes within months of each other, causing loss to life and property, and putting the brakes on economic growth.

“Earthquakes in the Canterbury region in September 2010 and February 2011 have constrained economic growth but rebuilding activity should provide some stimulus later in 2011,” Fitch said in a report.

“The rebuilding of the earthquake-affected areas and the Rugby World Cup which will take place later in 2011, will likely contribute positively to the country’s economic growth.”

CBA-owned ASB Bank, NAB’s Bank of New Zealand and Westpac Bank of New Zealand are rated “AA” by Fitch, with a “stable” outlook. ANZ National Bank has a “AA” rating, with a “positive outlook”.

Fitch affirmed the “AA” ratings for the big four banks in Australia last week.



Important Notice to Customers.

Westpac’s commitment to our customers includes keeping you up to date with changes in interest rates. Effective Tuesday, 19 April 2011, the following rates will apply to the Westpac Business Cash Reserve Bonus account.

Westpac Business Cash Reserve Bonus	Base Rate p.a.	Bonus Rate p.a.	Earn up to p.a.
\$0 to less than \$10,000	0.00%	0.00%	0.00%
All balance tiers \$10,000 and over	1.95%	3.15%	5.10%

Things you should know: Fees and charges apply. Terms and conditions apply and are available on request by calling 132 032 or visiting westpac.com.au. Information current as at 19 April 2011. Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714 WRA0111/AFR