

## Submission to a GTA Technical Committee

### Instructions

Please complete **all** sections of this form to ensure the Committee receives a clear indication of the issue and your recommended course of action.

**Proposal from:**

**GTA Member name:**

**Contact details:**

**Date submitted:** *sent, via email, to GTA at [submissions@graintrade.org.au](mailto:submissions@graintrade.org.au)*

### NOTE

Submissions will be published on the GTA website unless there is a request not to, based on confidentiality. GTA publishes submissions:

1. to aid industry in understanding the issues on a particular topic; and
2. as a method for submitters to check that their submission has been received.

**Issue** - *outline what the issue is.*

**Impact on Member Business** - *detail how the issue affects the business operations of not just your business but other GTA members as well.*

**Recommendation** - *detail your recommendation to address the issue.*

**Members who Support this Submission** - *list other GTA members who support this submission. Insert their name and contact person with phone number.*

Whilst the current TGD No.4 Operating Standards for Pool Providers (from here on referred to as TGD No 4) provides a guideline for the conduct of operators within the Australian Grain Pools industry, it is difficult to derive accountability from this document in the key areas of risk to participants in these products.

In the 2016/17 harvest 11 providers offered a combined 37 harvest pool products to Australian Grain Growers. To ensure protection for both the providers and participants in these products, it is worth asking whether appropriate protection exists in the event of “what if something goes wrong”? One only has to look at the financial services/banking sector to see what could happen to all players in the event of a single rogue event or operator.

There are very few meaningful and objective measures a potential pool participant can take from the TGD No 4 when assessing different pool providers and products.

Profarmer Australia firmly believes that *“Pool performance should be measured by delivering on the pool management strategy promised to customers. This means the best performing pool is the one which meets its promises and may or may not be the highest final return.”*

Hence we see this review as an opportunity to ensure the revised TGD No. 4 provides consistent use of terminology and a measurable and accountable frame work from which potential pool participants can objectively compare and assess the risks of participating in each product. For example, in Profarmer’s experience, there is a wide variation in interpretation of the term “ring-fencing” and this is a key component of choice of pool or fund; one which goes to the heart of asset protection for a participant in a “grain fund”. Does “ring-fencing”, as variously applied by pool managers, actually deliver the asset protection for participants which the term connotes? Not to deal with this ambiguity will in Profarmer’s view, expose ALL pool operators to risk in the event of a pool financial underperformance or failure.

An effective, transparent pool space is one where a potential participant can easily source answers to the following questions, one where the terminology is applied consistently across all participants in order to ensure apples for apples comparison.

Market Risk:

- How am I protected against adverse moves in the market?
- What is the strategy of the pool?
- What are the risks of the strategy?

Management Risk:

- Does the pool manager have the skills/experience to implement the strategy?
- What mechanism exists for me to check that the pool manager will do what they say they will?

Governance Risk:

- What recourse do I have if I have a grievance with the management of the pool?
- How are my assets protected from non-pool activities of the pool operator?

**Recommendations:**

- That the terms defined in the TGD No.4 are reviewed to ensure they are consistent with the terminology commonly used within the industry and furthermore that they comprehensively represent the terminology which is either unique to, or particularly relevant to the sector.
- The revised TGD No. 4 is designed with a view to establish quantifiable and objective measures from which potential participants can make a valuable and informed comparison of products on offer.
- A review of the process for calculating EPR’s.