

# SUBMISSION

## Submission to Treasury — Financial Regulator Coordination and Information Sharing

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29 January 2020

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29 January 2020

Dear Sir/Madam,

## **FINANCIAL REGULATOR COORDINATION AND INFORMATION SHARING**

The Association of Superannuation Funds of Australia (ASFA) is writing to you in response to your consultation on the *Financial Regulator Coordination and Information Sharing* exposure draft legislation, released on 24 December 2019.

### **ABOUT ASFA**

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.9 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 16 million Australians with superannuation.

### **GENERAL COMMENTS**

ASFA strongly supports recommendations 6.9 and 6.11 of the Royal Commission into *Misconduct in the Banking, Superannuation and Financial Services Industry* (Royal Commission) with respect to the operations and governance of ASIC and APRA.

We are supportive of the need for information and data to be reported to government. It is critical, however, that this be done on a cost effective basis, balancing the benefits to regulation against the costs to superannuation providers, and ultimately to consumers.

There is a growing need for APRA and ASIC, and indeed other financial regulators and agencies, to share information and data. What is of concern to ASFA is the apparent reluctance to share data but instead to request more and more data be reported by financial services providers.

ASFA strongly submits it be made mandatory for financial regulators such as APRA and ASIC, and other agencies, to collaborate on the collection of data, such that data is:

- reported only once – through centralised, consistent, points of data collection
- accessed / shared by relevant regulators, and other agencies, as necessary.

Currently agencies often collect, or propose to collect, similar data in different forms, which is highly inefficient and increases risks and costs significantly. Ultimately it is consumers who pay for these additional costs, for little discernible benefit.

## **SPECIFIC COMMENTS**

### **A. IMPORTANCE OF AVOIDING DUPLICATION OF DATA REPORTING**

The costs that arise from duplication of processes and inconsistent standards, taxonomies and dictionaries are considerable and largely avoidable.

ASFA has significant concerns about the inefficiency of superannuation providers, and other financial services providers, being required to report duplicate, or similar, data, to different agencies in different formats, including data being reported where it, or similar data, is available from another source.

A recent instance of duplication of process was the requirement of the Department of Human Services (DHS) for superannuation providers to implement a new process / standard to report data with respect to income stream payments received by members. This data is, or more readily could have been, reported to the Australian Taxation Office (ATO) through existing, well established, reporting channels.

A current example of the duplication of data reporting is the new data requests from ASIC with respect to data on insurance in superannuation, where similar data already is reported to APRA.

#### **1. Common data processes, standards, taxonomies and dictionaries**

There is a need for a common data standard across all government agencies, and a minimisation / consolidation of data reporting processes.

A uniform approach to data processes, standards, taxonomies and dictionaries would serve to reduce costs for financial regulators and the industry alike.

The Treasury should, in conjunction with other government agencies such as the Australian Bureau of Statistics (ABS), APRA, ASIC, ATO, DHS and the Department of Social Service (DSS), work to develop common data standards, taxonomies and definitions and to minimise data reporting processes.

#### **Recommendation**

1. The Treasury should, in conjunction with other government agencies, work to develop common data standards, taxonomies and definitions and to minimise data reporting processes.

#### **2. Potential for centralised reporting**

Financial services providers already report a significant number of data items to different government agencies. In the foreseeable future they will be compelled to report even greater volumes of data than at present.

APRA currently is consulting on new data reporting standards which, among other things, will require the reporting of data at the level of superannuation fund members and individual investment choice options, necessitating the compilation and provision of excel spreadsheets containing hundreds of thousands of rows of data.

A centralised approach to (non personal) data reporting would avoid duplication and serve to reduce costs significantly for the financial services industry, and thereby for consumers.

Accordingly, ASFA submits that the Treasury should actively, and urgently, explore the possibility of the reporting of financial data being centralised into two agencies. One agency could become the collator of 'other than personal' financial data (Centralised Agency), while relevant personal financial data would continue to be reported to the ATO.

The Centralised Agency would retain the 'other than personal' data that financial services providers, and others, are required to report in one or more data bases / data lakes and would make that data available to other agencies. Financial regulators and other agencies would be compelled, in the first instance, to access data from the Centralised Agency's database and would only be able to require financial service providers to report data, or to provide information, if the data currently were not contained within the Centralised Agency's database.

Personal financial data would continue to be reported to the ATO and would be made available, on a de-identified basis, to financial regulators, and to other approved agencies, such as Treasury, APRA, ASIC, ABS, DHS and DSS.

#### **Recommendation**

2. The Treasury should actively, and urgently, explore the possibility of financial data reporting being centralised into two agencies.
3. One agency could become the collator of 'other than personal' financial data, while relevant personal financial data would continue to be reported to the ATO.

### **3. Government agencies should access data reported to other government agencies**

Given the significant, and largely avoidable, costs that arise from duplication of processes and reporting, financial regulators should be compelled to determine whether data that has been, or more readily could be, reported to another agency may be adequate to serve a particular purpose (Adequate Data). If data with another agency is Adequate Data the regulator would be prohibited from requiring financial providers report data for that purpose - instead the regulator must access the Adequate Data from the other agency.

Only where data that has been, or could be, reported to another agency is / would be manifestly, and demonstrably, inadequate for the desired purpose would a financial regulator be able to compel financial services providers to report data for that purpose.

#### **Recommendations**

4. Financial regulators should be compelled to determine whether data that has been, or more readily could be, reported to another agency may be adequate to serve its purpose (Adequate Data). If so the regulator would be prohibited from requiring financial providers report data for that purpose and must access the Adequate Data from the other agency.
5. Only where data that has been, or could be, reported to another agency is / would be manifestly, and demonstrably, inadequate for the desired purpose would a financial regulator be able to compel financial services providers to report data for that purpose.

### **4. Productivity Commission recommendations in support of more efficient data reporting - SDWG**

In addition to the Royal Commission's recommendation 6.4 in support of increased information sharing between APRA and ASIC, the Productivity Commission's *Inquiry into Superannuation: Assessing Efficiency and Competitiveness Final Report* (Super Inquiry Final Report) contained a section **Collect Better Data**.

Recommendation 27 of the Productivity Commission's Final Report was as follows:

**"RECOMMENDATION 27 SUPERANNUATION DATA WORKING GROUP**

*The Australian Government should establish a permanent superannuation data working group, comprised of APRA, ASIC, the ATO, the ABS, the Commonwealth Treasury and the new member advocacy body (with Treasury taking the lead). This group should:*

- *identify ways to **improve the consistency and scope of data collection and release** across the system, with a focus on member outcomes*
- ***evaluate the costs and benefits** of reporting changes, including strategies for implementation*
- *identify areas where **legislative or regulatory change may be necessary to support better data collection***
- *report annually to the Council of Financial Regulators on its progress, and on the data analytics capabilities of each regulator" (**emphasis added**).*

We note that the superannuation data working group (SDWG) has been established and that the Treasury is responsible for taking the lead with respect to the various accountabilities of the group.

ASFA urges the SDWG to escalate its work on identifying ways to improve the consistency and scope of data collection and release across the superannuation system.

As per above, in our view there should be an immediate focus by the SDWG on developing common data standards and centralising the reporting of data. Until such time as these are in place financial regulators should be prohibited from requiring financial services providers to report data which has been, or more readily could be, reported to another government agency.

Similarly, the SDWG should ensure that there is a rigorous process in place to assess the costs and benefits of any changes in reporting, including strategies for implementation.

The focus of government and superannuation providers alike is on maximising the outcomes for members. Eliminating the significant, avoidable, costs that arise from duplication of data reporting would go a long way towards enhancing member outcomes.

**Recommendations**

6. The SDWG should escalate its work on identifying ways to improve the consistency and scope of data collection and release across the superannuation system.
7. There should be an immediate focus by the SDWG on developing common data standards and centralising the reporting of data.
8. The SDWG should ensure that there is a rigorous process in place to assess the costs and benefits of any changes in reporting, including strategies for implementation.

**5. Government policy and current wide-ranging initiatives regarding data collaboration**

There are a number of government policy initiatives to extend and enhance data collaboration between government agencies and others, reflecting a growing awareness of the increasing importance of cooperating and collaborating with respect to data.

### 5.1 Government's Standard Business Reporting (SBR) – 'Tell us once, share with many'

Standard Business Reporting (SBR) is a standardised approach to online or digital record-keeping introduced by government in 2010 to simplify business reporting obligations.

The SBR website states as follows:

*'The ability of SBR standards to be applied to inter-governmental communication allows for 'tell us once, share with many' models of interaction. This approach significantly reduces the burden on business, automating the distribution of the same information to other relevant agencies'.*

We note that the Treasury, APRA and ASIC are all members of the SBR Steering Group.

SuperStream is the best example of the successful deployment of SBR standards. The ATO co-designed with industry the processes, standards and protocols with respect to the electronic reporting and exchange of superannuation data to ensure the collection of such data was effective, efficient and secure.

With strong capability within the ATO and industry in co-designing, developing, deploying and operating SBR standards there is an opportunity to leverage this capability with respect to reporting data to government agencies more generally, including financial regulators. This would be in line with the government's support of utilising SBR standards to reduce the reporting burden on business.

We suggest the Treasury leverage this expertise to

- ensure financial regulators develop common standards, taxonomies, definitions and data governance protocols within the SBR framework
- work to centralise the reporting of financial data to government
- facilitate the sharing of data and information between financial regulators and other agencies

to enhance the data collection process and reduce the reporting burden on financial services providers.

### 5.2 Data Integration Partnership for Australia

The Data Integration Partnership for Australia (DIPA) is a three-year, \$130.8 million investment to maximise the use and value of the Government's data assets starting 1 July 2017. DIPA creates new insights into important and complex policy questions through data integration and analysis.

DIPA is a 'whole-of-government' collaboration of over 20 Commonwealth agencies, and is improving technical data infrastructure and data integration capabilities across the Australian Public Service. Important data assets such as in the health, education and social welfare sectors are being improved, allowing policy makers to gain insights that were not possible before.

Individual privacy and the security of sensitive data is preserved, as DIPA only provides access to controlled, de-identified, and confidentialised data for policy analysis and research purposes. DIPA is governed by agencies' processes and legislation, including the *Privacy Act 1988*.

The Treasury should take the opportunity to seek an expansion of the Multi Agency Data Integration Project (MADIP) to support multi-agency collaboration with APRA, ASIC, and the ATO to provide greater access to quality, comprehensive data, sourced in a consistent and efficient manner.

#### **Recommendation**

9. The Treasury should take the opportunity to seek an expansion of the Multi Agency Data Integration Project (MADIP) to support multi-agency collaboration with APRA, ASIC, and the ATO.

### 5.3 Office of the National Data Commissioner – new legislation

The Office of the National Data Commissioner (National Data Commissioner) has been exploring opportunities for increased data sharing between government agencies.

The National Data Commissioner engaged widely and consulted on potential options with respect to new Australian Government data sharing and release, including consulting on an Issues Paper in July / August 2018, followed by a Discussion Paper in September / October 2019. It is proposing a framework that will set a new direction for how public sector data in Australia is used and reused, to unlock the potential of this data and build on the Government's response to the recommendations made by the Productivity Commission's *Data Availability and Use Inquiry*.

The National Data Commissioner will be progressing legislation to implement data reform. Previously known as the Data Sharing and Release legislation, when it passes Parliament it will become known as the Data Availability and Transparency Act (DATA).

The new DATA legislation will:

- provide government agencies (data custodians) with an alternative authorisation to share public sector data to accredited entities such as government agencies, State and Territory authorities, and non-government entities such as universities
- take a 'principles-based approach' to safeguarding the sharing of public sector data
- empower the National Data Commissioner to develop requirements and guidance to support government agencies and data sharing entities
- establish clear governance arrangements, including enforcement and accountability mechanisms
- provide an alternative avenue for government to share data where it is currently not possible or practical to do so, so long as safeguards are met
- will allow agencies to continue to use existing avenues to share when preferred.

The legislation is intended to have broad scope, applying broadly to all public sector data collected or generated by Commonwealth entities.

The initial focus of the legislation will be on the sharing of Commonwealth data, however, it will allow for participation by State and Territory agencies so Australia can move towards a consistent national data system over time.

The National Data Commissioner will collaborate with other agencies and regulators to ensure consistent approaches to data sharing across departments and all levels of government.

#### **Recommendation**

10. In light of the pending DATA legislation Treasury should work with financial regulators and other agencies, in particular APRA, ASIC and the ATO, to reach agreements to share data and information.

## **B. APPROPRIATE TIMEFRAMES TO IMPLEMENT CHANGES TO DATA REPORTING**

It is important that financial data reported be reliable, in order to promote consistent and meaningful analysis, assessment and use of the data.

The Productivity Commission, when supporting more efficient data reporting in its Super Inquiry Final Report, recommended there should be an evaluation of the costs and benefits of reporting changes, including strategies for implementation.

Financial regulators and agencies should establish timeframes that allow providers to develop strategic, automated solutions and avoid imposing the need for duplication of effort or for financial services providers to have to collect, collate, calculate, derive, enter, validate, reconcile or report data manually.

Implementation of changes to data reporting can only reliably be achieved through an appropriate project framework, commensurate with the scope, scale and complexity of the changes. Managing a complex project necessitates structure, methodology and processes to ensure the quality and integrity of project outcomes, manage the risks and costs of the project and ensure there are no unintended consequences.

Financial providers need sufficient time, after all of the data reporting changes have been finalised, to analyse what is needed to satisfy the requirements; determine the functional and technical specifications for system and process / procedure changes; develop and test solutions, and finally to 'go live' through a release into production database(s) during a designated, and often relatively infrequent, 'release window'. This is accepted as the minimum standard for effective management of project of any complexity.

A truncated timeframe does not permit adherence to this tried and trusted process but instead adds considerable risk and significantly increases costs, ultimately paid by the consumers.

It is critical that financial regulators and agencies ensure there is sufficient time, commensurate with the scope and scale of the data reporting changes being made, to implement the changes appropriately.

The timeframe for implementation by financial services providers of data reporting changes should not commence until the requirements have been finalised and communicated clearly. It is not until the data requirements are finalised that providers can commence to design, build, test, implement and operationalise an appropriate solution.

The timeframe for implementation generally would be a minimum of twelve months from finalisation of the requirements.

### **Recommendations**

11. Financial regulators and agencies must ensure there is sufficient time, commensurate with the scope and scale of the data reporting changes being made, to implement the changes appropriately.
12. The timeframe for implementation by financial services providers of data reporting changes should not commence until the requirements have been finalised and communicated clearly.
13. The timeframe for implementation generally would be a minimum of twelve months from finalisation of the requirements.

### C. APPROPRIATE CONSULTATION ON CHANGES TO DATA REPORTING

Appropriate consultation with financial services providers will identify, and assist with resolving, issues that potentially affect the quality and usability of the data reported. This will serve to ensure that any insights gained through analysis and assessment of the data will be as accurate and reliable as possible, which will benefit financial regulators, the industry and ultimately consumers.

The consultation process should allow sufficient time for stakeholders to be able to engage with the detail of what is being proposed and provide considered feedback. Consultation should incorporate face to face meetings, which enable stakeholders to share questions, issues and observations with the financial regulator and other stakeholders.

Determining and finalising the requirements and specifications for a data reporting project of any scale and complexity should be an iterative, incremental process. As the learnings / outcomes from each stage of consultation inform the next, consultation should be scheduled such that feedback from the previous stage is provided by the financial regulator / agency, with sufficient time for stakeholders to review and assess, prior to the next round of consultation being scheduled.

An appropriate consultation process with respect to data reporting will produce final requirements, including clearly specified standards, taxonomy and definitions, that will serve to ensure the data ultimately reported is robust, meaningful and useable.

#### **Recommendations**

14. The consultation process should allow sufficient time for stakeholders to be able to engage with the detail of what is being proposed and provide considered feedback.
15. Consultation should be scheduled such that feedback from the previous stage is provided by the financial regulator / agency, with sufficient time for stakeholders to review and assess, prior to the next round of consultation being scheduled.

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If you have any queries or comments in relation to the content of our submission, please contact me on (03) 9225 4021 or by email to [fgalbraith@superannuation.asn.au](mailto:fgalbraith@superannuation.asn.au).

Yours sincerely

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