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SuperStream Standards
Australian Taxation Office

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RE: Further consultation draft of 'Schedule 1 - Contributions Transitional Arrangements' to the *Superannuation Data and Payment Standards (2012)*

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the request for comments on this further consultation draft of 'Schedule 1 – Contribution Transitional Arrangements' which would amend the *Superannuation Data and Payment Standards 2012* (the Standard).

We note the intent of the draft is to further modify both the proposed transitional arrangements and the proposed induction process supporting the implementation of employer contributions in the Standard.

We further note that this change is being made in conjunction with changes to the ATO's Fund Validation Service (FVS).

Combined, the changes are intended to improve the likelihood that, over the coming years, an orderly transition may be made by employers and funds to the new data standards.

ASFA is supportive of both measures.

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General comments

ASFA is supportive of the proposed amendments to Schedule 1. When read in conjunction with the changes to the FVS, it will enable funds to advise contributors, on a product by product basis, whether contributions can be made to the product in accordance with the data standards. For multi-product funds, this new feature of the FVS will facilitate an orderly implementation of Standards compliant IT solutions. Overall the changes will benefit employers, fund members and funds by providing for a smoother, more measured implementation of the new contribution arrangements.

The implementation of new superannuation contribution arrangements for employers will be a significant task affecting every employer in Australia. With some 800,000 employers to be moved from existing arrangements to the new arrangements over a period of three years it is essential that implementation occurs in an orderly and controlled fashion that maintains confidence in the superannuation system. This task is made more difficult for superannuation funds as some documents that are critical to the development and testing of system solutions are yet to be finalised by the ATO.

That said, ASFA welcomes the reaffirmation of the ATO's decision to be actively involved in the induction of employers to the Standard. The implementation of the Standard with respect to contributions is far more complex than with respect to rollovers. The key lessons from the implementation of the Standard with respect to rollovers were the need for a co-ordinated and staged approach to implementation and the on-boarding of funds and the essential role played by the SuperStream Transaction Network (SSTN) of gateways.

With respect to the important role played by gateways, ASFA supports the decision that the ATO, with Government approval, would take over the task of developing stable governance arrangements for the SSTN and has established a Gateway Operators Group to deal with immediate processing issues.

We note that page 6 of the exposure draft sets out the compliance approach that is to be adopted by the ATO during implementation. It is essential that an educative and supportive approach be adopted during the implementation period as, technically, after 1 July 2014 any employer who pays superannuation contributions in cash or by cheque, or who fails to provide the associated contribution details by electronic means, will be in breach of the data standards provisions and potentially subject to penalties. ASFA would be supportive of APRA taking a similar facilitative compliance approach with respect to APRA regulated superannuation entities.

Specific Comments

Interpretation of Sub-paragraph 4.2(a)

Sub-paragraph 4.2(a) sets out the circumstances where an alternate file format that does not conform to the standards may be used during the period 1 July 2014 to 2 November 2014. During this period, provided both the data and money are moved electronically, any electronic format is acceptable provided the data file is in a format that the trustee has advised it can accept.

ASFA's interpretation of the intent of this requirement is that it is to assist compliance by funds and their contributing employers where the current electronic format does not conform to the Data Standard or meet the requirements of sub paragraph 4.2(b). That is, the purpose of the provision is not to enable a superannuation fund to force on contributors an arrangement that is currently not in existence. It would assist if this were made clear in the explanatory material.

Interpretation of Sub-paragraph 4.2(b)

Sub-paragraph 4.2(b) sets out the circumstances where an alternate file format that does not conform to the standards may be used during the period 3 November 2014 to 30 June 2017. Sub paragraphs (i), (ii) and (iii) set out the requirements that must be met. ASFA understands that the purpose of sub-paragraph 4.2(b) is to enable the use until 30 June 2017 of existing efficient electronic contribution systems that, whilst not conforming to the Standard, enable an alignment with the data requirements and business rules of the Standard. These compliant alternative solutions are referred to as bridging solutions.

Questions have arisen as to how to interpret the sub-paragraph 4.2(b) requirements. For example:

- sub-paragraph 4.2(b)(i) requires that:
 - terms and definitions used in the alternate format align with the relevant terms and definitions specified in the document referred to in Schedule 2.
- Payment Reference Number is defined in Schedule 2 as:
 - A unique reference number made of 18 digits, which identifies payments uniquely. It is referred to in bills, letters, reports to allow the correlation between the relevant report, bill or letter and the payment associated with it. It is generated before the payment is made, and it is used in conjunction with other Payment Mechanism data items to enable a payment via a chosen mechanism type.
- sub paragraph 4.2(b)(ii) states that:
 - associated payments must conform with the methods specified in the document referred to in Schedule 3.

The 'methods' specified in the document referred to in Schedule 3 are BECS and BPAY.

At issue is whether, under sub paragraph 4.2(b), the payment reference number must be 18 digits and structured in accordance with the specification in Schedule 4(b), the Contributions Message Implementation Guide (MIG) or whether it is sufficient that there is a payment reference number that links the payment and the data – consistent with the broad

requirement of the Data Standard – and, whatever that data item is named as in the bridging solution, there is a document that identifies that number as being the equivalent of the Schedule 2 Payment Reference Number.

It is ASFA's view that, provided a payment is made using either the BECS or BPAY systems, then, notwithstanding that the actual payment reference number may be less than 18 digits, the transaction should be considered to conform provided

- the payment contains a reference number that is also contained in the electronic data file, and
- the relationship with Schedule 2 is documented

Similarly, it is ASFA's view that each of the data items mandated by the standard need not be contained within the transaction data file or exactly match the structure set out in Schedule 4(b) of the Legislative Instrument for an electronic solution to meet the bridging solution requirements. What is required, however, is that where mandated data is not contained within a file, the file data is able to be used to extract the required data from the superannuation fund's existing records.

For example, the Contributions MIG mandates the presence of the contributor name and contributor type. Under a fund's existing arrangements a contributing employer may be required to first register their details with a fund in order to use its employer contributions portal. The registration process would capture the employer's details, including the employer's name. As part of the registration process the employer may be issued with a unique identifier. When accessing the contribution portal the employer would identify themselves through their unique identifier which is then passed through with the transaction data. Although the employer name is not present in each contribution transaction (only the employer's unique identifier is), as the identifier can be used to extract the name from the fund's existing data holdings to identify the employer the electronic file format should be considered to comply with the requirements of sub-paragraph 4.2(b). That is, by the being able to use the unique identifier in the bridging solution transaction to extract from its records the employer's name details, the fund achieves the same objective as having the name present in the transaction.

ASFA considers that to not permit such an interpretation would be inconsistent with the underlying objective of sub-paragraph 4.2(b) of enabling a trustee to continue to transact electronically with employers while dedicating resources to the development of a fully conforming solution.

Administration of sub-paragraph 4.3(d)

Sub-paragraph 4.3(c) enables APRA to adjust the date from which a trustee is required to maintain a capability to receive compliant transaction messages.

Such a provision is necessary. Across the industry there is wide variance in the complexity of the task confronting trustees. Within some funds there is also a wide variance in the complexity of the task between products.

ASFA strongly supports the inclusion of sub-paragraph 4.3(d) which provides relief to employers with respect to the making of contributions to a product for which relief has been granted. However, in the situation where there is currently no electronic process for delivering contributions to a product, and the trustee is granted relief with respect to that product, we question how an employer will be able to access the relief granted by sub-paragraph 4.3(d). We consider that this matter should be addressed in either the Legislative Instrument or the explanatory statement.

Separately, urgent guidance will be required from APRA as to how they will administer sub-paragraph 4.3(c). In finalising tactical solutions to the implementation of the Data Standard trustees will need to have a clear understanding of whether a particular solution is acceptable to APRA and, if so, what is required in achieving APRA approval. This will not be possible without a clear understanding of what APRA will require prior to exercising its powers under sub-paragraph 4.3(c).

Facilitative regulatory arrangements

Despite the additional relief granted by the proposed changes to the Legislative Instrument, ASFA notes that for parts of the industry the implementation timeframes are still challenging. Successful implementation will rely on a facilitative approach being adopted by regulators.

A final concern of industry is the lack of clarity as to whether there will be a requirement for funds to pass through the data relating to an employer's choice contributions. ASFA has previously expressed a view that 'pass through' is not necessary and appears to be counter to the fundamental objective of the SuperStream Data Standards. In interpreting the consultation draft ASFA has, in the

absence of a government announcement to the contrary, not factored in that the pass through of choice contributions data may be mandated at a later date.

Comments on the explanatory material

ASFA has no comments to make on the explanatory statement other than noting the following typographic errors:

- Page 4, Additional transition-in arrangements, fifth paragraph, fourth line:

The word 'arrangement' should be plural - 'arrangements'

- Page 5, Ability to receive compliant contribution messages, first paragraph, first line:

The word 'and' should be 'until'.

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I trust that the information contained in this submission is of value.

If you have any queries or comments regarding the contents of our submission, please contact ASFA's Principal Policy Adviser, Robert Hodge, on (02) 8079 0806 or by email rhodge@superannuation.asn.au.

Yours sincerely



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