

SUBMISSION

Submission to
Treasury: Extending the
use of SuperStream to
rollovers to and from Self-
Managed Superannuation
Funds Regulations 2018

7 August 2018

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File: 2018/25

The Treasury

Langton Crescent

PARKES ACT 2600

Via email: superannuation@treasury.gov.au

07 August 2018

Dear Sir/Madam,

Extending the use of SuperStream to rollovers to and from Self-Managed Superannuation Funds Regulations 2018

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to draft Regulations to amend the *Superannuation Industry (Supervision) Regulations* (SISR 1994) to extend the operation of SuperStream to include rollovers to and from self-managed superannuation funds (SMSF's) and make some minor changes to simplify and update SISR 1994.

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 \$2.6 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 14.8 million Australians with superannuation.

If you have any queries or comments in relation to the content of our submission, please contact myself on 02 8079 0808 or by email: gmccea@superannuation.asn.au or Ken Whitton on (02) 8079 0849 or by email: kwhitton@superannuation.asn.au.

Yours sincerely

Glen McCrea

Deputy Chief Executive and Chief Policy Officer

While ASFA supports the efficiencies that SuperStream provides, however our members have raised some concerns and opportunities with these draft Regulations as follows.

Commencement date

The commencement date of 30 November 2019 for extending the operation of SuperStream to SMSF's (Schedule 1 in the draft Regulations) is problematic given the volume of scheduled work for superannuation funds, their administrators and the ATO in the next 12 to 18 month. In our view, the industry will need at least 12 months from the date of the final Rollover Message Implementation Guide (MIG) and from when the SMSF Validation Service (SVS) specification is released by the ATO.

Additionally, ASFA members believe that there is scope to expand the extension of the operation of SuperStream to other payments that funds are required to make. Release of funds for the First Home Super Saver Scheme, death benefit rollovers, payment of excess contributions tax and Division 293 tax payments are examples.

If the scope of work for this regulatory change was to be expanded, more time is required to define that scope and develop the appropriate design and transition plans.

Validation services

It is imperative that information security is given due consideration for these services and ASFA members have concerns in relation to the current status of the proposed validation services.

There is a real risk of potential fraud associated with extending rollover services to SMSFs, so the draft Regulations need to ensure there is appropriate security measures implemented – particularly relating to validating bank account details for the rollover of monies from APRA funds to SMSFs. To protect the best interests of superannuation fund members, the question of liability also needs to be clarified in the event that incorrect or fraudulent bank account details are provided to the trustee from this mandatory service which the trustee relies on.

Superannuation fund trustees and/or their members should not be liable for any loss in these circumstances and the verification of bank accounts should be mandatory before any SuperStream rollover to an SMSF can occur.

Similarly, validation for the SMSF itself requires the same robust layers of security, ensuring that Anti Money Laundering (AML) and Counter Terrorism Financing (CTF) checks are also made in line with other APRA regulated fund payment processes.

ASFA recommends that the appropriate validation services to protect the best interests of members be designed and developed before the draft Regulations are considered by the Parliament. The commencement date for the draft Regulations should then be a further 12 months after the release of SVS specifications.

Implementation costs

ASFA notes that the SuperStream Benefits Report 2017 estimates that the total cost of implementing SuperStream was \$1.5 billion over 2012-18. APRA regulated funds have borne the brunt of these costs, approximately \$900 million, with employers outlaying approximately \$600 million.

Extending the operation of SuperStream to SMSF rollovers will increase costs further for APRA regulated funds and it would appear with little or no cost burden falling on the SMSF sector. During this regulatory reform process that is targeted at SMSF's we recommend that the Government review the levies and charges that SMSF's pay and ensure that they commence sharing the cost of SuperStream services.

Other matters

Some ASFA members are also concerned that the proposed removal of the word 'mandatory' from sub-regulation 6.33C(1). This could potentially undermine consistency and allow practices to develop which unnecessarily delay the processing of 'whole of balance' rollovers.

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