



# SUBMISSION

Submission to APRA —  
Consultation on  
Superannuation Data  
Transformation Project  
Phase 2: Discussion Paper

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12 May 2022

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12 May 2022

Dear Sir/Madam,

### **Discussion Paper: Superannuation Data Transformation Phase 2**

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to your consultation on the *Discussion Paper: Superannuation Data Transformation Phase 2* (Discussion Paper), released on 4 April 2022.

#### **ABOUT ASFA**

ASFA is a nonprofit, non-partisan 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 \$3.4 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 17 million Australians with superannuation.

#### **GENERAL COMMENTS**

ASFA supports the collection by APRA of data with respect to the prudential supervision of superannuation industry, to aid the transparency of, and visibility over, the sector and to enhance the consistency and comparability of available data.

##### **1. APRA's stakeholder engagement in Phase 1 of the Superannuation Data Transformation**

We appreciate APRA's engagement with the industry during the transformation project, including the opportunity for the industry to participate in the APRA industry roundtables on the Discussion Paper on 2 and 3 May 2022. The industry also welcomed APRA's willingness to publish Frequently Asked Questions (FAQs) on the Superannuation Data Transformation (SDT) Phase 1 reporting standards.

##### **2. Feedback from member organisations on Discussion Paper**

ASFA has received feedback from member organisations with respect to the Discussion Paper. Given that the Discussion Paper was released on 4 April, which was followed by school holidays, Easter, the Anzac Day long weekend and the ASFA conference, many of the subject matter experts in member organisations have had little time to consider the implications of what is being proposed and, as a result, the feedback received from members reflects only a preliminary consideration of the Discussion Paper.

### **3. Desired outcome should be collection of accurate, consistent, meaningful data**

It is imperative that the data collected is meaningful, consistent and accurate – that it is ‘fit for purpose’ – to ensure APRA is aware of any potential issues with respect to specific data items and that the data is not misinterpreted in any way, so that any analysis produced is accurate.

### **4. Importance of scheduling appropriate timelines for both consultation and implementation**

In order to effectively manage the risks associated with such a complex project it is essential that APRA allow sufficient time for consultation, including identification of the purpose(s) for which the data will be used, followed by the finalisation and implementation of the reporting standards. In particular, funds have stressed the importance of performing a Phase 1 Post Implementation Review and of allowing sufficient time for funds to properly bed down the processes created specifically to comply with Phase 1 obligations.

Funds have indicated that one possible approach, which would have the effect of significantly minimising risk and costs, may be to consider adopting the following methodology to the scheduling of Phase 2:

- Post Implementation Review of Phase 1
- Feedback to industry on Phase 1
- Remove the duplication across old and new forms
- Transfer all old forms from D2A to APRA Connect
- Consultation on Phase 2 forms
- Implementation of Phase 2 forms.

### **5. Costs**

With the proposed scope and timelines of Phase 2, it is estimated the costs to the industry of this project will run into some hundreds of millions of dollars, ultimately borne by members. Given this, it is critical that APRA take this into consideration when scheduling Phase 2, in order to keep cost and risk to a minimum.

### **6. Common standards and information sharing**

We have significant concerns about the inefficiency of reporting data to different agencies in different formats, including where data being reported is available from another source and duplicate data is required to be reported. APRA should, in conjunction with other government agencies, work to develop common data standards, taxonomies and definitions, which would serve to reduce costs for agencies and the industry alike.

Further to this, Treasury should explore the possibility of data reporting being centralised into one or two agencies. APRA could become the collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to the other agencies.

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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

Fiona Galbraith  
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## Table of Contents

1.	Comments on specific consultation question on which APRA is seeking feedback	4
2.	Concerns about some Phase 1 investment data	9
2.1	Issues with sourcing some third-party investment data on time and in the right format	9
2.2	Third party investment data and renegotiation of agreements	9
2.3	SRS 550.0 and asset categorisation	9
2.4	Lack of files / test data	9
2.5	Comparison and ranking of non-TDP investment data	9
2.6	Time for quarterly reporting of third-party investment data	10
2.7	Responses to data queries	10
3.	Importance of appropriate process for Phase 2	10
4.	Approach to scheduling Phase 2	10
5.	Costs and risks of project	11
6.	Scheduling of consultations	11
7.	Timeline for consultations	11
7.1	Development of reporting standards is iterative and incremental in nature	12
8.	Implementation	12
8.1	Scheduling appropriate timelines	12
8.2	Need to provide sufficient time for providers to be able to automate solutions	12
9.	Avoiding duplication of data reporting	14
10.	Need for timely communication and disclosure of information and guidance materials	14
	ANNEXURE A – Releases of FAQs on Phase 1 over the last 12 months	15
	ANNEXURE B – Data reported to other agencies/available from 3 <sup>rd</sup> parties and potential centralisation	16

## 1. Comments on specific consultation question on which APRA is seeking feedback

To assist consideration of the proposed scope and approach for Phase 2, the Discussion Paper provided a list of consultation questions on specific areas on which APRA is seeking feedback.

A summary of responses from our members is provided in the table below, with more detail with respect to some of the comments following afterwards.

#	Topic	Question	Comments		
1	Scope	Do you have any feedback on the proposed Phase 2 topics?	<ul style="list-style-type: none"> <li>Funds welcome APRA's proposals to review all super reporting standards including considering the discontinuation of redundant data collections</li> <li>Data collection for some topics, due to the nature of the data, is likely to be manual e.g. Board Governance, Other Non-financial Risks</li> </ul>		
			<b>Proposed topics in scope for Phase 2</b>		<b>Comments</b>
			RSE licensee operations and profile including:	a) RSE licensee and RSE profile b) Service providers c) RSE fees collected d) RSE indirect investment costs with service providers e) Complex product features (including lifecycle features) f) RSE wind up information	No comment
			Financial data including:	a) Financial statements b) Use of reserves c) Financial resilience	<i>Assumption:</i> Any new forms in relation to Financial Statement data will be aligned to AASB 1056 i.e. separate Income, Member Benefit & Reserve Statements
			Non-financial risk including:	d) Board governance e) Other non-financial risks	Need to <ul style="list-style-type: none"> <li>define 'non-financial risks'</li> <li>consider the timing and ability of trustees to gather and collate this type of data that may not be readily accessible</li> </ul>
			Investments including:	a) Investments including reporting collected on behalf of the Australian Bureau of Statistics	APRA and the ABS to use the same data set/form output to remove duplication of processes
			Insurance including:	a) Self-insurance	No comment
Membership including:	a) Member demographics and member flows b) Conditions of release	Pension phase to be excluded from condition of release classifications. Funds monitor /verify conditions of release in Accumulation phase, however, once member funds have been rolled over into a Pension product the conditions of release are no longer tracked, as they are not applicable to Pension phase.			

			Proposed topics in scope for Phase 2		Comments
			Retirement outcomes including:	a) Retirement products b) Retirement outcomes	There should be consideration of industry's implementation of the RIC and the varied approaches taken to meet this new requirement. As the legislation is not prescriptive and allows for flexibility, consideration may need to be given to what information may be common across the industry / comparable if this information is to be published.
			Defined benefits including:	Defined benefit matters	No comment
			Disclosure including:	MySuper Product dashboard	No comment
2	Scope	Are there any additional topics or specific data items APRA should consider in scope for Phase 2?	<ul style="list-style-type: none"> <li>A number of members have indicated that they are of the view that there are no additional topics or data items that should be considered</li> <li>A materiality guide for resubmission and movement analysis would be useful</li> </ul>		
3	Existing data sources	Are there any existing reporting or classification frameworks that APRA should consider in developing reporting proposals and classifications for each topic?	<ul style="list-style-type: none"> <li>In a case where entities, especially those offering platform products, source their data with respect to externally managed products from the same data provider, e.g. Morningstar, APRA could explore the collection of data directly from the data provider which would alleviate the industry-wide pressures on costs and some of the time constraints associated with the reporting deadlines</li> <li>There would be industry-wide benefit if this process could be centralised, with APRA obtaining data directly from the external providers, as there would be <ul style="list-style-type: none"> <li>significantly reduced ongoing compliance costs; and</li> <li>improved member outcomes, as a result of less pressure on costs across the industry</li> </ul> </li> </ul>		
4	Approach	Do you have any feedback on the consultation approach?	<ul style="list-style-type: none"> <li>Funds welcome the iterative / staggered nature of the Phase 2 topic papers and consultation, however, we suggest that APRA consider the following, in particular with respect to the proposed timelines.</li> <li>There is a need <ul style="list-style-type: none"> <li>for extended consultation and implementation timeframes</li> <li>to ensure initial due dates are realistic, as this will eliminate the need for extension requests, changes to deadlines etc and ensure funds are more accurately able to resource plan</li> <li>for more roundtables with limited topics per round table</li> <li>for FAQs to be provided in a timelier manner</li> <li>for worked examples to be more detailed and extended to show variations for different funds and product structures</li> <li>for consultation to cover APRA's expectations with respect to the difference in timing for Annual Form preparation time (3 months) as opposed to Quarterly Form preparation time (&lt; than 28 days), as there are going to be timing/quality differences between Quarterly and Annual data.</li> </ul> </li> </ul>		

5	Approach	Do you have any feedback on the principles that APRA intends to apply to determine the approach to pilot collections? Or your experience in pilot collections under Phase 1?	<p><i>Question - Is pilot data going to be required for each new form under phase 2, similar to the phase 1 approach?</i></p> <ul style="list-style-type: none"> <li>• If pilot data is requested, more feedback would be appreciated</li> <li>• The pilot data collection under Phase 1 was a significant burden, requiring the same amount of effort as would be required for the final mandatory reporting</li> <li>• Funds electing to participate in pilot data submissions would mean that their project delivery would need to be brought forward, which would create additional expense and risk</li> <li>• Given that <ul style="list-style-type: none"> <li>○ funds have only been able to develop tactical, manual solutions</li> <li>○ these would need to be amended, as per the updated reporting standards, to build a solution for the pilot data collection</li> </ul> </li> <li>• experience has proven that this is highly inefficient for industry and adds materially to the cost of implementation</li> <li>• A possible alternate approach could include discussions between APRA and the industry as to <ul style="list-style-type: none"> <li>○ what were APRA’s concerns with the 3rd submission in Phase 1 that were not picked up sufficiently early and causes issues downstream - in particular whether the issues were related to the data reported from industry or were issues for APRA itself</li> <li>○ whether there can be ways to mitigate the risks for Phase 2 to avoid the need for pilot data submissions</li> <li>○ whether the approach of FAQs constantly being updated could be improved</li> </ul> </li> </ul>
6	Approach	Do you have any feedback on the proposed iterative implementation approach for certain topics?	<ul style="list-style-type: none"> <li>• Funds generally welcome the proposed iterative implementation approach, particularly considering the implementation of new reporting requirements under Phase 1 of the SDT has proven to be quite a learning process for trustees as well as APRA</li> <li>• The ‘Best endeavours’ approach should be continued while funds and service providers are developing and implementing solutions</li> <li>• In order for automation to occur, all of the reporting forms and data should be specified up-front. The splitting of data is not always useful as the majority of the work for system builds – determining business requirements and functional &amp; technical specifications - needs to happen upfront</li> <li>• The existing approach of FAQs constantly being updated could be improved.</li> </ul>
7	Current reporting standards	Do you have any initial views about existing reporting standards that are currently collected through D2A that could be amended or discontinued?	<ul style="list-style-type: none"> <li>• Attachment A of the Discussion Paper is proposing discontinuation of <b>parts of</b> legacy returns: <ul style="list-style-type: none"> <li>○ it would be preferential to discontinue the entire legacy return &amp; incorporate details into the new SDT return build</li> <li>○ APRA should avoid discontinuing parts of returns</li> <li>○ APRA should specify discontinue/sunset dates for returns marked to be discontinued</li> <li>○ the majority of forms currently collected via D2A should be discontinued as soon as practicable, as the core data is covered in more granular detail in the new SDT forms as per below</li> </ul> </li> <li>• If there is no change to a particular reporting standard there would be no concern about the transition from D2A to APRA Connect</li> <li>• If there are any amendments, however, there will be an additional operational/technology costs to incorporate the changes and time required to implement them.</li> </ul>

			Existing forms collected via D2A		Comments
			001.0 Profile and Structure	Replaced by SRF 605 and 606	
			160.1/160.0 (320.1 & 330.1) Defined Benefit Matters	Assume will be replaced by Phase 2 Forms – discussion topic Defined Benefit Matters	
			500 series investment forms (530, 531, 532, 533.0/533.1, 534, 535, 540)	Replaced by SRF 550.0, 550.1 & 550.2, 705.0/705.1	
			520 Responsible Persons Information	Already transitioned to APRA Connect	
			700, 702, 703 MySuper Product Dashboard, Investment performance & Fee	Replaced by SRF 705.0/705.1 Assume further data requirements to result from Phase 2 Forms – discussion topic MySuper Product dashboard	
			610.0, 610.1, 610.2 Member Demographics	Replaced by SRF 611 Assume will be replaced by Phase 2 Forms – discussion topic Member demographics	
			320 and 330	Assume will be replaced by Phase 2 Forms – discussion topic Financial data	
			161 and 250 Insurance	Replaced by SRF 251 Assume will be replaced by Phase 2 Forms – discussion topic Self-insurance	
			331 expenses	Replaced by SRF 32	
8	Timeline and sequencing	Do you have any feedback on the timing and sequencing of topics for consultation?	<ul style="list-style-type: none"> <li>• The Phase 2 consultation start date should be <ul style="list-style-type: none"> <li>○ deferred until after a Post-Implementation review of Phase 1 has been performed and feedback on Phase 1 provided to the industry</li> <li>○ not before October 2022, as this will allow the relevant APRA teams to complete the submissions of existing annual data reporting forms that are due on 30 September 2022</li> </ul> </li> <li>• The timings of responses to consultations proposed in the Discussion Paper appears to clash with the submission of quarter end reporting. Given these both involve the same personnel – those with the appropriate expertise - this should be avoided if possible</li> <li>• Funds consider that the timeline proposed in the Discussion Paper are ambitious and suggest they be reconsidered, having regard to the <ul style="list-style-type: none"> <li>○ tactical / manual nature of the Phase 1 solutions developed by industry participants</li> <li>○ Phase 1 has not been embedded fully or with adequate certainty</li> <li>○ there are new reporting standards / data sets being introduced</li> </ul> </li> <li>• A suggestion to consider with respect to a possible approach to scheduling, at a high level, may be to: <ul style="list-style-type: none"> <li>○ as a first priority – remove duplicate forms / data elements to reduce inefficiencies</li> <li>○ then embed Phase 1 completely, with all issues resolved</li> <li>○ finally – look to commence consultations on the topic papers for Phase 2 – Depth.</li> </ul> </li> </ul>		



9	Timeline and sequencing	Do any of the topics require different lead times for implementation?	<ul style="list-style-type: none"> <li>• Investment data and Member Demographic data – both of these will necessitate significantly more implementation time than the other topics, due to the volume of data, the data point analysis required, and the scoping and testing of system changes</li> <li>• Non-financial risks and Board Governance – without further detail on how non-financial risks will be defined, and what data will be required, it is difficult to conclude what lead times for implementation will be necessary, as this data is unlikely to be sourced in the core financial systems and will necessitate manual collection datasets</li> <li>• RSE Licensee Operations and Profile – similarly, without an understanding of what will be required, it is unclear how readily data will be attainable with respect to ‘complex product features’ or indirect investments costs etc</li> <li>• Release and implementation dates – advance indications of the release and implementation dates for the Phase 2 reporting standards would assist the funds with planning</li> <li>• Historical data submissions – fund have requested clarification on the requirements i.e. which forms will require historical submissions and for which reporting periods/years</li> </ul>
10	Timeline and sequencing	Are there any related upcoming activities or changes which may impact the timing, implementation or design of reporting for each topic?	<ul style="list-style-type: none"> <li>• There would be impacts from the current program of work in relation to implementing strategic solutions for Phase 1 reporting.</li> <li>• FY22 annual APRA data submissions are due 30 September 2022 – these involve the same people with the requisite expertise</li> <li>• General fund year-end processing and activities between July and Sept / Oct industry wide – ideally there should be a ‘block out period’ during this period</li> <li>• The funds’ responses to the Retirement Income Covenant will be being implemented during this time as well</li> <li>• In addition, activities with respect to the Annual Performance Assessment Test which affect certain funds as well</li> <li>• There will need to be appropriate lead times for data analysis, system builds and testing - both for the fund member registry system builds and for the custodians’ system builds</li> </ul>

## **2. Concerns about some Phase 1 investment data**

Funds have identified a number of concerns with respect to some Phase 1, third party, non-TDP, investment data, which is due to be finalised by July 2022.

### **2.1 Issues with sourcing some third-party investment data on time and in the right format**

Funds have raised an issue with respect to limitations on the ability of trustees to obtain some third party, non-TDP, investment data and that external service providers may be unable to provide this information:

- accurately
- on time (within 28 days)
- in the format that is required by APRA.

### **2.2 Third party investment data and renegotiation of agreements**

Funds have queried whether it may be possible to investigate the possibility of ASIC being able to require external fund managers, as ASIC-regulated entities, to provide this information to superannuation trustees in an appropriate time frame and in the prescribed format.

Trustees have asked what they are to do if the third parties are unwilling or unable to provide the requested data in an appropriate timeframe or in the prescribed format. While the suggestion has been made that superannuation trustee may be able to renegotiate agreements with the third parties, in practice this may not be feasible, especially in the short-term or with global providers.

### **2.3 SRS 550.0 and asset categorisation**

Funds have raised that the asset categorisation in SRS.550.0 has caused some issues, as the definitions in the reporting standard do not align with industry standard definitions. As a result, a reclassification or adjustment of some of the funds' asset allocations is required, which adds to increased risk and cost and has the potential to create inconsistency in the reported data.

We appreciate that a working group has been formed to identify where there can be further consistencies in the asset categorisations in SRS 550.0. Funds have identified, however, that there is some ambiguity as to the definition of some categories which means that multiple categories potentially could apply to investments.

### **2.4 Lack of files / test data**

Concerns have been raised by funds around the lack of files or test data in order to develop a solution in time for July.

Fund have indicated that it is difficult to know what funds can do to assist APRA when they are unclear about what is required, especially with respect to identifying what non-TDP investment data may not be available to trustees.

### **2.5 Comparison and ranking of non-TDP investment data**

Concerns have also been raised with respect to the public disclosure and ranking of non-TDP investment data when there is no standardised way to measure them, and generally people engaging with non-TDP investment products (financial advisers or individuals) are making active investment choices, particularly with respect to platform products.

## 2.6 Time for quarterly reporting of third-party investment data

Another point raised by members is that the Phase 1 quarterly investment data is required to be reported within 28 days of quarter end, however, this data generally is not available from third parties in sufficient time nor, generally, is it in the required format for trustees to be able to report. This necessitates additional time and work to analyse, reconfigure and collate the data in order to report it in the relevant forms.

Given the above, the timing of reporting third party investment data within 28 days simply is not achievable. Funds have suggested that a more appropriate timing for reporting third party investment data would be 45 to 90 days.

## 2.7 Responses to data queries

Funds appreciate that APRA has been empathetic to the challenges faced by funds during Phase 1.

Funds have raised, however, that responses to queries on data submitted months ago is only now being provided, which delays funds' ability to make changes to their processes and develop automated solutions.

## 3. Importance of appropriate process for Phase 2

Phase 2 of the Superannuation Data Transformation project, like Phase 1 before it, is an important complex and substantial undertaking, for APRA and the industry alike.

In developing the requirements of a project of such scope and scale it is paramount that an appropriate program process and methodology is followed to ensure the quality and integrity of the project outcomes, to manage risk and to ensure there are no unintended consequences.

Funds appreciate that APRA does appear to be trying to engage early with consultation and co-design discussions prior to creating the reporting standards, however, they have indicated that an indication of the objectives underlying why they are requiring particular data would greatly assist funds to help APRA determine the detail.

Phase 2 is about Depth – funds are querying 'how much deeper can we go' with respect to data, especially as the exact scope and nature of the data that will be required is unclear, and have indicated they are keen to engage with APRA as to its objectives and what data is likely to be required.

**Recommendation 1** APRA should seek to avoid imposing on superannuation providers avoidable duplication of effort or unnecessary manual work.

## 4. Approach to scheduling Phase 2

Funds have indicated that one possible approach, which would have the effect of significantly minimising risk and costs, may be to adopt the following methodology to the scheduling of Phase 2:

- Perform a Post Implementation Review of Phase 1
- Provide feedback to industry on Phase 1
- Remove the duplication across old and new forms, through
  - discontinuing old reports/data items which have been superseded by new reports/data items; and
  - transferring any remaining old forms from D2A to APRA Connect, to have all forms on the one platformto reduce the additional burden on funds each reporting cycle
- Commence consultation on Phase 2 forms, including grouping forms where the data is related
- Implementation of Phase 2 forms – 12 months after the reporting standards are finalised – to allow for the development of automated solutions.

**Recommendation 2** APRA consider scheduling Phase 2 as follows:

- Post Implementation Review of Phase 1
- Feedback to industry on Phase 1
- Remove the duplication across old and new forms
- Transfer all old forms from D2A to APRA Connect
- Commence consultation on Phase 2 forms
- Implementation of Phase 2 forms.

Funds have also suggested there may be scope to reduce the reporting burden through specific amendments to some of the reporting obligations. By way of example, this could include changing the reporting of forms 605 and 706 from an ad hoc basis to quarterly, given the level of change the industry will be experiencing, including reducing investment options and fees, and the reporting is time consuming to produce. To reduce the burden further, this reporting could be out of cycle with the other quarterly reports, e.g. Q1 as at 31 August; Q2 as at 30 November; Q3 as at 28 February and Q4 as at 31 May.

## 5. Costs and risks of project

It is estimated the costs to the industry of Phase 2 of this project - to design, build, test, implement and operationalise a solution to meet APRA's requirements - will run into some hundreds of millions of dollars, that ultimately is borne by members. This represents a considerable industry-wide risk that a well-intentioned regulatory project may result in significant negative effects on member outcomes.

**Recommendation 3** It is critical that APRA ensure that the consultation and implementation timelines are adequate, in order to mitigate risk and minimise costs.

**Recommendation 4** When consulting on the reporting standards APRA should identify the purpose(s) for which the data will be used

**Recommendation 5** A key outcome of the consultation process should be that the taxonomy is clearly defined and specified, with as much commonality with existing taxonomies as possible.

## 6. Scheduling of consultations

Consultation with the industry will identify, and assist with resolving, issues that ultimately will improve the quality and usability of the data reported. This will serve to ensure that any insights gained through analysis of the data will be as accurate and reliable as possible, which in turn will benefit APRA, the industry and especially members.

Determining and finalising the requirements and specifications for a project of this scope and complexity is an iterative, incremental process, where the learnings from each stage of consultation should inform the next stage.

**Recommendation 6** The consultation process should not commence until after a Post-Implementation review of Phase 1 has been performed.

**Recommendation 7** Importantly, feedback on Phase 1 should be provided to the industry prior to the commencement of the consultation on Phase 2.

## 7. Timeline for consultations

In order to effectively manage the risks associated with such a complex project it is essential that APRA allow sufficient time for consultation, including identification of the purpose(s) for which the data will be used, followed by the finalisation and implementation of the reporting standards.

The timelines of Phase 2 should be such that they enable sufficient time for stakeholders to be able to engage with the detail of what is being proposed and provide considered feedback, to ensure the standards are robust and useable. The proposed timeline does not provide sufficient time to consult and finalise the reporting standards to ensure the standards are robust and useable.

Consultation should include face to face meetings, such as the APRA industry roundtables held on 2 and 3 May 2022, which enable stakeholders to ask questions, raise issues and make observations.

### 7.1 Development of reporting standards is iterative and incremental in nature

There have been 20 releases of SDT Phase 1 reporting standards FAQs over the last 12 months (listed in Annexure A), the latest of which was as recent as 5 May 2022. This is a reflection of the fact that the development of reporting standards is iterative and incremental in nature.

Consultation should occur only after a Phase 1 Post Implementation review has been performed and feedback provided to the industry. The new reporting standards in the subsequent phases of the SDT project should not commence until after there has been sufficient time for consultation and development of the reporting standards, to ensure the robustness and useability of the new reporting standards prior to the obligation to report commencing.

**Recommendation 8** APRA should develop appropriate timelines to ensure adequate consultation when finalising the data requirements.

**Recommendation 9** It is imperative that the iterative and incremental nature of developing reporting standards is borne in mind when scheduling the consultation timelines for Phase 2.

## 8. Implementation

### 8.1 Scheduling appropriate timelines

The initial reporting currently is proposed to occur in September 2024, based on data as at 30 June 2024.

The proposed timeline for the new reporting obligations does not provide sufficient time to:

- consult and finalise the reporting standards to ensure the standards are robust and useable
- build a strategic automated solution, rather than be forced to rely on tactical manual solutions.

### 8.2 Need to provide sufficient time for providers to be able to automate solutions

#### 8.1.1 Existing manual collation of data

Given the degree of clarification required with respect to the Phase 1 reporting standards, as reflected by 20 releases of FAQs over the last year, and the fact that Phase 2 is pending, superannuation providers have not been in a position to design and develop automated reporting solutions.

During Phase 1 funds have been concerned with meeting the reporting deadlines and have not had the certainty or capacity to develop automated solutions. There was considerable complexity involved with the implementation with Phase 1 reporting standards, with funds having to rebuild internal processes to deal with changes.

Funds have indicated that

- they would not be in a position to develop and implement a permanent solution until Phase 3. From an effectiveness and efficiency perspective it is not possible to design a final automated solution until the entire scope of the requirements and specifications are clearly known
- Phase 2, like Phase 1, will involve a high degree of manual work to collate data manually, which necessitates significantly more resources in the way of checking and verification, which is time-consuming and risky.

Providing more time to implement would enable providers to build a strategic solution, rather than being forced to rely on a tactical solution.

Funds have indicated that, given the delays in Phase 1, the Phase 2 timeline appears to be unrealistic and would end up exposing funds to additional risks before trustees have had an adequate opportunity to manage the existing risks. While funds have appreciated APRA's delaying of the Phase 1 rollout, and acknowledge their good intentions, they note that this has had the effect of hindering funds in developing automated solutions, especially as they may need to turn their initial focus / efforts to collecting the data that may be required under Phase 2.

The platform products are where most of the complexity lies – some providers offer thousands of investment options on each of their platforms, including term deposits and managed portfolios. With multiple platforms in the same RSE this amounts to a significantly large volume of data required to be collated and verified without the benefit of controls that an automated system provides.

One large provider has indicated that it has had up to 30 Full-Time Equivalents (FTE) for the reporting months and about 20 FTE on the data reporting project.

Another large super and platform provider has had to allocate over 20 FTE resources to work on completing the Phase 1 data reporting alone, which does not include resources from across other teams that are not funded by its SDT Project team. Depending on the scope and size of the Phase 2 reporting standards it is highly likely that a similar level of resourcing and cost would be required to implement the requirements imposed in Phase 2.

### *8.1.2 Importance of allowing sufficient time to automate solutions*

The proposed time frame for superannuation providers to implement Phase 2 reporting standards does not provide sufficient time to allow funds to build a strategic automated solution, rather than be forced to rely on tactical manual solutions.

This materially increases the risks, including that inaccurate data may be collected, as well as the costs.

Automating this process would necessitate considerable time and effort and it will not be possible to develop an automated solution in the proposed timeframe. Accordingly, the manual efforts of the data reporting under Phase 1 will need to be repeated, which will increase both the risk of inaccurate reporting, as well as providers' compliance costs.

Providers need sufficient time, after all of APRA's requirements 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
- 'go live' through a release during a designated, and often relatively infrequent, 'release window'.

This is considered the minimum standard for effective project management – a truncated timeframe that does not permit adherence to this tried and trusted process will add considerable risk as well as increase costs, which ultimately are paid by fund members.

To give some idea of the time and costs involved in developing automated solutions – the original APRA reporting requirements, introduced by the Stronger Super regime, cost one provider \$40 million in total and took 4 years to implement.

**Recommendation 10** APRA should allow an appropriate timeframe, of at least 12 months, between the finalisation of the reporting standards and the first reporting date, to enable superannuation providers to adopt a strategic approach to implementation and to develop automated solutions.

## 9. Avoiding duplication of data reporting

We have concerns about the inefficiency of reporting data to different agencies in different formats, including data being reported where it is available from another source and duplicate data being required to be reported.

APRA should, in conjunction with other government agencies, work to minimise data reporting processes and develop common data standards, taxonomies and definitions. A single approach to data standards would serve to reduce costs for agencies and the industry alike.

APRA should access data that providers, and others, report to other government agencies rather than require providers to have to report the data. This includes member data reported to the ATO and investment performance data reported to ASIC, or available from third party vendors such as Morningstar.

In addition, Treasury should explore the possibility of data reporting being centralised into one or two agencies. Further background detail with respect to data that super providers report to other government agencies, or that is available from third party vendors, as well as the potential centralisation of data reporting can be found at Annexure B.

## 10. Need for timely communication and disclosure of information and guidance materials

As demonstrated by the number and nature of issues identified in Phase 1 of the SDT project, there will be a continuing need for APRA to provide clarification and guidance to the industry to ensure all superannuation providers are aware of, and understand, what will be required.

This guidance could take the form of FAQs and worked examples, and in some cases issues may necessitate an amendment to the standards. Given that superannuation providers will be designing and developing their solutions, including analysing the requirements and determining functional and technical specifications for system and process changes, it is imperative that clarification and guidance is provided as soon as possible.

As noted above, the new reporting standards should not commence until such time as the data specifications and requirements are well-understood by funds and APRA alike.

**Recommendation 11** APRA will need to continue to provide clarification and guidance to the industry as soon as possible to ensure all superannuation providers are aware of, and understand, what will be required.

## ANNEXURE A – Releases of FAQs on Phase 1 over the last 12 months

No.	Date	Hyperlink
1.	23 April 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-faqs-on-superannuation-data-transformation-phase-1-reporting">https://www.apra.gov.au/news-and-publications/apra-publishes-faqs-on-superannuation-data-transformation-phase-1-reporting</a>
2.	7 May 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-1">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-1</a>
3.	21 May 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-and-worked-examples-on-superannuation-data">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-and-worked-examples-on-superannuation-data</a>
4.	18 June 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-and-worked-examples-on-superannuation-data-0">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-and-worked-examples-on-superannuation-data-0</a>
5.	2 July 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-0">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-0</a>
6.	16 July 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-2">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-2</a>
7.	10 August 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-3">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-3</a>
8.	16 August 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-4">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-4</a>
9.	27 August 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-5">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-5</a>
10.	14 September 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-6">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-6</a>
11.	23 September 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-7">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-7</a>
12.	27 September 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-8">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-8</a>
13.	8 October 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-9">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-9</a>
14.	22 October 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-updates-to-superannuation-data-transformation-frequently-asked">https://www.apra.gov.au/news-and-publications/apra-publishes-updates-to-superannuation-data-transformation-frequently-asked</a>
15.	4 November 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-10">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-10</a>
16.	3 December 2021	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-11">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-11</a>
17.	19 January 2022	<a href="https://www.apra.gov.au/news-and-publications/apra-releases-new-frequently-asked-questions-on-superannuation-data">https://www.apra.gov.au/news-and-publications/apra-releases-new-frequently-asked-questions-on-superannuation-data</a>
18.	21 February 2022	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-12">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-12</a>
19.	17 March 2022	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-13">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-13</a>
20.	5 May 2022	<a href="https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-14">https://www.apra.gov.au/news-and-publications/apra-publishes-additional-faqs-on-superannuation-data-transformation-phase-14</a>



## **ANNEXURE B – Data reported to other agencies/available from 3<sup>rd</sup> parties and potential centralisation**

In our view Treasury should investigate, in conjunction with government agencies such as APRA, the Australian Taxation Office (ATO), the Australian Securities and Investments Commission (ASIC), the Department of Human Services (DHS) and the Department of Social Services (DSS), the possibility of

- developing common industry standards
- allowing access to data reported to other government agencies or readily available from third parties
- data reporting being centralised into one or two agencies
- allowing government agencies to access data super providers, and others, have reported.

### **1. Develop common industry standards**

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

An example of duplication of process is the DHS and its requirement for a separate process for superannuation provider to report income stream payments data.

There is a need for a combined data standard across all government agencies, and a minimisation / consolidation of data reporting processes. A single approach to standards would serve to reduce costs for agencies and the industry alike.

### **2. Allow access to data reported to other government agencies or readily available from third parties**

Funds already report, or will be reporting, a significant number of member data items to other government agencies, whilst investment data may be available from alternate sources.

#### **2.1 Member data**

By way of example where information sharing could be utilised, a significant number of the details requested under the membership breakdown tab are reported by providers to the ATO through its regular 'event based reporting' – Member Account Attribute Service (MAAS) and Member Account Transaction Service (MATS) reporting. Many of the member level data items proposed to be reported to APRA are already reported to the ATO through MAAS and MATS reporting.

APRA regulated funds are required to report

- account 'opening and closing'
- contributions received
- annual balance.

The development of MAAS and MATS reporting represented a \$150 million investment by the industry and the data reported should be considered by other agencies – including APRA – as a rich source of information that could go a long way towards meeting the needs of APRA, at least in the short term.

As opposed to requiring funds to incur considerable expense to report the same or similar data, in a different format, APRA could access member level data from the ATO.

Industry would be happy to work with Treasury, APRA and the ATO to explore the opportunity for APRA to use information reported via MAAS and MATS to reduce the reporting burden on superannuation providers and enable them to focus on reporting the remaining required data.

## 2.2 Investment performance data

From a platform perspective, many of the metrics proposed under

- 'components of net return'
- 'long term performance and objectives'

would need to be sourced by superannuation funds from external investment managers.

This creates an issue with respect to meeting statutory deadlines, as it can take some time for external investment managers to report the data through to the superannuation providers.

Sourcing this data on a quarterly basis would exacerbate these timing issues.

Some providers have expressed major concerns with respect to 705.0 and 705.1 as they relate to Wrap products and the externally manufactured investment options, and have questioned the relevance of collecting performance data in relation to these options, given:

- ASIC will be collecting the same data under its recurrent data collection
- there is likely to be a considerable number of repeats across the industry, as many superannuation providers will report the same investment options.

Simplifying reporting by having ASIC collect this information from the source (external fund managers) and APRA accessing this information would greatly reduce the reporting burden on superannuation funds that offer these styles of products. Many superannuation funds would be reporting the same information for the same managed funds (i.e. where the same managed investment is offered on different superannuation platforms) thereby duplicating effort.

A number of providers have to work very closely with Morningstar (third party provider) to meet the requirements for performance reporting. As an alternative to superannuation providers reporting this data to APRA, it should access managed investment schemes data from ASIC, or directly from vendors such as Morningstar.

## 3. Explore potential for centralised reporting

Treasury should explore the possibility of data reporting being centralised into one or two agencies. APRA could become the collector / collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to APRA and other agencies.

Agencies such as ASIC, DHS and DSS could become agreed users of data and there could be agreed, common data standards. A single approach to standards would serve to reduce costs for agencies and the industry alike and would decrease the need for agencies to issue notices.

### 3.1 Recent recommendations in support of information sharing / more efficient data reporting

Both the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Royal Commission) and the Productivity Commission have made recommendations in support of increased information sharing between agencies, in particular APRA and ASIC, and more efficient data reporting.

### 3.1.1 Royal Commission

Section 6.4 of the Final Report of the Royal Commission was with respect to **Information Sharing**.

Recommendation 6.9 of the Royal Commission Final Report was as follows:

**Recommendation 6.9 – Statutory obligation to co-operate**

*The law should be amended to oblige each of APRA and ASIC to:*

- *co-operate with the other;*
- **share information to the maximum extent practicable;** and
  - *notify the other whenever it forms the belief that a breach in respect of which the other has enforcement responsibility may have occurred (**emphasis added**).*

The government's response to recommendation 6.9 was:

*The Government agrees to **remove barriers to information sharing between the regulators** and require APRA and ASIC to co-operate, **share information** and notify each other of relevant breaches or suspected breaches, as appropriate. Improvements to informal and formal communication, co-operation and collaboration between the two regulators are critical. This should include **efficiently sharing information** and intelligence and working together on enforcement and investigation activities (**emphasis added**).*

### 3.1.2 Productivity Commission

The Productivity Commission's *Inquiry into Superannuation: Assessing Efficiency and Competitiveness Final Report* contained a section **Collect Better Data**.

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

**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**).*

## 3.2 Government policy and current initiatives regarding data collaboration

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

### 3.2.1 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 APRA is a member of the SBR Steering Group.

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

With strong capability within the ATO and industry in co-designing, developing, deploying and operating SBR standards there is a real opportunity to leverage this capability with respect to reporting data more generally. This would be consistent with the government's support of SBR standards in reducing the reporting burden on business.

We suggest Treasury and APRA leverage this opportunity to

- align its reporting standards with the SBR framework, including its data governance framework
- liaise with other agencies to align data requirements, including definitions

to reduce reporting burden on superannuation providers.

### 3.2.2 Data Integration Partnership for Australia

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

DIPA was 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, were to be improved, allowing policy makers to gain insights that were not possible before.

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

Treasury should take the opportunity to advocate for an expansion of the Multi Agency Data Integration Project (MADIP), which was focused on social services, to support multi-agency collaboration with the ATO and ASIC. This would provide an opportunity for APRA to have increased access to quality, comprehensive data, sourced in a consistent, efficient and effective manner.

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

The Office of the National Data Commissioner (National Data Commissioner engaged widely and consulted on potential options with respect to New Australian Government Data Sharing and Release (Data Reform), including consulting on an Issues Paper in July – August 2018, followed by a Discussion Paper in September/October 2019. It proposed a framework to set a new direction for how public sector data in Australia is used and reused, building on the Government’s response to the recommendations made by the Productivity Commission’s *Data Availability and Use Inquiry*.

The *Data Availability and Transparency Act 2022* has now come into effect and establishes a new, best practice scheme for sharing Australian Government data – the DATA Scheme, underpinned by safeguards and consistent, efficient processes. It is focused on increasing the availability and use of Australian Government data to better inform government policies and programs, and support world-leading research and development.

The DATA scheme:

- provides 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
- takes a ‘principles-based approach’ to safeguarding the sharing of public sector data
- empowers the National Data Commissioner to develop requirements and guidance to support government agencies and Data Sharing Entities
- establishes clear governance arrangements, including enforcement and accountability mechanisms
- provides 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 scheme is broad in scope and generally applies broadly to all public sector data collected or generated by Commonwealth entities. The National Data Commissioner collaborates with other agencies and regulators to ensure consistent approaches to data sharing across departments and all levels of government.

In light of the DATA scheme, Treasury and APRA should work to reach an agreement with other government agencies, in particular the ATO, ASIC, DHS and DSS, to share information.

ASFA recommends that

- Treasury and APRA should, in conjunction with other government agencies, work to minimise data reporting processes and develop common data standards, taxonomies and definitions
- APRA should align its reporting standards with the Government’s SBR framework
- Treasury and APRA should explore the possibility of APRA becoming the collector / collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to APRA and other agencies
- APRA should work to reach an agreement with other government agencies, in particular the ATO, ASIC, DHS and DSS, to share information
- APRA should access data that superannuation providers, and others, report to other government agencies, or is available from third parties. In particular, APRA should access
  - data reported via MAAS and MATS from the ATO
  - investment performance data from ASIC or from vendors such as Morningstar
- Treasury and APRA should consider advocating for an expansion of the Multi Agency Data Integration Project (MADIP) to support multi-agency collaboration incorporating APRA, the ATO and ASIC.