

The Association of Superannuation Funds of Australia Limited
ABN 29 002 786 290
ASFA Secretariat
PO Box 1485, Sydney NSW 2001
p: 02 9264 9300 (1800 812 798 outside Sydney)
f: 1300 926 484
w: www.superannuation.asn.au



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The Commissioner of Taxation
Australian Taxation Office

Email: SuperStreamStandards@ato.gov.au

Dear Commissioner,

SUPERANNUATION DATA AND PAYMENT STANDARD AND ASSOCIATED SCHEDULES

The Association of Superannuation Funds of Australia (ASFA) would like to provide this submission in response to the call for comments on the exposure draft superannuation data and payment standard, its associated schedules and the explanatory statement.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation industry. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds (SMSFs) and small APRA funds (SAFs) through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General comments on the documents

Overall, ASFA considers that the documents will be effective in achieving the desired objective. The documents, and particularly Schedules 4(a) and 4(b), reflect the extensive consultation undertaken by the ATO.

ASFA is strongly supportive on the move towards mandated standards and recognises the leading role played by the ATO.

We have some specific comments on various parts of the standards and these are set out below.

Specific comments

SUPERANNUATION DATA AND PAYMENT STANDARD

(4) Who is covered by this Standard

We note that paragraph (c) still makes provision for the extension beyond 1 July 2015 of the date by which small employers must comply with the Standard.

ASFA strongly argues that the date should not be extended. We note that the Department of Human Services' Small Business Superannuation Clearing House (SBSCH) currently provides a free service for small employers and that the service will be fully compliant with the data and payment Standard prior to 1 July 2014.

Separately, the full benefits of the Standard will only be realised once all parties are compliant. The proliferation of multiple superannuation contribution processes beyond 1 July 2015 will detract significantly from the ability of all players in the superannuation system realising the intended efficiency gains.

DRAFT EXPLANATORY STATEMENT

Paragraph 11

This paragraph deals with the compliance date for small employers and sets out the possibility of this date being changed to a later date.

ASFA suggest that this paragraph should specifically mention the availability of the free clearing service for contributions provided by the Department of Human Services' Small Business Superannuation Clearing House (SBSCH) and that, as the employer's agent, it would assist the employer in meeting their obligations under the Standard. Doing this should lower expectations of a move in the date and encourage small business to commence the process of engaging with the new requirements and with the SBSCH.

Paragraph 17

This paragraph talks of mandatory requirements that must be complied with.

ASFA suggests that this background section should also make mention of existing web-based portals and file transfer solutions and how they relate to the new data standards.

Paragraph 18

This paragraph highlights that introduction of the Standard does not alter an employer's SG obligations. That is an employer can meet their SG obligations and still be in breach of the Standard through failure to provide the minimum required data about a contribution.

ASFA requests that this paragraph make specific mention of the requirement for electronic payments. That is, specific attention needs to be drawn to the intent to remove cheques from the superannuation system.

Paragraph 20

This paragraph deals with the prescribed transport and authentication standards.

The second sentence states that they are based on 'existing industry standards'. The reference to 'industry' in the context of superannuation standards suggests that the transport standard is based on existing superannuation standards, such as swimEC.

ASFA suggests that a more general form of words be used such as 'widely adopted, general purpose, open source standards'.

Paragraph 51

This paragraph deals with user roles and the ability of an entity to choose a 'conformance profile' based on their IT capabilities.

ASFA suggests that this paragraph be expanded to make specific mention of the capacity of an entity to engage an 'agent' (such as a clearing house) to play the designated role. This, combined with the changes suggested above for paragraph 11, would enable a small employer to clearly identify how they could meet their obligations in a number of ways including by registering with the SBSCH.

Employer – Entry level (Paragraphs 52 – 55)

The summary table of user roles specifies that there are two conformance profiles for the employer entry level role – 'Ultra-light' and 'Light'. Given this, ASFA suggests that this section should provide further information (for the benefit of employers) about the differences between these two profiles and specifically that the Ultra Light profile for Employers is the only profile that does not receive any electronic response messages (i.e. responses will be delivered to employers by processes outside of the new standards).

Paragraph 53 uses the term 'gateway'.

It is suggested that this term should be defined and properly explained in the context of the operation of an efficient network. As the concept of gateways is poorly understood and has led to a degree of confusion among superannuation funds ASFA considers that not providing a clear definition of the term 'gateway' will lead to ongoing confusion about the role that gateways will play.

Care will need to be taken so that employers do not think that all existing channels are no longer valid.

Employer with intermediary role (Paragraphs 62 – 65)

Paragraph 63 deals with the pre-requisite steps to be taken by an employer-with-intermediary role.

It is unclear whether it is the employer or the intermediary who has to register for e-commerce purposes with the fund.

However paragraph 65 states that the SBSCH can be treated in the same way as an 'employer with intermediary role'. Does this mean that the SBSCH has to register with a fund on behalf of each employer it is processing contributions for?

ASFA suggests that consideration be given to rewriting this section such that it more clearly sets out the 'mechanics' of the process under various arrangements.

Paragraph 67

This paragraph refers to an APRA fund registering with an 'approved gateway'.

As well as once again raising the question of what is a gateway and what role does it perform in the network, prefixing the term 'gateway' with the word 'approved' raises the question of an approval process or an approving authority.

As mentioned above there is a clear need for the gateway concept to be properly explained in the context of an efficient network and the expected arrangements under the SuperStream data and payment standard proposals.

Paragraph 70

This paragraph states that an APRA Fund and its intermediary must be registered with an approved gateway.

ASFA suggests that this statement be reviewed in light of the statement in paragraph 76 that either the SMSF or its intermediary should be registered with a gateway?

Self-managed Superannuation Fund (SMSF) role (Paragraphs 72 – 74)

ASFA understands that in certain circumstances special rules will apply to certain transactions undertaken by SMSFs (e.g. receipt of contributions from a related party).

ASFA considers that this document would be enhanced by the inclusion of a section setting out the special arrangements that are proposed to apply to SMSFs.

Application Gateway role (Paragraphs 78 - 81)

Paragraph 78 refers to entities 'registered to provide a gateway service'. This begs questions such as 'Who will hold the register?', 'Who is the registration authority?' and 'What is the registration process/requirement?'?

It also indicates that the role only applies with respect to services provided to a participating fund. This ignores the prospect that an employer, or an agent of an employer, is equally likely to engage the services of a gateway.

This once again reinforces the need for a separate section dealing with gateways, the service they provide and the role they will be expected to play.

Paragraph 79

This paragraph deals with the responsibilities of the gateway.

The third dot point deals with receiving and routing error messages. ASFA requests that the words in brackets (where this is feasible) be amended to very clearly state that the expectation is that the Gateway and the fund/Intermediary must ensure that employers receive all error messages, either electronically or via other channels

Paragraph 82

This paragraph states that employers 'must always send contribution messages via the registered gateway of their sponsoring fund' and '(t)he gateway is responsible for ensuring delivery of the messages to the relevant destination fund or to relevant gateway partners'.

This statement does not make sense in the context of a small employer using the SBSCH (or any employer engaging a clearing house service provider) where the SBSCH will deliver the message to the relevant destination and is inconsistent with paragraph 84.

ASFA does not consider it necessary that an employer be required to send all of their contribution messages via their sponsoring fund.

ASFA suggests that the concept that needs to be conveyed is that the employer has responsibility for ensuring that messages are delivered to the correct destination fund and that this may be done in several ways:

- By sending the messages in the accepted format to the IP address of the destination fund
- By forwarding the messages to their sponsoring fund (subject to legislation supporting this proposed new obligation on sponsoring funds)
- By engaging a service provider to perform either of the above functions on their behalf.

APRA Funds (Paragraphs 84 and 85)

Paragraph 84 refers to a 'dedicated employer lodgement portal'.

ASFA requests that this concept be further explained and explicitly deals with the issue of 'choice' contributions.

Paragraph 85 talks of a gateway assuming responsibility for delivery of messages to the destination fund. Such a concept is alien to the fundamental premise that the responsibility for message delivery (the compliance obligation) always rests with the initiator of the transaction (employer or fund) and cannot be passed to another party.

Paragraph 86

This paragraph does not contemplate the proposed carve-out for transactions between a related party and an SMSF (see comments on paragraphs 72 - 74).

ASFA is aware of statements by the ATO that there will be no requirement for a contribution made by a related party to an SMSF to be in accordance with the data standards. Rather this will be considered a private arrangements and the sole requirement will be for provision of the required information about the contribution.

Paragraph 88

Footnote 5 states that a Rollover from a SMSF to APRA funds could use the destination APRA fund gateway if mutually agreed.

ASFA seeks clarification of this statement as it would appear that to do this, the SMSF would still need to register with the Gateway to be able to transmit data via the gateway.

SCHEDULE 2: SUPERANNUATION TERMS AND DEFINITIONS

We have no issues with the content of this schedule

SCHEDULE 3: PAYMENT METHODS

2.1 Electronic payment options

ASFA suggests that the opening sentence be reworded to say that 'A fund must be able to accept'. It is a subtle change but correctly reflects the true situation represented by banking relationships (i.e. the bank, as the agent of the fund, 'accepts' the contribution or rollover and places it in the Fund's bank account).

2.2 Unique Payment Reference Number

The opening paragraph states that a sender 'must obtain' a unique payment reference number, this could be interpreted that the banking system or some other service provides these unique payment reference numbers.

ASFA requests that this be reworded to reflect a requirement that the payment 'contains' a unique reference number and that this may be either obtained from (someone), or provided by (someone) or generated by (some process)

2.3.1 BECS direct credit

1. Concatenation method

Example

For those less familiar with the development of the standard it is suggested that the example be clarification.

It is ASFA's understanding that for the example of a first payment on (14 September 2011) the date is represented by 1409 (representing ddmm) and the 001 represents the first of 999 possible payments that could be made that date.

ASFA requests that the exact methodology be set out as part of the example.

SCHEDULE 4(a): CONTRIBUTIONS MESSAGE IMPLEMENTATION GUIDE

Business context

The third last dot point states that the standard 'is applicable to the ongoing maintenance and update of member details (whether default of choice)'.

ASFA request clarification that this is optional and that a fund may, should it so determine, be able to adopt other methods for maintaining and updating member details. Perhaps 'is applicable to' should be changed to 'may be used for'. This is particularly relevant to the situation with 'choice' members where traditionally there is a stronger relationship between the member and the fund than with the contributing employer and the fund.

2.1 Stakeholders

In table 1 the role definition for employee/Member states that it is an individual who registers and 'contributes via regular ongoing contributions'.

Should this be 'for whom regular ongoing contributions are made'?

2.4.2 Overpayment of contributions

ASFA has concerns that, although there is a clear statement that ‘Overpayments are not catered for within the scope of the Standard and MUST be managed via other processes as agreed between the relevant parties.’ the standard then goes on to describe that this can be done by MUTUAL agreement and through the use of negative contribution amounts.

ASFA is concerned that this may lead to employers taking unilateral action to use negative contribution amounts resulting in processing and administration complications.

The potential for mutual agreements may also lead to a growth in these exception cases, leading to a multiplicity of arrangements which would significantly undermine the concept of having a Standard.

ASFA’s preference would be for a total ban on using the Standard in this manner with respect to accumulation funds and for the development of an industry-agreed standard process for employers to seek a refund of overpaid contributions.

We note that the Stronger Super SuperStream Working Group agreed to sponsoring employers of defined benefit funds being able to use negative contribution amounts by mutual agreement with the fund.

3.4 Context Specification – Payee Details

Table 7 Payee Context Specification

Entity Segment – SuperFundProductIdentifierDimension.

This states that where a Super Fund is a single product then this ‘MUST NOT’ be provided.

ASFA seeks clarification on the need for the restriction given that some single product funds currently have a Product Identifier (SPIN) and that this rule would require additional system changes to not include this in the data file where a SPIN exists.

ASFA cannot identify any issues that would be caused by passing this Product Id in the files for single Product Plans. Perhaps this should be a mandatory field to be filled with the fund ABN where no specific product Id exists.

This issue appears throughout both the Contribution and Rollover MIGs.

4.4.4 Super Fund Member Details

Table 11 Member Registration Request

Seq no. 5.2 & 6.4 – Both the email address and contact phone number are mandatory fields for Member registration.

What is the expectation where these details have not been provided by the employee to the employer?

ASFA is concerned that making these mandatory may lead to the fields being populated with random data.

This also applies to the Contribution Transaction (telephone and email mandatory for a Member).

Seq 10 – There should be a special note stating that for new Members employment start date is required by the fund (and that if not provided it may prevent registration of the member).

Seq 12 – ASFA suggests that this should not be a free format text field. To allow systems to effectively use this data field a defined set of employment termination reasons should be provided as part of the standard.

5 Member Registration Response Message Specification

Table 12 – Member registration response message structure.

ASFA seeks further clarification on how and when this response message is generated as there is significant confusion in the Industry on this matter.

It is ASFA's understanding that large contribution and member data files may be processed and completed over several days as it can take some time to identify if new Members exist or need to be created. In these circumstances can this message be produced as the file is processed (e.g. each day) or is it only generated once processing of the entire file has been completed?

Also, where error messages have been generated for a contribution file and then at a later date the contribution file is completed successfully (e.g. after the Employer advises missing data) is another fully successful message generated?

6 Contribution transaction request message specification

This section refers to section 2.6 for a summary of available options for amending a contribution.

We believe the reference should be section 2.4.

7 Contribution transaction error response message specification

ASFA queries why the business error messages are being passed in the ebMS3 message rather than via a business document within the message. Doing so could allow for simplified identification of the error messages against the specific member transactions.

That is there should be different processes for dealing with 'whole of message' errors and business error messages that are more likely to be member specific.

SCHEDULE 4(b): ROLLOVER MESSAGE IMPLEMENTATION GUIDE

Figure 1: Rollover business interaction

It is not clear whether the diagram contemplates the initiation of a rollover through the ATO's SuperSeeker process. A clarification as to whether such an interaction is in or out of scope of the standard would assist the reader. That is, is it anticipated that the initiate rollover request from the ATO's individuals' portal will be generated in accordance with this Standard or will the current process continue indefinitely?

2.2.2.1 Conversation ID

Does the mandatory use of conversation ids mean that a transferring fund will need to make multiple payments and generate multiple data files to the same receiving fund on the same day where the transacting funds that have high levels of transfers between them?

Rollovers processed today could include rollovers initiated by the receiving fund over multiple days together with rollovers initiated directly to the transferring fund by a member. The concern is that this

may mean that a separate file and payment will need to be made for each of these rather than being processed in bulk.

3.4 Context Specification – Member Rollover /transaction

Table 6

Entity Identifier Scheme

The note in the instructions/rules column lists several reasons why a TFN might not be present.

ASFA considers it important to include as a reason that the member may have quoted their TFN to the fund trustee but has expressly prevented the trustee from passing the TFN on to other trustees.

3.5 TFN usage within context

The document states that where the ATO enabling service returns an invalid response the expectation is that the superannuation fund will work with the member to try to rectify the result.

It is suggested that the paragraph note that in some circumstances resolution of the issue may require the member to interact with the ATO. That is, there needs to be an acknowledgment that it may be the ATO's records that are not up to date.

As resolving these cases is a significant and potentially costly issue for funds, clarification of the scope of 'the superannuation fund will work with the member to try to rectify the result' would assist funds when implementing this requirement. As previously advised, the issue is compounded by the lack of information received by the fund as to what data may be in question.

4.2 Prerequisites

This section notes that the requirement for the message to be successfully processed is that the member has provided the relevant information to the message sender.

ASFA suggests that 'relevant' be replaced with 'accurate and complete'. That is, for successful processing of a transaction mere completion of the relevant data fields is not sufficient. Rather, successful processing will depend on both the completeness and the accuracy of the information.

5.1 and 7.1 Message Transport Linkages

Clarification is sought as to whether this message is produced once the entire data file has been processed or whether messages can be sent over a couple of days as the data file is processed?

6.5.3 Member rollover transaction details

Table 19

Seq 15 Superannuation Contribution Total Amount

Should this be removed given that contribution amounts will no longer be reported as part of a Rollover?

SCHEDULE 5: MESSAGE ORCHESTRATION AND PROFILES

3.1 Overview

This section states that the transport of business transactions must be performed in a manner consistent with the ebMS3.0 Messaging Standard.

ASFA requests that this section provide more information as to at which level the transport protocol MUST be implemented. That is, is it between an employer and their agent/service provider or between the agent/service provider and the destination superannuation fund or is it in all interactions.

4.1 Selection of profiles

As for Section 3.1 above, this section needs to make it clear that the selection of a profile is made by a regulated entity (e.g. employer of fund) or an agent acting on their behalf and under an arrangement by which the agent agrees to meet the regulated entities requirement to comply with the Standard.

This section states that ‘Superannuation entities and RSA providers MUST NOT use entry level profiles’. Clarification is required as to whether ‘superannuation entities’ includes SMSFs.

5.1 Default agreements

This section specifies that default, or standard, agreements will apply unless otherwise changed by mutual agreement.

ASFA has concerns about the possibility of a proliferation of non-standard agreements or the creation of private trading enclaves, both of which have the potential to reduce competition and detract from the benefits that open standards are designed to provide to participants in the superannuation system.

However, ASFA acknowledges that the smooth implementation of the Standards will depend on some existing non-standard arrangements for the transfer of data between employers and funds and between funds with a common administrator. ASFA would like to see these arrangements formally acknowledged in this document.

ASFA further requests that consideration be given to including in the Standard a target date by which it is expected that all parties should be operating under a default arrangement, and or requiring parties that wish to enter into a non-standard agreement to seek agreement from the appropriate regulator.

SCHEDULE 6: ERROR CODE MANAGEMENT

5. Error Severity Levels

ASFA seeks clarification that the hierarchy of error codes is as follows:

- 5.1 Error This only applies at the whole-of-file level
- 5.2 Partial This only applies to a transaction within a file
- 5.3 Warning This only applies to an element within a transaction

8. Organisation Specific Error Codes

ASFA supports the specification of a convention for entities to specify organisation-specific error codes and seeks clarification if the requirement to publish those on a website also extends to defined benefit funds.

As there is an expectation that these particular codes will be published on the organisations website, it is strongly recommended that there also be a standard convention for publication.

ASFA further recommends that the Superannuation Advisory Council establish a process for reviewing all published organisation-specific error codes to determine if any warrant inclusion in this Schedule.

* * * *

Thank you for providing us with the opportunity to make this submission and to participate in the consultation process.

If you have any queries or comments regarding the contents of our submission, please contact Robert Hodge, Principal Policy Adviser on (02) 8079 8030 or by email rhodge@superannuation.asn.au

Yours sincerely
Margaret Stewart



General Manager, Policy and Industry Practice