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File Name: 2012/77

19 November 2012

General Manager
Policy Research and Statistics
Australian Prudential Regulation Authority
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Dear Mr Grummitt,

DISCUSSION PAPER: REPORTING STANDARDS FOR SUPERANNUATION

The Association of Superannuation Funds of Australia (ASFA) would like to provide this submission with respect to the call for comments on the above discussion paper and its proposal to significantly enhance and expand the information provided to government about superannuation entities.

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 and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

GENERAL COMMENTS ON THE DISCUSSION PAPER

ASFA notes that the reporting requirements for superannuation have not been revised since 2004 and that the proposal to review and expand the reporting requirements has been under contemplation since 2009.

We also acknowledge that APRA consulted over an extended period with the superannuation industry about the proposed changes prior to releasing the discussion paper and we also note that a number of the proposed new reporting requirements relate to information that is to be collected by APRA on behalf of others. However, what is unclear to ASFA is the extent to which APRA and the organisations on whose behalf it will be collecting the data have directly liaised with organisations and 'walked through' the proposed data reporting requirements. ASFA considers that such a process is necessary in order to gain a direct view of the impact on the proposed changes on superannuation entities and on the third party entities which will be

required to provide some of the data to be reported. ASFA compares this with the extensive and lengthy consultation that continues to be undertaken by the Australian Accounting Standards Board over the implementation of a new accounting standard for superannuation entities.

ASFA recognises the need of consumers, regulators and government for more comprehensive superannuation information and to that extent the goal of the discussion paper is supported. Therefore, in responding to the discussion paper, ASFA will not be commenting on the intention to expand the amount of information to be collected. We recognise the intention of government to collect a broader range of information from superannuation entities to support improved regulation of funds and greater transparency for consumers. However, we note that the discussion paper provides little justification of the need for, or the proposed use of, the data that is being collected on behalf of other parties.

One of the principle reasons for collecting data from any industry is to assist the formulation of government policy. We understand that this is partly the purpose for the enhanced data collection proposed by the discussion paper. In this context it should be noted that the superannuation industry is broadly split into two categories: pooled superannuation investment vehicles regulated by APRA and Self Managed Superannuation Funds (SMSFs) regulated by the Australian Taxation Office. As approximately one third of the assets of the superannuation system are held within SMSFs, ASFA queries why there is no parallel proposal by the ATO to replicate in SMSF annual returns the new requirements around the collection of data on investments. ASFA considers that this lack of consistency of reporting may impede the development of superannuation policy.

The principle concerns of ASFA are the timing of implementation, the breadth and depth of the information to be provided and the costs associated with establishing reporting systems and providing the information on an ongoing basis. We note that this exponential expansion of the data collection obligations comes at a time when government is espousing the merits of reducing red tape and question the degree to which there has been a detailed and critical analysis of the need for each and every data item and whether the information is currently being provided to government through another reporting mechanism.

Having considered the scope of the changes and the impact on parties other than superannuation funds, ASFA strongly recommends that rather than rushing the implementation of the new reporting standards, particularly with respect to investments, that a long term strategic decision be taken to set a less ambitious implementation timeframe and combine it with the introduction of mandated data standards for the reporting of information about investments from investment vehicles and investment managers through to custodians and fund trustees. Accordingly, our view is that the new requirements should be phased in from the September quarter 2014. Our thoughts on this are set out in more detail on the following pages.

Whilst concerned at the breadth and depth of the information to be collected, ASFA's comments are principally focused on the more practical aspects of the proposed expanded reporting requirements and in particular on the following matters:

- Changes to the timing and regularity of reporting
- The proposed inclusion of all definitions in the Government's Standard Business Reporting (SBR) Taxonomy

- Accommodation of the proposed new accounting standards for superannuation funds
- Threshold for reporting on an investment option
- Transition to the new reporting standards
- Issues with providing the data sought on the individual forms

The submission concludes with comments on a range of other matters.

Comments on specific forms are included as an annexure.

1. Changes to the timing and regularity of reporting

Quarterly reports

The discussion paper proposes reducing the time for lodgement of quarterly reporting from 25 to 20 business days and expressing this as a 28 calendar-days requirement. The proposed basis for this change is twofold: the reporting period for other reporting entities is 20 business days; expressing the requirement in calendar days will result in consistency of lodgement by entities across states as lodgement dates will be the same irrespective of what public holidays occur within the lodgement period.

ASFA does not consider that, in the absence of a detailed comparison of reporting obligations, bringing superannuation into alignment with other industries is, of itself, a sufficient reason to reduce the lodgement period. This is particularly so given the current proposal is to significantly increase the reporting obligation on superannuation and in the knowledge that some other sectors reporting requirements have been reduced over recent years.

While ASFA can understand the logic behind expressing the requirement in calendar days so as to achieve a consistency of reporting across the various state jurisdictions, we have concerns about the capacity of entities to source and collate what is a substantially increased level of information in a significantly shortened time frame. Also of concern is that, as the requirement is to lodge by a particular date, the occurrence of public holidays during the lodgement period would further reduce the time in which the report is to be lodge. For example, should 1 January fall on a Monday a fund would have 18 business days in which to prepare and lodge the December quarter report. This represents a 28% reduction from the current 25 business day requirement and in which a significantly expended reporting requirement is to be met. We also note that where the due date falls on a public holiday in one state only then, unless the legislation prescribes that the report must be lodged no later than the due date, the goal of consistent lodgement by all entities will not be achieved. ASFA suggests that a more appropriate requirement would be to change the due date for quarterly reporting from 25 business days (five business weeks) to 35 calendar days (five calendar weeks). In the example of January 1 being a Monday, lodgement would be required by Sunday 4 February (effectively requiring lodgement by Monday 3 February under the Acts Interpretation Act rules) giving the fund 24 business days in which to compile and lodge the report. ASFA considers that such an arrangement would give APRA the consistency of lodgement sought across reporting periods and states, but without being unduly burdensome on funds. However, in making this recommendation, we have not fully investigated the capacity of managers to deliver investment information in the required timeframe. It is conceivable that, given the granularity of information required and the lack of automated

processes for collection and delivery, custodians may consider that a lodgement period of 42 to 56 calendar days may be required until such time as the new reporting arrangements have been bedded down.

An unanswered concern that ASFA has with the reporting requirements is the capacity of custodians to obtain and deliver the required level of granular information from investment managers within the desired timeframe. The increased granularity of the information required to be provided on the forms, combined with the new asset classification requirements and a need to aggregate and disaggregate information, will necessarily increase the effort required to extract the information. If there is difficulty in providing the information and the level of data varies across funds and investment managers there is potential to undermine the comparability of the information and thus validity of the exercise. ASFA suggests that a halt be called to the implementation of the new reporting requirements on investments and that medium term strategy be developed to overcome this issue. Such a strategy could include formulating a comprehensive plan as to the level of reporting detail required from all parties and a strategy that would assist trustees to require the provision of the necessary information within the prescribed timeframes. It is suggested that 1 July 2015 may be an appropriate target date for the implementation of enhanced reporting on investments.

Recommendation 1

1.1 That the proposed quarterly reporting due date of 28 calendar days be amended to 35 calendar days (five weeks).

1.2 That for the first three years of the new reporting regime the reporting due date be 49 calendar days (7 weeks) after the end of the quarter.

Recommendation 2

That a halt be placed on the proposal for detailed investment information and a medium term strategy be developed to transition to the new reporting requirements for choice investments from 1 July 2015 and in particular to formulate a comprehensive plan as to the level of reporting detail required from all parties, together with a strategy to assist trustees to require the provision of the necessary information within the prescribed timeframes

Annual reports

It is further proposed in the paper that the due date for annual reports be three months from the end of the financial year (currently four months).

It is ASFA's understanding that the annual report is to be an audited report while the four quarterly reports are year-to-date and unaudited.

ASFA has serious concerns over a requirement to prepare and lodge an audited report containing information on which, in part, a funds annual audited accounts will be prepared, and in the same timeframe. The significant reduction in time for lodging the audited annual reports, combined with the increased reporting requirement has the potential to result in compromised

reporting due to errors and omissions arising from the pressure to lodge on time but in a shorter timeframe.

An additional significant concern is that the shorter reporting period will increase the pressure on scarce auditor resources potentially leading to a significant increase in costs.

Recommendation 3

ASFA recommends that the due date for lodgement of the audited annual report remain unchanged at four months after the end of the RSE's year of income

2 Requirement for auditing of annual forms

The paper requires all annual forms to be audited prior to lodgement. ASFA is aware of a fund that will be required to lodge 56 reports each quarter and 89 audited annual reports. A cost estimate from a national accounting firm has set the cost at \$3,000 per form. That is, an increase in annual audit costs of \$240,000.

Such a dramatic increase in regulatory imposed costs does not appear consistent with the stated objectives of government to reduce the level of red tape imposed by government.

ASFA requests that serious consideration be given to the requirement for reported information to be audited and specifically to ensuring that any auditing requirement only applies to the variable data on forms and not to the static items. We understand that a more detailed analysis of what requires, and what should not require, auditing will be provided by PricewaterhouseCoopers and we urge serious consideration be given to the information provided.

Recommendation 4

ASFA recommends that, in order to remove unnecessary auditor costs, the auditing requirement for annual forms not be a form-based requirement but rather a data-item based requirement.

3. The proposed inclusion of all definitions in the Government's Standard Business Reporting (SBR) Taxonomy

The SBR Taxonomy is the dictionary of terms used in the presentation of data to the Australian governments and their agencies through the SBR program. This is the fundamental approach adopted in the implementation of the data and payment standards for the superannuation industry.

ASFA welcomes the proposal to include all definitions in the SBR Taxonomy, while noting that this will not be without its challenges.

A fundamental goal of the SBR Taxonomy is to standardise definitions across governments. That is, where two government agencies, or multiple forms within a single agency, seek information about the same basic item then there should be a single common definition of that data item and that data item should be known by a single name. In pursuing this goal the Government's SBR Program has achieved a significant reduction in the number of individual data items identified and

captured for government purposes. However achieving this has required extensive consultation, negotiation and compromise. The process can also be very time consuming. ASFA strongly believes that the process of including the new APRA data items to the Taxonomy should not merely involve adding them to the Taxonomy, but rather going through the SBR process of determining that the term does not currently exist in the Taxonomy, that an already defined term could not be used and agreeing on a definition that results in an unambiguous interpretation of the information required to complete the data item. Given the scope of change proposed in the classification and grouping of investments this will not be a quick process, particularly if an appropriate level of engagement with impacted parties is undertaken.

An additional goal of the SBR Program is that the information being collected should flow out of natural business systems so that the information may be collated and reports prepared using automated processes.

These aims of both SBR and the SBR Taxonomy create the following challenges for implementing the expanded reporting requirement:

- Defining the more than 8,000 data items on the forms
- Including the terms in the SBR Taxonomy
- Re-designing administration systems to capture and store the new data items or mapping the Taxonomy definitions to currently captured data items.
- Amending contracts with external parties (e.g. administrators, custodians, investment managers) to require them to provide the information in accordance with the definitions in the Taxonomy.
- External parties amending their systems to capture and report on the new basis.

Before the third, fourth and fifth dot points above can be achieved, points 1 and 2 need to be finalised.

Defining the terms will require a significant consultative effort between superannuation funds and their service providers, APRA, and the other agencies on whose behalf APRA is collecting the data. This process can only reasonably be commenced once APRA has fully defined its requirements and there is a clear understanding of those requirements by the superannuation industry.

With regards to the information required about investments, defining the terms in the SBR Taxonomy could be the first step in a multi year project to create and implement data standards for the collection and passing of information between investment managers, custodians fund trustees and APRA. These data standards could, in part, leverage off the work done on data standards for contributions and rollovers.

ASFA recommends that rather than rushing the implementation of the new reporting standards, particularly with respect to investments, that a long term strategic decision be taken to set a less ambitious implementation timeframe and combine it with the introduction of mandated data standards for the reporting on information about investments from investment vehicles and investment managers through to custodians and fund trustees. A long term approach is required as the changes required are complex, will require significant levels of co-operation from

investments managers and significant changes in data capture and reporting systems for investment managers and custodians.

Taking a longer term view will result in consistency of reporting and could ultimately lead to a significant reduction in reporting costs and improved information flows whilst creating the potential for reduced reporting timeframes to be achieved. ASFA considers that the ultimate goal should be the fundamental SBR goal of the APRA reporting forms being automatically populated from information extracted by automatic processes out of natural business systems.

Recommendation 5

- 5.1 All data items contained in the reporting standards be included in the SBR Taxonomy
- 5.2 Industry/APRA working groups be established to agree on the definitions of data items and that the process follow the fundamental design principles of SBR.
- 5.3 Consideration be given to the establishment of a working group to create data standards for the passing of the required investment information between investment managers, custodians and trustees and that the transport and security protocols be based on the work undertaken for SuperStream
- 5.4 A less aggressive timeframe be determined for the provision of expanded information to APRA on investments with July 2015 being the commencement date for reporting information about choice investment products.

4. Accommodation of the proposed new accounting standards for superannuation funds

The paper proposes that, for APRA reporting purposes, funds adopt early the Australian Accounting Standards Board's proposed new accounting standard for superannuation entities.

ASFA is broadly supportive of the move by accounting standard setters to replace AAS25 with Exposure Draft (ED) 223 'Superannuation Entities'. In particular, the move away from 'net market value' to 'fair value' accounting for investment valuations ensures consistency with valuation approaches required of other entities.

A concern of ASFA is that ED223 has gone through a lengthy gestation (commencing life more than 10 years ago as ED79), it appears unlikely to be adopted until at least 2015 and the ED does not permit early adoption. This is not a criticism of the AASB process but recognition that significant changes should not be rushed but rather implemented in a considered manner and with the active participation during the development process of the impacted parties. The APRA Reporting Standards, on the other hand, would require Superannuation Funds to provide quarterly data based on 'fair value' from the 2013/14 financial year. Fund assets, as valued by the custodians, are measured at 'net market value' and will not likely switch over to 'fair value' until ED223 comes into force.

The above raises three concerns for ASFA. The first is that the requirement to produce '2 sets of valuations' in the intervening period will create significant extra costs for Fund administrators and custodians for no purpose other than to provide APRA with year on year comparable information

from the commencement of the new reporting regime¹ July 2013. The second and major concern is that this approach is inconsistent with the statutory requirement under SIS Section 29QC that information provided to members of funds and others and information provided to APRA is to be prepared on a consistent basis. Under APRA's proposals, reports to funds, sponsoring employers and other regulators would value assets on one basis whilst reports on investment performance given to APRA would value assets on a different basis. The third concern is that, given the length of time already taken to progress from ED9 to ED223, there is no certainty that ED223 will be implemented unchanged. That is there is a possibility that early adoption of ED 223 valuation methods may not achieve the desired outcome of comparability of information between periods.

ASFA considers that the reasons given for early adoption of selected parts of the new accounting standard are insufficient to warrant the increased cost and regulatory burden on superannuation funds.

ASFA further considers that should comparability between years before and after the adoption of the new accounting standards be required then APRA should consider other methods by which this may be achieved. For example, would it be possible for funds, in the first year of adoption of the standard, to report their annual figures on both the old and the new basis and for APRA to use the difference in reported outcomes as a basis to approximate the differences for earlier years?

Recommendation 6

ASFA recommends that for APRA reporting purposes there should be no early adoption of the proposed accounting standards and that APRA should investigate other means of achieving their requirement for comparability of returns pre and post adoption of the new standards.

5. Threshold for reporting on an investment option

The purpose of the threshold on reporting an investment option would appear to be to ensure that investment options which represent the majority of members are represented in the report to APRA.

If this is the intent, then ASFA considers that the reporting requirement/investment threshold should be set such that the investment options reported represent a significant proportion of fund members.

The concern with the current requirement, which is expressed as an investment option that has more than \$50 million in assets or that represents more than 5% of total assets, is that it sets the bar too low for large funds and will greatly increase reporting obligations for many funds.

ASFA considers that the requirement should be to:

- Report investment options with a value that is, say, 5% or more of the assets of the fund,
or

- Report the MySuper Option and other options which together represent the interests of, say, 80% of members.

ASFA also has concerns about the requirement to report for a further 4 quarters an investment option which falls below the reporting threshold. While ASFA can see the merit of this in terms of the continuous provision of information in volatile markets, it is suggested that a preferable method of dealing with this issue would be to enable the trustee to opt-out of providing the information where the trustee considers that the value of the investment option will not recover and return to an above-threshold level. (For example the option is closed to new investments and it has fallen below the threshold due to redemptions and the absence of inflows.)

Recommendation 7

ASFA recommends that the threshold for reporting on an investment option be reviewed with a view to setting it at a percentage of the funds total assets or by requiring the reporting of options which represent the investments of a certain percentage of fund members.

6. Transition to the new reporting standards

ASFA has concerns at the exceedingly tight timeframe proposed for the implementation of the new data standards.

Within this document we have set out our thoughts about the level of work required to properly establish within the SBR Taxonomy the definitions of the data items included on the reports. It is only once this is completed that funds, their administrators and custodians can begin the task of accurately identifying the gaps in their data and then undertaking the substantial process of designing and implementing processes to capture and record the necessary data for inclusion in the various reports.

All this is to be undertaken at the same time as the implementation of a number of domestic and global regulatory changes including SuperStream, MySuper and FOFA, APRA prudential standards, tax policy, FATCA, and other changes.

Whilst sympathetic of the desire to collect data with respect to MySuper products from the commencement of that regime ASFA does not consider this realistic or a reasonable expectation of the industry. In this context it is noted that it is increasingly unlikely that the legislative package required for implementation of MySuper will be in place prior to February 2013

ASFA's very strong preference is for the current reports to be provided up to and including the quarter ending 30 June 2014 and that the new reporting requirements commence with the report for the September quarter 2014 with the following exception:

- Reports with respect to investment information regarding choice investments should commence with the report for the September quarter 2015 at the earliest.

Should information for the 2013-14 year be required for MySuper products, ASFA suggests that this be provided by means of an unaudited quarterly returns. That is, on a best efforts basis only.

Separately, ASFA requests that re-consideration be given for the need to report information for legacy products and sub plans that are closed to new members, noting that over the years governments have proposed legislative changes to facilitate the closure of these products.

Concerns have also been raised over the difficulty of, and need for, reporting of wrap account and IDPS investment products. ASFA considers that further deep thinking is required on the rational for and benefit to consumers for reporting on these products which consumers typically enter under advice.

Consideration should also be given to the difficulties and benefits of investment return reporting for products such as traditional Whole of Life and Investment Account style products that have guaranteed benefits once declared and participate in profits rather than pass on investment returns per say

In evaluating the reporting need, consideration should be given to the need for systemic transparency and whether a delay in implementation will enable the reporting issues to be overcome.

Recommendation 8

7.1 That the current reports be provided up to and including the quarter ending 30 June 2014 and that the new reporting requirements commence with the report for the September quarter 2014 with the exception of reports providing investment information regarding choice investments which should commence with the report for the September quarter 2015 at the earliest.

7.2 That in establishing the final reporting requirements a review be undertaken of the range of investment products offered by superannuation funds and the rationale for and benefit to consumers of reporting on these products and particularly in relation to those which consumers typically enter under advice.

7 Issues with providing the data sought on the individual forms

Considerable concern has been raised by ASFA member on the requirement to provide detailed information on investments combined with look through reporting.

Superannuation funds and their custodians will be required to collect and report information related to indirect (underlying) investments.

Fundamentally, most of this information will need to be provided by third parties.

An initial concern is whether, under existing contracts, trustees have access to the information sought or whether renegotiation of contracts is required. While noting that the Prudential Standard recognises grandfathering of contracts prior to Royal Assent, not amending contracts will result in inconsistency of data between funds. Secondly, the funds management industry currently does not have standardised and automated protocols and processes to capture, share and report investment holdings on a look through basis. Thirdly, is the question of the application of the requirements to fund managers who are not domiciled in Australia or whose investment vehicles are domiciled outside of Australia.

Elsewhere in this submission we have spoken of the need for, and recommended the creation of industry wide standardised formats and protocols for the capturing, sharing and reporting of investment holding data. ASFA considers that now is the time to commence building on the SuperStream initiatives to create a broader range of data standards and specifically for the reporting of investment related information.

Recommendation 9

Consideration be given to the establishment of a working group to create data standards, including resolving data definition issues, for the passing of the required investment information between investment managers, custodians and trustees and that the standards be based on the work undertaken for SuperStream

8 Usage of Global Investment Performance Standards (GIPS)

The discussion paper proposes that GIPS be used as it has been adopted as best practice by many investment managers and RSE licensees in Australia. That said, there is still a portion of the industry that needs to adopt GIPS as it is only applicable to a 'distinct business entity' (and therefore does not apply to a fund or its service providers).

Additionally, GIPS focuses on pre-tax (or gross) performance calculations. The proposed reporting standards require the reporting of after fees and taxes (net) returns).

This suggests that for comparable reporting of performance information there will be a need for APRA to detail the expectations on who should be required to adopt GIPS and to clarify the changes expected to GIPS so as to enable consistent calculation and reporting of performance returns on an 'after tax and fees' basis.

Recommendation 10

That APRA work with industry to develop an Australia-specific version of GIPS for entities to report against for superannuation purposes.

9 Sub asset class groupings

The standard proposes reporting on various characteristics or sub assets class groupings. However, the groupings proposed are generally not ones used within the superannuation industry or investment managers. As such, they will be open to various levels of interpretation by managers, trustees and custodians will create practical difficulties and will result in inconsistent reporting of data.

ASFA recommends that APRA undertake consultation with the industry stakeholders to determine appropriate characteristics or sub assets class groupings to ensure that the information reported is consistent, meaningful and useful to industry participants.. APRA may look to recent activity by regulators and industry bodies in the UK and US who in undertaking reporting changes, agreed to more consistent characteristics or sub asset class groupings.

Recommendation 11

That APRA undertake consultation with industry stakeholders to determine appropriate characteristics or sub class groupings to ensure consistency of reporting.

10 Investment return methodology

ASFA has been advised that the proposed methodology for investment performance reporting does not align with the unit pricing and calculation of returns methodologies used by superannuation funds and set out in the ASIC/APRA Best Practice paper on unit pricing. Thus, returns reported to APRA will be calculated on a different basis to returns reported to members. This is contrary to the regulatory requirement for consistency of reporting to members and the regulator as set out in section 29QC of SIS. We have elsewhere noted the same issue with respect to the early adoption, for APRA reporting purposes, of certain parts of the proposed new accounting standards for superannuation entities.

Recommendation 12

ASFA recommends that a project be established to develop a standardised investment return methodology to be used by the superannuation industry for reporting investment returns.

11 Use of Average Weekly Ordinary Time Earnings (AWOTE)

There is a proposed requirement for funds to have a board-approved investment return objective and risk objective for each investment option. The investment return objective is to be reported as a target percentage return above AWOTE over both a 10-year and 20-year horizon.

ASFA is concerned about the lack of justification for the move from using CPI, the standard measure currently used throughout the superannuation industry, and the cost of the change.

CPI is the more commonly used approach throughout the industry in Australia and it is a term that is better understood by members.

Recommendation 13

ASFA recommends that CPI remain the standard measure for reporting investment objectives.

12 Alternate sources of information

APRA has signalled its intention to list all data items on the SBR Taxonomy. A basic purpose of the SBR program is to reduce, if not eliminate, duplicated reporting to government. We raise this in the context of the level of information being sought and question whether alternative sources of data have been investigated. For example considerable information about members is provided to the ATO on the annual Member Contribution Statement and insurance companies provide a significant amount of information to APRA.

Recommendation 14

ASFA recommends that, based on the SBR principle of collect once and use many times, a comprehensive review be undertaken to determine whether the information being sought is currently being provided to government and the feasibility of obtaining that data from that recipient or modifying that particular collection process to achieve the desired objective.

* * * *

If you have any queries or comments regarding the contents of our submission, please contact our principal policy adviser, Robert Hodge via e-mail to rhodge@superannuation.asn.au or on (02) 8079 0806.

Yours sincerely

Fiona Galbraith

Acting General Manager, Policy and Industry Practice

ANNEXURE: COMMENTS ON SPECIFIC FORMS

Some general comments on the forms include:

- The current method of entering data into the forms is manual, leading to the potential for data entry errors. The goal should be to facilitate automatic upload/download in order to overcome data entry errors and to improve the efficiency of the process.
- For certain data, the requirement is to round the data to the nearest thousand. ASFA expects that the form design will take account that when rounding is undertaken, any 'total' figures reported may not equal the sum of the individual components and that any such discrepancy is accepted.

Form SRF 530 Detailed Investments for Financial Position

The form requires position level information in relation to derivatives. Providing this information in isolation may be misleading, confusing to members and provide lead to unnecessary concern by members. Derivatives need to be considered in the context of the other positions to which they relate and specifically to the underlying manage position to which they relate.

The level of detail to be provided to APRA and subsequently made public may be a cause of concern to some managers, particularly private equity managers, as the detailed investment information is considered to be their intellectual property. This may result in an absence of information from these managers.

The provision of information may require the renegotiation of contracts and agreements, especially those that include confidentiality clauses. The interplay between these requirements, the Stronger Super Product Dashboard requirement, portfolio holdings disclosure and the provisions in the Outsourcing Prudential Standards suggests the need for a longer period of transition to the new reporting requirement.

Recommendation 15

That the manner of disclosure of derivatives be reviewed to ensure that it does not mislead or unnecessarily alarm readers of the published reports.

Recommendation 16

That the transition to the new reporting arrangements be delayed to enable a more complete analysis of the interplay between the requirements of the Product Dashboard, portfolio holdings disclosure, the Outsourcing Prudential Standard and other Stronger Super changes.

Form SRF 532 Investment Exposure Concentrations

This form requires the disclosure of any directly held investment which represents 5% or greater of any asset class.

ASFA has concerns about the threshold being too low and that the information to be provided may result in a breach of a confidentiality clause in the vehicle agreements. ASFA seeks clarification of APRA's expectations should such conflicts arise.

Recommendation 17

That the disclosure requirement be reviewed so as to enable trustees to consider contractual issues that may arise with such disclosure.

Form SRF 533.0 Asset Allocation - Investment Option

It would appear that with respect to a funds strategic approach to currency hedging, APRA does not contemplate the situation where a fund does not have a target benchmark and that exposures are dynamic.

It would also appear that APRA does not countenance an approach where currency exposures are managed via an overlay at portfolio level.

Both these approaches are recognised as best practice. These issues impact both exposure and performance measurement requirements.

ASFA considers that the publishing of asset allocation targets could potentially cause confusion between published information regarding investment targets, Product Disclosure Statements and investment policy statements limits and will result in a breach of section 29QC of the SIS Act.

Recommendation 18

That APRA consult with superannuation funds to gain a better understanding of the use of and approach to currency hedging by superannuation funds and the requirement of SIS section 29QC.

Form SRF 537.1 Investment Performance and SRF 537.0 Product Dashboard

As noted elsewhere in this submission, ASFA considers that the reporting requirement/investment threshold should be set such that the investment options reported represent a significant proportion of fund members.

The concern with the current requirement, which is expressed as 'an investment option that has more than \$50 million in assets or that represents more than 5% of total assets', is that it sets the bar too low for large funds and will greatly increase reporting obligations for many funds.

ASFA considers that the requirement should be to report investment options:

- With a value that is, say, 5% or more of the assets of the fund, or
- Which represent the interests of, say, 80% of members.

Additionally, the methodology proposed for the form is not consistent with the standard methodology used by the industry for calculating and reporting returns to members and promoted by APRA and ASIC as best practice. This creates an issue with a trustee's obligation under SIS section 29QC to disclose to all parties on a consistent basis.

An issue has been raised as to the treatment of brokerage and whether it is an on-going investment cost? If it is to be treated as such then the returns reported will be disconnected from the returns the member actually achieves where a fund utilises application/redemption prices. Is this lack of consistency desirable?

Recommendation 19

That the data requirements of forms SRF 531.7 and SRF 537 be reviewed in consultation with industry so as to understand and resolve inconsistencies between the proposed requirements and current industry practice.

Form SRF 538 Fees Disclosed – MySuper Product

Data item 5 on the form requests information about insurance premiums on the Product Disclosure Statement by age (30 year old and 50 year old) gender (male or female) smoking status (smoker non-smoker) and worker category (blue collar, white collar) and premium for life insurance cover, TPD insurance cover, Life and TPD cover, and income protection cover. The form requires all 68 data items to be completed, even where the fund has a single insurance offering covering all ages, genders and worker categories.

Recommendation 20

That the form design be reviewed to provide for a simpler method of completion where insurance offerings do not differentiate to the extent contemplated by the form.

Form SRF 610 Membership Profile

The form requests membership profile at asset class level. Typically, funds capture membership profile at the investment option level. ASFA recommends that membership profile be reported at the investment option level.

Recommendation 21

That APRA reconsider the requirement to capture a fund's membership profile at the asset class level.

Form SRF 601 RSE Profile and Structure

Item 8 on the form requires disclosure of the number of members seeking both intra-fund and personal advice.

Most advice, even intra fund advice is 'ongoing' in the context that members will continue to seek intra fund advice on a reasonably regular basis over an extended period of time. In this context, clarification is sought on where the threshold should lie between considering that a member is no longer receiving 'ad hoc' intra fund advice.

Separately, clarification is sought as to whether the requirement is to advise the number of members who sought advice during the year or not the number of times advice was sought by members during the year.

Recommendation 22

That greater clarification is provided as to the actual requirement.