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Neil Grummitt
General Manager, Policy Development
Policy, Research and Statistics
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

Email: superannuation.policy@apra.gov.au

Dear Mr Grummitt,

RE: Superannuation Reporting Form SRF 711.0 SuperStream Data Collection

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the request for comments on proposed APRA reporting form SRF 711.0: SuperStream benchmarking measure.

While recognising the need for there to be measures to benchmark and evaluate SuperStream adoption and implementation and the consequences of this, ASFA has significant concerns about the extremely late advice of this proposed new reporting requirement with respect to rollover and contribution processing.

Our concerns are set out below.

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 system. 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

The initial concern of ASFA is the late notification of this new reporting requirement. ASFA understands that the ATO has been considering the need for metrics to gauge the adoption of the data standards for the past 12 months. If this is the case then ASFA finds it inappropriate that the industry is only made aware of the proposed requirement two months out from the date from which the data is to be collected, in a period when the industry is busy implementing a number of changes.

The industry is in a state of flux with the implementation of a raft of changes with differing implementation dates and timeframes. Many funds are in the process of implementing significant system changes and no provision has been made for the collection and extraction of information on the basis suggested by the content of the proposed form. Ideally, these requirements should have been flagged with industry 12 months ago to enable the reporting to be built into the technology. As it stands, many funds will need to put in manual processes (at an additional cost) to report processing costs so that APRA can determine if costs are decreasing!

ASFA queries the need for the information on contributions to be provided from 1 July 2013 given that the requirement for employers to conform with the data standard does not commence until either 1 July 2014 or 1 July 2015, depending on the size of the employer.

Concerns have also been raised on the requirement to report information on 'straight through processing'. Whilst a desirable long term objective for the industry, straight thorough processing is not an explicit SuperStream requirement.

Comments from members indicate a need for more detailed definitions and the inclusion of examples so as to achieve a consistency of interpretation and reporting across the industry. These issues are expanded on below.

ASFA considers that urgent discussions need to be held with industry to determine a more appropriate reporting timeframe for both rollovers and contributions and to resolve the issues with the definitions.

SPECIFIC COMMENTS

Audit requirements

Clarification is required as to the degree to which the information on the form is to be audited and whether an annual report is also required. In the context of measuring progress in the adoption of the standards ASFA considers that the reporting frequency should either be quarterly or annual but not both.

Commencement data for reporting rollovers

We assume that the commencement date of 1 July 2013 for the reporting is to enable the regulators to monitor the adoption of the standards. ASFA questions the value of this information during the first six month of operation due to the differing compliance dates for various entities. For example:

- Under the current definition of 'standard format' a rollover to an SMSF would be reported as not having been processed in the standard format even though there is no requirement to undertake these rollovers electronically from 1 July 2013.
- Whilst all funds must be able to receive a rollover in the standard format from 1 July 2013, funds are only required to send rollovers in the standard format from their transition-in end date.

ASFA recommends that the data with respect to rollovers be collected and reported from 1 January 2014 as the date from which, unless an APRA extension has been granted, all non-SMSF funds should be transacting rollovers between themselves in accordance with the data standards.

Commencement data for reporting contributions

ASFA does not understand why information is being collected on contributions processing prior to the 1 July 2014 commencement of the data standard for non-small employers.

ASFA recommends that data with respect to contributions be collected and reported from 1 July 2014.

Data items

Rollover processing

ASFA recommends that the instructions give a clear account of the extent to which the numbers presented are expected to reconcile and the extent to which APRA will derive information from the numbers presented. For example:

- Should 1.2 and 1.3 sum to equal the total number of rollovers recorded at 1.1 or at 1 or neither?
- Should 1 less 1.1 equal the total number of rollovers received that are either manual (e.g. from a non-compliant fund or an SMSF) or electronic but not in the standard format?

Item 1. Rollover transactions in

The instructions state that the number reported in this field must correspond to the value of rollovers reported in item 1.8 on SRF 330.0. We note that for this field a number is required to be reported while for SRF 330.0 a dollar value is required. As such we request that the instruction be modified to clarify the manner in which a number and a dollar value are expected to 'correspond'.

Additionally, clarification is required that a rollover-in transaction that is received but is rejected and the money returned to the sender is not to be counted. (This issue highlights the need for very detailed analysis and explanation as to exactly what data is to be captured.)

1.1 Of which: Standard format

We note that rollovers in from an SMSF will not be in the 'standard format' for several years.

In the situation where the administration of several funds is done by a single administrator, clarification is required as to what constitutes 'standard format' for rollovers between those funds. For example, is it sufficient that the message is in XBRL format, or must the message be transferred using ebMS with an XBRL payload?

1.2 Of which: Straight through

ASFA recommends that a detailed example be provided which sets out all the steps that currently occur in the manual processing of a rollover-in and clearly delineate which of those steps fall within the definition and specifically at what point in the process *initiation* occurs and at what point the rollover is considered to have achieved *finality*.

ASFA recommends that in establishing the steps involved and the crossover point APRA consults with the industry.

1.3 Of which: Manual handling

ASFA requests that confirmation be provided that the sum of 1.2 and 1.3 should equal the total number of rollovers-in recorded at 1 or conversely an explanation is provided of how discrepancies in the number may occur.

1.4 Of which: Exceptions (resolution with sender)

ASFA seeks clarification as to whether a requirement to interact with the member (but not the sender) with respect to the rollover is included or excluded from this data item.

ASFA notes that reporting will be more complicated where a fund engages a gateway service provider to pre-screen incoming messages.

Item 2 Rollover Transactions out

The instructions state that the number reported in this field must correspond to the value of rollovers reported in item 2.2 on SRF 330.0. We note that for this field a number is to reported while for SRF 330.0 a dollar value is required and, as such, we request that instruction be modified to provide greater clarification as to the manner in which a number and a dollar value are expected to 'correspond'.

2.1 Of which: Standard format

We note that rollovers out to an SMSF are not required to be in the 'standard format' for several years.

As stated above, in the situation where the administration of several funds is done by a single administrator, clarification is required as to what constitutes 'standard format' for rollovers between those funds. For example, is it sufficient that the message is in XBRL format, or must the message be transferred using ebMS with an XBRL payload?

2.2 Of which: Within statutory timeframe

Urgent clarification is required as to the preconditions that are to be met before it is considered that the statutory time clock begins ticking. Without this clarification reporting will be inconsistent between funds.

2.3 Of which: Straight through

ASFA recommends that a detailed example be provided which sets out all the steps that currently occur in the manual processing of a rollover-out and clearly delineate which of those steps fall within the definition and specifically at what point in the process *initiation* occurs and at what point the rollover is considered to have achieved *finality*.

Of particular concern is where an electronic initiate-rollover request for a rollover is received from another fund or from the member through the ATO. Is it expected that the fund will undertake no checks on the request or is the expectation that these checks will be automated and only highlighted (or red flag) cases will be subject to manual intervention?

2.4 Of which: Manual handling

As per above, clarification is required as to the point in the chain of activities at which the rollover out processing is considered to be 'initiated'.

2.5 Of which: Exceptions (resolution with receiver)

Clarification is required as to whether this number is a subset of 2.4.

Item 3. Average cost of rollover processing straight through

For the information to have any meaning, ASFA suggests that APRA publish a detailed methodology for the allocation of costs to processes.

We are mindful that across the industry there are numerous methods used by to allocate costs and that these generally reflect an organisation's underlying purpose in tracking and allocating costs.

For example, how are the design, implementation and capital costs for SuperStream to be determined and allocated across the varying transactions that benefit from the expenditure?

ASFA seeks assurance that the information provided will be used for providing aggregate information only, and not available on an individual fund basis. We note that APRA has stated that all forms/reports are to be treated as non-confidential, however, we consider that due to commercial sensitivities the cost of straight through transactions should not be released on an individual fund basis.

ASFA is further concerned that, as there is no breakup between rollovers in and rollovers out, the figures may be distorted due to the rolling transition-in timeframe. This gives further weight to the appropriateness of a delay in the commencement of the reporting of rollover transactions.

Item 4. Contribution transactions

We reiterate that the commencement date for collection of this information should align with the 1 July 2014 commencement date of the large employer requirement to comply with the data standards.

ASFA suggests that the example on how to count contribution transactions be rewritten as the current wording has created some confusion. A suggestion is to add words along the following lines at the end of the final sentence:

... (representing 2 contributions from individual members and contributions in respect of 10 employees from the employer sponsor).

Item 5. Active employers

Item 5.1 Of which: Standard format

In addition to not understanding the purpose for providing this data item, ASFA seeks further clarification as to the reasoning behind the 90% figure.

Item 6. Average cost of contribution transactions processed straight through

As set out above for the cost of straight through processing for rollovers, ASFA suggests that a methodology be promulgated by APRA to ensure consistency of reporting of these costs.

Definitions

Rollover

Clarification is required as to whether a rollover transaction is included in the count where the money exits the fund but, for whatever reason, the money is returned by the receiving fund.

Standard format

For contributions, how is a transaction to be counted where it is not in conformance with the data standard but yet conforms to the ATO's interim arrangements in that it is electronic and provides all the prescribed data i.e. as the ATO permits such arrangements are these treated as being in 'standard format'?

Straight through; Initiation; Finality

These three definitions require more detail than is presently given. As stated in our earlier comments ASFA recommends that a detailed analysis be undertaken to identify all the steps that currently occur in the manual processing of a rollover-in, rollover-out and a contribution and consult with industry so as to clearly delineate which of those steps fall within the definition and specifically at what point in the process *initiation* occurs and at what point the transaction is considered to

have achieved *finality*. For example, for some funds *straight through processing* will never be achieved under the current definition of *finality* as all monies are first placed into a 'cash account' with the purchase of the underlying assets being a second discrete step.

Employer contribution

The definition of 'gross contributions' does not appear to reconcile with the definition of contributions as described at page 7 of the ATO's Member Contribution Statement (MCS) specification (see p7) (despite the reference to that document) as it excludes notional taxed contributions. ASFA suggests that if the definitions are meant to be different then this is clearly stated or else the inconsistency should be resolved.

Clarification is sought as to how to count contributions which are received in respect of a 'yet to be established' member account or in respect of an individual who is not a member of the fund.

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I trust that the information contained in this submission is of value. We would be pleased to meet with you to discuss our submission.

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

Yours sincerely



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