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12 September 2012

The Hon Bill Shorten  
Assistant Treasurer  
Minister for Financial Services and Superannuation  
Parliament House  
Canberra ACT 2600  
Email: [Bill.Shorten.MP@aph.gov.au](mailto:Bill.Shorten.MP@aph.gov.au)

Dear Mr Shorten,

## **IMPLEMENTATION OF SUPERANNUATION DATA AND PAYMENT STANDARDS**

The Association of Superannuation Funds of Australia (ASFA) is writing to you to seek a relaxation in the timeframe for the implementation of the data and payment standards for superannuation rollovers and contributions to enable an orderly transition for the industry and employers.

Whilst ASFA is very supportive of mandated data standards in the superannuation industry for processing contributions and rollovers, we are becoming increasingly concerned about the ability of the superannuation industry to achieve implementation by the 1 July 2013 start date.

Not wishing to jeopardise the SuperStream initiatives, but mindful of the reduced time frames due to legislative delays as well as the substantial system builds confronting the industry, ASFA is seeking Government support for an adjustment in the implementation time frame to:

- A soft start date for the rollover and contributions data and payment standards of 1 July 2013 for funds and employers
- A hard start date for the rollover data and payment standard of 1 January 2014
- A hard start date of the contribution and payment standard of 1 July 2014 for medium and large employers and superannuation funds
- A hard start date of the contribution and payment standard of 1 July 2015 for employers with fewer than 20 employees

### **About ASFA**

ASFA is a non-profit, politically non-aligned 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.

### **The legislated requirement**

Under legislation that is currently in place, from 1 July 2013 all regulated superannuation funds must be sending and receiving superannuation rollovers in accordance with the mandated data standard for rollovers.

From 1 July 2013, all superannuation funds must be able to receive employer contributions sent in the new data standard format.

From 1 July 2014 all medium and large employers (employers with 20 or more employees) must be sending contributions in the new data and payment standard format for contributions.

From 1 July 2015 all small employers must be sending contributions using the new data and payment standard format for contributions.

### **Background to the development of the standards**

When the SuperStream data standards implementation timetable was announced in the Government's SuperStream announcement *Stronger Super Information Pack* on 21 September 2011, the starting point was:

Early 2012: Data standards published and available for use by funds (voluntary uptake)

If this date was achieved, the industry would have had approximately 16 months to develop and implement their solutions

Since the September 2011 announcement there has been an extensive consultation between the ATO, Treasury and industry to develop the data standards.

However, as is the case with large scale systemic changes, as the work has progressed significant technical issues have been identified that require resolution if the implementation of the standards is to be successful.

What started out as a simple case of using the Standard Business Reporting (SBR) framework to develop and deliver a data standard has evolved into a requirement for the standards to address a range of previously unidentified broader issues. For example:

- The SBR Standards specify AUSKEY as the security protocol. ATO advice is that this cannot be used for business to business (B2B) transactions and each party would have to agree on their own security protocol.
- A review of the SBR Standards transport protocol revealed that it is not suitable for B2B transactions as it does not provide a range of features essential for appropriate error messaging. (In recognition of this SBR is currently developing a roadmap to, over several years, move to the transport protocol that is to be specified for the superannuation data and payment standards.)
- The high-level technical requirements necessary to build an effective and functioning network of players is beyond the ability of the majority of superannuation funds and employers, complicating the implementation process.
- Supporting infrastructure is required so that all players in the industry can have the necessary certainty that they are directing payments to the right bank account and data to the right end-point address.

Resolution of the above issues is now almost complete and it has been agreed that:

- Gateways will be used for moving data around the system (but not the money). Each fund/employer will enter into an agreement with a gateway such that the gateway will deliver messages on the fund/employer's behalf to the appropriate destination end point and receive messages on the fund/employer's behalf.
- The transport protocol will be emBS3.0/AS4 profile
- The security protocol will be standardised between the gateways but separately agreed between a fund/employer and its nominated gateway.

Having arrived at the resolution of these key issues, it is our understanding that there will be an imminent release of consultation exposure drafts of:

- The data standard's Regulations
- The Commissioner of Taxation's Legislative Instrument
- The eight Schedules to the Legislative Instrument which set out the specific requirements

It is anticipated that, following a brief consultation period, the Regulations and Legislative Instrument (and its Schedules) will be made in early November 2012.

It will only be at that point in time that the detailed technical requirement on which to build the new data and payments standards infrastructure will be known and the technical design and build can commence.

### **ASFA's concerns**

Anticipating that the regulations and legislative instrument be promulgated in early November 2012, the superannuation industry will have less than 8 months to complete the technical design and build, system test the solution and then implement into a production environment, including integration testing with other entities. Given the complexity of the change this is an incredibly short period of time and considerably shorter than the originally anticipated fifteen month implementation period. The industry will face a challenging test period where multiple parties are aligning multiple different systems to test the flow of information. The coordination for this alone will be a time consuming exercise. In summary, an eight month implementation timeframe will simply not be achievable for many players.

To support the new data and payment standards the ATO has identified a need for it to build and deliver five enabling services. The most critical of these is a data base of all funds in the system containing information such as electronic end-point addresses for delivery of messages and details of fund products and the associated bank account details. The ATO has advised that it is planning on providing an interim service from about March 2013 with the final integrated service being available from 1 July 2014. ASFA has concerns at the ability of the ATO to deliver this service on time and also that of the advice that the service will only be interim, requiring entities to undertake another system build once the final service is available.

The providers of the new, and necessary, gateway services are yet to be identified. Engaging a gateway service provider will be a material outsourcing contract for fund trustees and the engagement process will be subject to APRA's regulatory guidelines. Until potential gateway services providers are identified the outsourcing process cannot commence. However, entities

will not commit to providing gateway services until they understand the precise legislative requirements and the regulatory framework. It is anticipated that these entities will not make themselves known until after the regulations and legislative instruments are made. Once gateway providers are known, it is anticipated that fund trustees will need to issue a tender for the service, evaluate the tenders, undertake appropriate due diligence, agree on a preferred provider and then enter into contract negotiations. Where a fund has engaged an external administration service it is anticipated that these contracts will need to be reviewed to give consideration to the need for gateway services to be employed. It is anticipated that there will be many months of uncertainty as these necessary negotiations are undertaken.

At this point in time, there is complete uncertainty as to how the gateways will price transactions and who will pay for the transaction; the recipient of the data or the sender of the data. Until these matters are settled commercial decisions such as whether to build or contract out the gateway service cannot be made. It was expected that the Superannuation Advisory Council would take an active role in addressing the pricing and other issues around gateways. However, the delayed announcement of the Advisory Council, its structure and powers, has created a vacuum of decision making.

Other uncertainties around the operation of gateways, and matters which we understand may not be covered by the Regulations or the Legislative Instrument include:

- Technical requirements such as obligations of the gateways and the funds in a B2B arrangement and messaging specifications such as hours of business
- Commercial requirements for gateways. Can anyone become a gateway or will the government specify specific participation criteria?
- Contract structures. Will the government have a standard agreement/contract for engaging a gateway or will funds use their standard agreements or develop a new specific agreement?
- New entrants. What will be the criteria for establishing and winding down a gateway?
- Pricing model. Wholesale against retail pricing, and competition policy issues
- Error Messaging. How to achieve consistent treatment of errors and how will this be regulated

All of these will need to be resolved to enable clear progress through the implementation phase.

Our final concern is that that all funds will be non-compliant with the data standards from 1 July 2013 due to the manner in which the ATO proposes to introduce the industry to the standards. This is not a criticism of the ATO. Rather it is the ATO recognising the practicalities of implementing such a significant change.

The ATO, as part of its role in implementing the standards, has committed itself to an on-boarding process whereby funds would be migrated onto gateways and the new data standards over a period of approximately 3 months from 1 July 2013. That is, it is anticipated that the whole industry will not be using the standards until October 2013. A staggered on-boarding process makes sense as it is necessary to commence with a few participants, resolve errors as they arise, pause processing if necessary and gradually build up participants and transaction volumes as

confidence increases. However, the effect of this is that from 1 July 2013 every fund will be non-compliant with the legislated requirement to be transacting in accordance with the new standards. In this context, and to address this compliance issue, it makes sense to change the hard start date of 1 July 2013 to a soft start date.

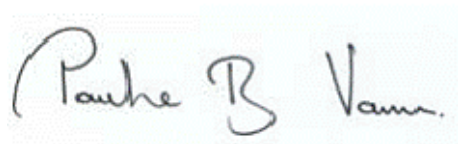
The industry has always argued for, and the Government's November 2011 announcement indicated that there would be, a 12 month implementation period after all components of SuperStream have been finalised. Making a hard start date of 1 January 2014 for compliance with the rollover standard will facilitate this.

### **Recommendation**

Anticipating that all necessary technical information about the standards is known by early November 2012 and that the remaining issues around gateways are expediently resolved, ASFA strongly argues that the implementation timeframe for the SuperStream data and payment standards be adjusted to:

- A soft start date for the rollover and contributions data and payment standards of 1 July 2013 for funds and employers
- A hard start date for the rollover data and payment standard of 1 January 2014
- A hard start date of the contribution and payment standard of 1 July 2014 for medium and large employers and superannuation funds
- A hard start date of the contribution and payment standard of 1 July 2015 for employers with fewer than 20 employees

Yours sincerely

A handwritten signature in blue ink that reads "Pauline B. Vamos". The signature is written in a cursive, flowing style.

Pauline Vamos

Chief Executive Officer