

Submission to the ATO with respect to Superannuation Data & Payment Standards 2012 – Transitional Arrangements – Schedule 1

14 December 2012

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About ASFA

ASFA is the peak policy, research and advocacy body for Australia's superannuation industry. It is a not-for-profit, sector-neutral, and non-party political national organisation whose aim is to advance effective retirement outcomes for members of funds through research, advocacy and the development of policy and industry best practice.

ASFA's focus is on whole of system issues and its core strategies are aimed at encouraging industry best practice, advocating for a system that plays a productive role in the Australian economy and ensuring the industry delivers on its primary purpose of delivering decent retirement incomes.

Our membership - which includes superannuation funds from the corporate, industry, retail and public sectors, and, through its service provider membership, self-managed and small APRA funds - represents over 90 per cent of Australians with superannuation.

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Should you have any queries regarding the contents of this submission, please do not hesitate to contact me on (03) 9225 - 4021 or 0431 490 240 or fgalbraith@superannuation.asn.au.

Yours sincerely



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1. Introduction

ASFA members want to ensure that the initial implementation of SuperStream is successful ensuring the system and industry is 'easy to do business with'. This has become a core strategy of ASFA for some years.

We make the following recommendations in our submission.

Recommendation 1: - That for a specified period trustees are able to nominate specific products and/or select only some of their rollovers to be sent using the new system.

Recommendation 2: - As per recommendation 1, the proposed approach to sending can be determined by the trustee at a level below that of the RSE i.e. a sub-set of transactions can be sent via SuperStream.

Recommendation 3: - The commencement date of the Transition Roll-Over Period be moved from 1 July 2013 to 1 February 2014, with all funds being required to be fully compliant by 1 July 2014 with respect to rollovers.

Recommendation 4: - Prior to 1 February 2014 providers who are working together, in consultation with the ATO, can elect to transition-in on a voluntary basis for the exchange of rollover transactions or for the delivery and receipt of contributions.

Recommendation 5: - The commencement date for the full implementation of contributions remains at 1 July 2014.

2. High level comments on SuperStream

Implementing SuperStream effectively and efficiently represents a significant piece of work for providers across the system. In this submission we have raised concerns about the ambitiousness and risks of the proposed implementation schedule.

2.1 SuperStream governance

One of the major issues and uncertainties facing the implementation of SuperStream is that of determining and establishing, an appropriate governance framework. This framework includes a governance body and an agreement as to the protocols and operating\business rules under which SuperStream will operate, including the role of 'gateways'. ASFA strongly supports the creation of an appropriate governance body to oversee the operations of SuperStream and the interoperability of 'gateways' in particular. With respect to ASFA's preferred model for these arrangements we refer you to the report prepared by Jeremy Cooper for the SwimEC Council (the SIDAPS Report).

2.2 Interchange fee

A significant unresolved matter, which is creating uncertainty and impeding the development of a SuperStream interoperability agreement between 'gateways', is that of pricing and, in particular, whether there should be interchange fees for the passing of transactions between 'gateways'. This later item would appear to be a road block to the ability of potential providers of 'gateway' services providing pricing information to superannuation fund trustees and their administrators. ASFA is strongly of the view that to remove this roadblock and resolve the impasse there should be no interchange fee between 'gateways'. That is, the superannuation industry should operate in the same manner as the ATM network – the user

of the service the customer) pays the cost of transactions. By establishing this as a key principle potential providers of 'gateway' services can determine what their charges will be and users of those 'gateway' services can contract with the 'gateway' service provider in full knowledge of the cost being charged and the service being provided.

In summary, the only fees which should be permitted to be charged are those agreed between SuperStream 'gateway' providers and their customers, the end-users.

3. High level comments on Schedule 1 – Transitional Arrangements – Timing

ASFA has concerns and queries with the draft transitional arrangements which are outlined below. We believe that given the ongoing level of uncertainty as to requirements, it is reasonable that the industry should be engaged in determining the appropriate transition framework and timing.

Our most significant concerns are in relation to timing and risk. In particular, we believe that in our view the current timetable and the approach being advocated will significantly increase implementation risks, which will impact fund member benefits.

From the outset of the SuperStream consultation process the industry has consistently stated that the technology and business development work involved in the implementation of SuperStream would always necessitate 12 to 18 months' worth of work.

ASFA Members have expressed concern that, with the delays in finalising the legislation and the technical detail of the data standards, the proposed dates are too ambitious to ensure a safe transition process.

A rushed implementation will add significantly to both the risks and costs of implementation. This has the further risk of undermining the purpose – to enhance the efficiency of the roll-over and contribution processes, including facilitating straight through processing - for which the SuperStream program of work was established.

4. In this regard we note the Government has on a number of occasions stated its intention to assist industry to achieve an orderly transition. It is not considered that the proposed timing schedule will enable this to occur. **Detailed issues with proposed Schedule 1**

4.1 “Front loading” of impact early in financial year, especially for large funds

The proposed approach “front ends” all the significant volume of transactions into the first few tranches, set for July and August. Whilst the proposal is for this to be done in a ‘managed’ process there is concern that this significantly increases project risks and, in particular, the schedule places an inordinate impact on the superannuation industry at the time of year when year-end processes will draw the focus and resources of the operational parts of the business, which will materially increase the risk of failure.

4.2 “Big Bang” approach

This proposed "big bang" approach of having the large volume transactors entering the system first and processing all rollover transactions under the new arrangements would not allow organisations to ease into, and build confidence in, what will be the biggest e-commerce transformation that the superannuation industry has ever undertaken. It will be overwhelming. There is a real risk that providers will not be able to handle, and potentially rework, large volumes of transaction from the outset, while the system is effectively still being established and tested.

This risk is increased with legacy products and, as such, consideration should be given to legacy products and systems and the particular issues which they raise.

Organisations generally need to commence such a transition process as this by starting with sending small volumes so they can be manually monitored, reviewed and quickly rectified and remediated if an issue were identified. We believe this can best be achieved by trustees/providers nominating either specific products or selecting only some of their rollovers to be sent using the new system – as a kind of “proof of concept”, pilot programme - until confidence is established that the system is sufficiently robust to be able to handle a large volume of transactions correctly.

As such, we recommend (Recommendation 1) that for a specified period trustees are able to nominate specific products and/or select only some of their rollovers to be sent using the new system.

As the proposed approach is based at an RSE level, this would not facilitate trustees with multiple products to stagger their implementation over the 6 month transition window. Different products will often sit on different underlying registry systems and not all of these systems will be ready simultaneously.

As such, recommendation 2 is that the proposed approach to sending rollovers can be determined by the trustee in consultation with the ATO (as the standards regulator) at a level below that of the RSE i.e. a sub-set of transactions can be sent via SuperStream.

Our members have expressed considerable concern that all trustees will need to be ready to receive electronic rollovers from 1 July 2013.

Some believe that this will require all trustees to have substantially completed their system build from day one. For many trustees and administration providers this would mean that systems will need to have been developed, systems and user acceptance tested completed and the build released into production well prior to year end release freezes which normally commence at the end of May each year.

ASFA requests that, in the interests of achieving a consistent understanding of the process across the industry, the ATO provides more detailed information as to exactly what this 1 July 2013 requirement is, the methods by which it can be met (and specifically whether it requires the involvement of gateways), and how the ATO envisages that funds will move smoothly between the various requirements over the implementation timeframe.

Of particular concern to ASFA is that funds should be able to directly engage with the ATO and advise of the date on which they expect to be able to fully compliant with the new requirements for particular products.

ASFA members have suggested that if the first date to be able to receive transactions were to be moved to 1 February 2014, not only would this allow an appropriate development time but trustees would be able to release essential technology enhancements once "year-end" is complete, which would significantly de-risk the implementation of SuperStream.

Based on this advice from members' our recommendations 3, 4 & 5 are as follows:

- The commencement date of the Transition Roll-Over Period be moved from 1 July 2013 to 1 February 2014, with all funds being required to be fully compliant by 1 July 2014 with respect to rollovers.

- Prior to 1 February 2014 providers who are working together, in consultation with the ATO, can elect to transition-in on a voluntary basis for the exchange of rollover transactions or for the delivery and receipt of contributions.
- The commencement date for the full implementation of contributions remains at 1 July 2014.

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