

17 April 2025

Mr Adam Hawkins
Assistant Secretary
Tax and Transfers Branch
The Treasury
Langton Cres
Parkes ACT 2600
Via email: paydaysuper@treasury.gov.au

Dear Mr Hawkins

RE: Payday super – exposure draft

The Financial Services Council (FSC) welcomes the opportunity to respond to Treasury's consultation on the exposure draft legislation and accompanying explanatory materials to mandate payday superannuation for Australian workers.

The FSC supports the policy objective of aligning superannuation contributions more closely with employees' pay cycles. We recognise the reform's potential to improve compliance with superannuation obligations and enhance retirement outcomes by enabling Australians to benefit from earlier compounding returns.

We welcome Treasury's responsiveness to our earlier feedback on advertising during onboarding, including the need to allow advertising for MySuper products not yet subject to the test, and we emphasise the importance of ensuring neutral treatment of eligible MySuper products to uphold member choice and transparency.

However, the FSC wishes to raise several concerns regarding the implementation of the proposed reforms. In particular, the proposed commencement date of 1 July 2026 is considered unfeasible by many FSC members due to ongoing legislative uncertainty, which has made it difficult to justify early investment in system upgrades. The operational changes required to support payday superannuation will be complex and costly and must be supported by sufficient lead time for development, testing, and phased adoption to avoid unnecessary risks to member funds.

We are also concerned about the requirement for contributions to be received by funds within seven calendar days of payday. This leaves no buffer for delays beyond employers' or funds' control and may unfairly penalise employers acting in good faith. In addition, a number of technical and operational matters—including data quality, system integration, and error resolution—must be addressed to support successful implementation.

We look forward to working constructively with Treasury to address these concerns and ensure that the reforms deliver their intended benefits without imposing undue risk or cost on members.

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, and financial advice licensees.

The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

Summary of Recommendations

1. Change the implementation date from 1 July 2026 to two years from the passage of legislation, allowing superannuation funds to begin implementation once legislative certainty is established;
2. Amend the contribution timeframe from seven calendar days to at least seven business days. This would ensure funds have adequate time to attempt allocation within the permitted three business days, without exposing employers to non-compliance risk due to delays outside their control;
3. The ATO be provided with funding to develop a pre-submission validation service to enhance data accuracy and reduce manual handling exceptions;
4. Improve error reporting protocols to provide clearer guidance to employers, including ensuring errors are passed on to employers, and mandate the inclusion of employer contact details in SuperStream data for direct issue resolution;
5. Review and update the mandatory fields for both initial and subsequent contributions and consider mandating the inclusion of the employee's superannuation account number to support accurate and efficient allocation;
6. Establish a maximum allowable timeframe for clearing houses to process payments and provide clarity on the removal of the ATO clearing house; and
7. Continue with the proposed ban on advertising superannuation products as currently drafted, with supporting regulations to be released for consultation prior to being finalised.

Implementation Timeframe

The proposed implementation date of 1 July 2026 is highly ambitious given the number of unresolved technical and operational challenges. Key issues such as data validation, error messaging, refund processing, and clearing house delays must be addressed, and the release of the final version of the Message Implementation Guide (MIG), before a successful rollout can occur. Employers, payroll providers, funds, gateways, clearing houses and other intermediaries require sufficient lead time to upgrade their systems, implement validation rules, and refine their operational processes. There will also be a need for appropriate transitional arrangements to be made across all stakeholders of the superannuation contribution ecosystem to allow for a successful implementation.

It is important to note that funds may use software vendors in the delivery of their solutions. Where vendors are used, this naturally takes additional time in the order of 18 to 24 months to implement changes. Generally, the following activities need to take place:

- The trustee and vendor need to agree on the solution design, which can only take place after the release of the final MIG, and once both parties have had sufficient time to interpret the new requirements
- The software vendor needs to deliver the changes with sufficient lead time prior to the legislative deadline to give funds the ability to schedule the relevant upgrades into their own ecosystems
- Funds need to perform various tests of the solution within their environment, including, critically, security testing of the end-to-end solution
- Funds need to schedule an upgrade, the timing of which needs to occur around regular upgrades to their systems and to ensure no impact to fund activities (eg end of financial year peak periods).

It is worth noting that the technology landscape is much more complex compared to when SuperStream was first implemented. In a cloud-based world where security and outside threats are much higher, this additional complexity impacts the design timelines. A rushed implementation risks significant disruption, security concerns and non-compliance.

These processes are also very resource intensive where FSC members have allocated a minimum of \$1M and up to \$2M to fully implement the Payday Super measure. These costs include upgrades to superannuation funds' own systems as well as systems that link in with the ATO and further systems that work with each fund's Gateway. In order to ensure that expenses are compliant with the *Superannuation Industry Supervision Act 1993* Best Financial Interest Duty, trustees have determined that committing to a significant financial investment should not be made until legislative certainty is provided. In their internal deliberations, trustees have determined that given the uncertainty of the political and legislative process, it is most prudent to wait until the legislation has passed both houses of the parliament and becomes law. This however does mean that an implementation timeline cannot start before the law is made.

Further, there is ongoing uncertainty about the future of superannuation payment infrastructure. While the New Payments Platform (NPP) has indicated its capability to facilitate superannuation payments in the near future, the Reserve Bank of Australia's recent risk assessment identified several issues that must be resolved before any decisions can be made about the broader direction of Australia's payments landscape. This uncertainty raises the prospect of further system changes beyond Payday Super, which could result in additional implementation costs and complexity for industry.

Extending the implementation timeframe and making it relative to the passing of the legislation would allow for proper testing and phased adoption, whilst also providing certainty to superannuation funds and allow them to make their assessments on any expenditure required under the BFID requirements.

Recommendation 1

Change the implementation date from 1 July 2026 to two years from the passage of legislation, allowing superannuation funds to begin implementation once legislative certainty is established.

Contribution Timeframes

The proposed seven-calendar-day timeframe for the superannuation fund having to receive the funds is unrealistic and imposes a significant administrative burden on both superannuation funds and employers. The current design does not account for weekends or public holidays, during which processing capacity is limited, and leaves little room for error resolution or communication between parties.

While seven calendar days may be sufficient in straightforward scenarios where a contribution can be matched and allocated in real-time, this is not always the case. When an error occurs—such as incorrect or incomplete employee data, mismatched identifiers, or technical issues—the fund may need to investigate, liaise with the employer, and, if unresolved, process a refund. This is a highly manual and resource-intensive process that often involves coordination with banking providers, particularly where payments must be returned.

The situation is further complicated when clearing houses are involved, as direct debit batches may take three to five business days to process. These upstream delays are outside the employer's control and could lead to Super Guarantee (SG) shortfall charges, even when the employer has made timely payments. In such cases, both employers and employees are unfairly disadvantaged.

The legislation also introduces a condensed timeframe for trustees: five business days to allocate contributions where the information provided is sufficient, or three business days to return the contribution where the information is inaccurate or incomplete. These tight processing windows are expected to coincide with a significant increase in contribution volumes and a likely rise in data-related errors. Without adequate time to investigate and resolve issues, there is a heightened risk that more SG contributions will be refunded rather than successfully allocated to members' accounts. This could create additional administrative burden for employers and increase their risk of non-compliance, even where they have acted in good faith.

The timeframe for contributions to be received should be amended from seven calendar days to at least seven business days. This would allow trustees and clearing houses sufficient time to manage payment workflows, resolve data issues, and avoid penalising employers for delays outside their control.

Recommendation 2

Amend the contribution timeframe from seven calendar days to at least seven business days. This would ensure funds have adequate time to attempt allocation within the permitted three business days, without exposing employers to non-compliance risk due to delays outside their control.

Employer validation checks

Ensuring the accuracy of employer-submitted data before submission is critical to reducing processing errors and the administrative burden on superannuation funds. Currently, data errors result in manual handling exceptions, which delay contributions and increase compliance costs.

The Member Verification Request (MVR) checks proposed by the ATO are expected to take considerable time to build and will impose significant costs across the industry—with some FSC members estimating expenses in the order of a million dollars. However, the ATO already collects key superannuation data through the Member Account Attribute Service (MAAS), which could be leveraged to help verify account information for employers.

The ATO should provide a pre-submission validation service that employers can use to confirm employees' superannuation information prior to making a payment. This would help identify and correct data issues at the source, improving efficiency and reducing downstream errors. While the ATO has indicated during consultations that it currently lacks the funding to develop such a service, the potential benefits—including improved data integrity and cost savings for consumers—justify the provision of additional funding.

Recommendation 3

The ATO be provided with funding to develop a pre-submission validation service to enhance data accuracy and reduce manual handling exceptions.

Error Messaging and Employer Engagement

The FSC notes the current work the ATO is undertaking specifically in the error messaging space, including the draft data and payments standards¹. However, the current error messaging system is insufficient for assisting employers in understanding and rectifying issues. Without clear, actionable feedback, errors often persist, leading to further delays and compliance risks. Additionally, the lack of direct employer contact details within SuperStream data makes it difficult for funds to resolve issues quickly. In some instances, error messages from SuperStream are not passed on to the employer, making it impossible to resolve underlying data issues. Improving error messaging and mandating employer contact details within data submissions will enhance communication and efficiency.

Recommendation 4

Improve error reporting protocols to provide clearer guidance to employers, including ensuring errors are passed on to employers, and mandate the inclusion of employer contact details in SuperStream data for direct issue resolution.

Employee Identification

The requirements for employee details are inconsistent between first-time and subsequent contributions, including which data elements are mandatory. For example, a new employee's first contribution requires a full name, date of birth, and tax file number (TFN), while subsequent contributions do not require a date of birth, but instead mandate a telephone number— without specifying whether it should be a home, work, or mobile number, creating unnecessary ambiguity for employers and funds. Additionally, an employee's superannuation account number is not required, despite being a key identifier for accurate and timely contribution allocation.

While the TFN currently serves as the primary identifier linking the ATO, employers, employees, and superannuation funds, privacy rules limit its use and handling. Requiring the account number would strengthen funds' ability to process contributions efficiently and with fewer errors.

We acknowledge there is a valid reason to maintain separate message types for initial and subsequent contributions. However, we see merit in reviewing the mandatory data elements for both

¹ [Data and payments standard - Error code management \(March, 2025\)](#)

to ensure they remain fit for purpose and do not contribute to unnecessary rejections or delays.

Recommendation 5

Review and update the mandatory fields for both initial and subsequent contributions and consider mandating the inclusion of the employee's superannuation account number to support accurate and efficient allocation.

Efficiency of Clearing Houses

Some clearing houses hold payments for up to seven days before passing them on to funds, which can lead to compliance challenges for employers. Additionally, the proposed removal of the ATO clearing house raises concerns about the availability of alternative solutions for smaller employers. Establishing a clear, regulated maximum timeframe for clearing houses to process and transfer contributions would improve transparency and consistency, and help protect employers from being penalised due to third-party delays.

Recommendation 6

Establish a maximum allowable timeframe for clearing houses to process payments and provide clarity on the removal of the ATO clearing house.

Advertising on Onboarding Platforms

The FSC notes the proposed scope of the restriction on advertising during onboarding, which limits advertising to MySuper products that have not failed the annual performance test. We recognise the intent of providing consumer protection through the MySuper requirements and the performance test. We welcome Treasury's responsiveness to our earlier feedback, including ensuring that new MySuper products not yet subject to the test can still be advertised.

The FSC is also supportive of the consumer benefits delivered by the stapling regime, particularly in preventing the creation of unintended multiple accounts. At the same time, we strongly advocate for the importance of member choice, which plays a key role in improving long-term superannuation outcomes. Employees should be encouraged to choose the fund that best suits their needs, and the exercise of that choice should not be presumed to be detrimental.

There are legitimate reasons why an employee may wish to select a different fund when starting a new job—such as access to an employer-sponsored product with lower fees, tailored insurance cover, or a product that better aligns with their investment preferences or risk appetite. In many cases, these choices may be in the best interests of the employee, and it is appropriate for employers to be able to highlight those options during onboarding.

We also acknowledge the concerns raised in Treasury's April 2023 Your Future, Your Super Summary of Issues, including that onboarding advertising may risk circumventing the stapling regime. However, data from a major digital onboarding platform shows that 77 per cent of users input their existing super details—effectively stapling themselves. Just 16 per cent open a new account via an advertised product, and of those, 95 per cent subsequently request a SuperMatch search to identify any lost or duplicate accounts.

This demonstrates that advertising does not necessarily undermine stapling. Rather, it can

complement it—by prompting active engagement with superannuation and supporting better-informed decisions.

We also note that the regulations supporting this measure have not yet been released. These regulations will be critical to understanding how the proposed restriction will operate in practice. The FSC strongly encourages the Government to release an exposure draft of the regulations for consultation before they are finalised, to ensure the implementation is workable and aligned with policy intent.

It is essential that the final design of this measure preserves a balance between consumer protection and informed choice. Eligible MySuper products that have not failed the performance test should be treated neutrally during onboarding.

Recommendation 7

Continue with the proposed ban on advertising superannuation products as currently drafted, with supporting regulations to be released for consultation prior to being finalised.

We welcome further engagement to discuss these issues in detail. Please do not hesitate to contact me if you have any questions regarding the submission.

Yours sincerely



Aidan Johnson

Policy Manager, Superannuation