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Superannuation Reporting Standard 330.0: Statement of Financial Performance

Dear Mr Cornwell

The Financial Services Council (FSC) welcomes the APRA's open and pragmatic approach in relation to the complexities in submission of certain superannuation data under the new reporting standards.

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The Council has over 125 members who are responsible for investing more than \$2.4 trillion on behalf of 11 million Australians.

The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

The FSC supports APRA's enhanced prudential and data collection powers in relation to superannuation funds. This unsolicited submission, however, covers our concerns in relation to the collection of key data points in SRF 330.0 that the industry (our members) are finding problematic in consistently reporting across the full suite of their products on a cost effective basis.

The items raised herein cover:

- Data elements that are statistical in nature (not for prudential supervision);
- Exceed the reasonable costs envisaged by the government and its regulatory agency;
- Relate to off-sale Legacy Products where members are few and instances for reporting are small (hence have a higher cost burden for members of the fund); and
- Have been commonly raised by our membership as being problematic to provide.

Please feel free to contact me on 02 8235 2566 if you have any further questions.

Yours sincerely



BLAKE BRIGGS
SENIOR POLICY MANAGER

Superannuation Reporting Standard 330.0: Statement of Financial Performance

The purpose of this letter is to seek indefinite application of ‘best efforts’ for specific data items in the APRA reporting form SRF 330.0 Statement of Financial Performance. The ‘best efforts’ would apply to Legacy Products and/or Legacy Systems where the data is deemed by the RSE Licensee to not be statistically significant for the RSE Licensee and in turn the prudential supervision of the overall industry.

While no clear definition of “Legacy” exists, our members suggest that a workable solution would be that “Legacy Products” be defined as closed to new members for more than 5 years.

Background

APRA has introduced 37 new reporting standards, many of which require data to be sourced from multiple product administration systems and necessitate significant changes to systems and processes across our member companies.

In light of feedback from the industry, and the delay in implementation of the SuperStream requirements, APRA has provided temporary relief from certain reporting under FAQ 44:

FAQ 44: Some data items in SRF 330.0 are not currently captured in an RSE licensee’s systems. How should these be reported prior to the implementation of the SuperStream Data and Payment Standards? (amended 27 June 2014)

A: APRA acknowledges that items 1.1.1 (Employer contributions, *of which*: Super guarantee contributions), 1.1.2 (Employer contributions, *of which*: Salary sacrifice contributions), 1.8.1 (Members’ benefits flows in, Rollovers, *of which*: SMSF rollovers) and 2.2.1 (Members’ benefits flows out, Rollovers, *of which*: SMSF rollovers) on SRF 330.0 have not historically been required to be reported to APRA and may not currently be readily available in an RSE licensee’s systems.

Where an RSE licensee holds the information required by these four data items at the reporting date, it must be reported to APRA. However, where an RSE licensee is unable to provide this information, APRA will permit submission of SRF 330.0 with these four data items left blank for reporting periods ending before 1 July 2014 (i.e. quarterly and annual reporting for 1 July 2013 to 30 June 2014).

Although the SuperStream transition for electronic contribution payment and messaging extends beyond this date, APRA will require all RSE licensees to provide information in all four of these data items (1.1.1, 1.1.2, 1.8.1 and 2.2.1) when submitting SRF 330.0 for all reporting periods ending on or after 1 July 2014....

At an industry round table on 25 June, APRA agreed to reconsider whether certain data items on SRF 330.0 (reporting of SG/SS contributions, SMSF Rollovers in/out) need to remain mandatory in light of feedback that these data items are problematic for many RSE Licensees running Legacy Products and Legacy Systems.

Relief

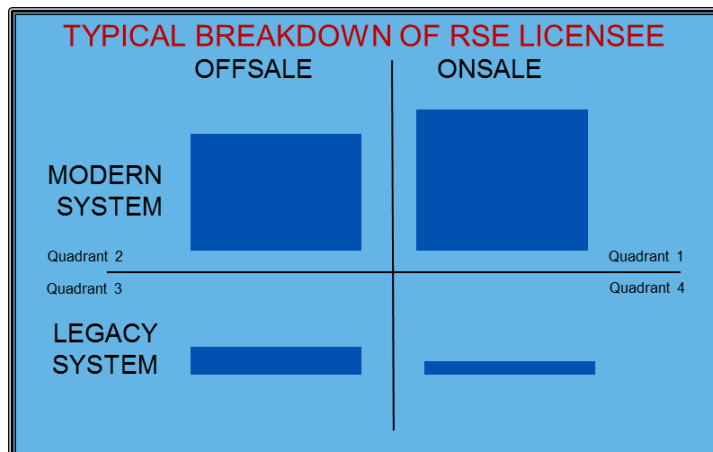
The FSC is seeking indefinite relief for all reporting periods ending on or after 30 June 2014 for the 4 data items listed below for Legacy Products:

APRA Form - SRF 330.0 Statement of Financial Performance	Relief for the following products or product types
1.1.1 Employer contributions, of which: Super Guarantee contributions 1.1.2 Employer contributions, of which: Salary Sacrifice contributions	<ul style="list-style-type: none">• Legacy Products (closed greater than 5 years); and/or• On Legacy systems (installed > 10 years ago)
1.8.1 Members’ benefits flows in, Rollovers, of which: SMSF rollovers 2.2.1 Members’ benefits flows out, Rollovers, of which: SMSF rollovers	<ul style="list-style-type: none">• Legacy Products (closed greater than 5 years); and/or• On Legacy systems (installed > 10 years ago)

Rationale

The data items listed are not currently collected and stored by member companies as it is a new requirement that emanated with APRA reporting. There are various cases to consider as in Figure 1:

Figure 1 – most superannuation business is on modern systems, but some are on Legacy Systems.



Therefore, discussing each quadrant of Figure 1:

- Quadrant 1: Where on-sale products are administered on modern systems, the RSE Licensee should be making the changes to more easily report the data to APRA. The FSC membership generally have no issues with this. However, some FSC members would prefer to be able to submit proportional estimates (i.e. “best effort”) where their systems do not currently cater for this. A short term “best efforts” arrangement would be appreciated until the RSE licensee has completed all system changes in connection with SuperStream contribution and rollover record keeping measures.
- Quadrant 2: Where off-sale products are administered on modern systems, the RSE Licensee will most likely also have on-sale products on that modern system and will be making the changes to more easily report their other on-sale data to APRA. The FSC membership therefore generally has no issues with making the requisite changes for off-sale products which are administered on modern systems. A short term “best efforts” arrangement would be appreciated until the RSE licensee has completed all system changes in connection with SuperStream contribution and rollover record keeping measures. However, similarly to Quadrant 1, some FSC members would prefer to be able to submit proportional estimates (i.e. “best effort”) where their systems do not currently cater for this.
- Quadrant 3: Where off-sale products are administered on a Legacy System, the RSE Licensee will not be receiving vast amounts of contributions or rollovers. This results in a small data gap that might best be classed as a “rounding error”. FSC members request that system changes for reporting these instances should not be required.
- Quadrant 4: Where a portion of the RSE’s on-sale products are administered on a Legacy System, there are 2 cases:
 1. Some FSC members would prefer to be able to submit proportional estimates (i.e. “best effort”) where their systems do not currently cater for this.
 2. However, where it is only a small portion of on-sale products that are administered on a legacy system (less than 5%) – this results in a small data gap that is insignificant. FSC members therefore request that system changes for reporting these instances should not be required.

Reduction in regulatory compliance cost

The FSC estimates that the potential costs to change systems to capture additional data are over \$7 million to FSC members. The FSC submits that, should the recommendations below be adopted, APRA could realise a red tape reduction of \$4.4 million of the forecast impost. The FSC submits:

1. The SuperStream contribution message files may provide the SG and SS contribution type inbound, but older Legacy Systems do not have the functionality to capture and store the SG and SS contribution types.
2. There is little to no capability to track SMSF rollovers to/from Legacy Systems and SuperStream mechanisms do not necessarily help.
3. Legacy Systems may involve multiple mainframe technologies including fixed length files and more complicated interfaces. The amalgamated cost to close this data gap is therefore disproportionately higher relative to the smaller and declining member base on these systems.

Arguably, fewer of these Legacy Products would receive any employer contributions (Figure 2 overlaid onto Figure 1). Similarly, given the nature of many of these superannuation members, we have found that the membership base is relatively stable and therefore rollovers in and rollovers out to/from SMSFs are relatively few (Figure 3 overlaid onto Figure 1). The cost to close this data gap is therefore disproportionately higher per contribution or rollover instance reported.

The data in the majority of cases would be captured solely for APRA SRF 330.0 reporting purposes, and not for operational purposes or for any services/benefits to members. This does not appear to be consistent with the Government's commitment to "reduce the cost impost to business of any new regulation" (refer Treasury Discussion paper Nov 2013) and APRA's current consultation on reporting requirements for 'select investment options'.

Recommendation

The FSC proposes APRA to adopt the following approach for Legacy Products:

1. Where an RSE Licensee holds the information in a current administration system the licensee should extract and report the data to APRA as required in SRF 330.
2. Where an RSE holds the information on a legacy systems, or where it is an on-sale product on a legacy system and the instances are deemed by the RSE Licensee to be not statistically significant (less than 5% of reported instances for the Licensee) then the licensee would be permitted to submit SRF 330.0 without the data (report blanks or reported figure may only partially cover the Superannuation products where the products that are administered on multiple systems, if some systems are legacy).
3. An RSE Licensee may submit proportional estimates (i.e. "best effort") where their systems do not currently cater for the fields.