

Senior Manager
Policy Development
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

Email: superannuation.policy@apra.gov.au

17 October 2014

Subject: Publication of Superannuation Statistics

Dear Sir/Madam

The Financial Services Council (FSC) welcomes the additional consultation being undertaken by the Australian Prudential Regulation Authority's (APRA) in relation to SFS 711.0 SuperStream Benchmarking Measures.

The FSC represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, private and public trustees. The FSC has over 130 members who are responsible for investing over \$2.2 trillion on behalf of more than 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.

SRF 711 should not be implemented

The goals of SuperStream are to enhance the back office operations of superannuation funds and to simplify and improve the contribution process for employers, based on mandated data standards and use of ecommerce for rollovers and contributions. This is designed to result in processing efficiencies and a reduction of costs for employers and funds.

When releasing SRF 711.0 for comment, APRA noted that the success of SuperStream is to be measured by conformance with the Data and Payment Standards, the rates of straight through processing, reductions in cost of processing and improved data integrity.

The FSC is concerned whether SRF 711.0 will provide the Government, APRA and ATO with useful measures of success, noting also that there is no corresponding obligation on employers to lodge the form. As detailed in previous submissions, the form does not require use of consistent methodology and uses definitions that are too broad. Yet to resolve these issues – especially the associated system and process changes - would impose an unreasonable cost and compliance burden upon funds without a clear articulation of the benefits.

We also note that SRF 711 is also only intended to be temporary and will be removed in 2018. It is not clear whether there has ever been an assessment of whether the cost to superannuation funds and fund members of implementing SRF 711 is justified based on the low

quality of information captured for only a couple of years.

The FSC's superannuation fund members have modelled the cost of developing the necessary systems to implement SRF 711:

	Implementation Cost	Ongoing Cost
Implement SRF 711 as currently designed	\$6.95 million	\$520 000 per annum

We submit that the cost of these reporting requirements is not justifiable considering the uncertain benefits. Discontinuing SRF 711 would save FSC members \$6.95 million in regulatory costs.

After giving due consideration to the implementation and ongoing costs involved in complying with the requirements of SRF 711.0 for only the limited period the report is scheduled to be in existence, and the limited value the restricted information on the form will provide government and regulators, we have formed the view that the SRF 711.0 should not be implemented.

Alternative Proposal

The FSC's strong preference is for SRF 711 to be not implemented.

Should the view of government, however, be that specific APRA reporting in relation to SuperStream implementation is required, then it is our view that the report should be on the following basis:

- Information is to be provided on an annual basis of total cost and transaction counts for processing:
 - rollovers-in,
 - rollovers-out, and
 - contributions.
- In reporting costs, funds are to use their existing costing methodology and maintain that costing model for the life of the form.
- The information provided on the form should be deemed not non-confidential. That is, information provided should not be disclosed by APRA at the fund level. Preferably, the report would only be used to provide government with information at a global (i.e. superannuation fund industry wide) level on trends in superannuation transaction processing costs).

Our reasons for restricting SRF 711.0 to the above include the following:

- To require all funds to adopt a standardised cost methodology would require super funds to make fundamental changes to their existing systems.
- The establishment and ongoing costs associated with the existing draft of the form are demonstrably high and inordinately cumbersome, without corresponding benefits.
- Funds are not required to implement straight through processing. They are merely required to transact in accordance with the data standards.
- In any event, the dichotomy between manual processing and straight through processing is not as clear in reality as is assumed by the form.

- This approach will allow Government to evaluate the trend direction in costs. This can be achieved by having visibility of costs at a whole of industry level on a per-transaction-type, per-transaction basis. Over time, if the trend is down then SuperStream is a success.
- The detailed information required does not assist regulators in their compliance and supervisory roles.
- At a fund level, APRA will be able to review increased efficiencies associated with the implementation of SuperStream as part of its prudential review process.

FSC members the cost of complying with the refine version of SRF 711 detailed above would be marginally lower than the current reporting form.

	Implementation Cost	Ongoing Cost
Implement revised SRF 711	\$4.43 million	\$430 000 per annum
Implement SRF 711 as currently designed	\$6.95 million	\$520 000 per annum
Net Savings	\$2.52 million	\$90 000 per annum

The FSC also submits that it would be difficult for superannuation funds to comply with these requirements by 1 July 2015, when SRF 711 is scheduled to start, due to the range of systems that would require modification. For this reason the FSC submits that a refined reporting requirement as detailed above, should one proceed, commence from 1 July 2016.

Please feel free to contact me on 02 8235 2566 if you have any further questions or comments in relation to this submission.

Yours sincerely

BLAKE BRIGGS
SENIOR POLICY MANAGER