

**Financial Sector (Collection of Data) (reporting standard) determination No. 23
of 2015**

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, sections 13 and 15

Under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities.

On 10 June 2015, APRA made Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2015 (the instrument) which determines *Reporting Standard SRS 711.0 SuperStream Benchmarking Measures* (SRS 711.0).

The instrument commences on the date of registration on the Federal Register of Legislative Instruments and applies for reporting periods commencing on or after 1 July 2015 and ending on or before 30 June 2019.

1. Background

APRA is empowered to make reporting standards under the Act, which require regulated institutions, including RSE licensees, to submit specified data through various reporting forms. Data from these forms are used by APRA to assist with APRA's supervisory functions, and also by Government and agencies such as the Treasury and the Australian Taxation Office (ATO). APRA also collates and publishes statistical information and analysis using data from these reporting forms.

2. Purpose and operation of the instrument

The purpose of making this instrument is to introduce a new reporting standard for RSE licensees (SRS 711.0) that will require them to report specific data to APRA, relating to the processing of contribution transactions by a registrable superannuation entity (RSE).

SRS 711.0 is designed to collect, for a limited period, an additional small number of data items which will enable the Government to estimate the rate and direct consequences of RSE licensees' compliance with the *Superannuation Data and Payment Standards* (the Standards) issued by the ATO in December 2012.¹

The data collected in SRS 711.0 will be used primarily by the Treasury to evaluate the success of SuperStream. The data may also be used by the ATO to assist in evaluating

¹ *Superannuation Data and Payment Standards 2012* means the Standard issued by the Commissioner of Taxation on 24 December 2012, as amended from time to time, which determines the standards relating to superannuation data and payment matters for the purposes of the *Superannuation Industry (Supervision) Act 1993*.

the success of SuperStream and by APRA for the purposes of prudential supervision and publication.

SuperStream is a package of measures designed to enhance the efficiency of the back office operations of the superannuation system. The package comprises the enhanced use of tax file numbers for member identification, mandated electronic data and payment standards for funds and employers and associated enabling services provided by the ATO. When fully implemented, these measures will improve the productivity of the superannuation system and make the system easier to use.

The success of SuperStream is to be measured by compliance with the Standards, the rates of fully SuperStream compliant messaging and acceptable alternatives, and reductions in the total cost of processing contribution transactions from active employers.

In developing a broad approach to benchmarking and evaluation of SuperStream, Treasury, the ATO and APRA identified a set of data items which would indicate the extent to which key outcomes have been achieved. The majority of these items will be sourced from existing collections; in particular, APRA's regular quarterly and annual reporting forms², the ATO's Member Contributions Statement and the ASFA-ITM Core Member Details Benchmark. The data items which are not already collected by APRA have been included in SRS 711.0.

3. Consultation

On 23 April 2013, APRA released a draft SRS 711.0, for which consultation closed on 6 May 2013. Three submissions, none of which were confidential, were received from industry associations.³

In light of the issues raised, discussions were subsequently held with the Association of Superannuation Funds of Australia (ASFA), the Australian Institute of Superannuation Trustees (AIST), the Financial Services Council (FSC) and Industry Superannuation Australia (ISA).

On 4 December 2013, APRA released a letter to all RSE licensees outlining APRA's response to these concerns.⁴ The key changes made to draft SRS 711.0 were:

- entities would be allowed to report the required data according to their own data costings methodology, as long as that methodology is unchanged over the five-year duration of the collection. APRA stated that it will undertake a one-

² The relevant items from APRA's data collection are: item 10.1 'administration expenses' on *Reporting Form SRF 330.0 Statement of Financial Performance*, item 1 'administration fees' on *Reporting Form SRF 540.0 Fees* and item 1 'member account status', item 1.1 'active member account' and item 4.1.1 'member account with unique TFN' on *Reporting Form SRF 610.0 Membership Profile*.

³ Submissions were received from the Association of Superannuation Funds of Australia Limited, the Australian Institute of Superannuation Trustees and the Financial Services Council Limited and are available on the APRA website at <http://www.apra.gov.au/Super/Pages/Submissions-Draft-Superannuation-Reporting-Form-SRF-711-April-2013.aspx>.

⁴ The letter 'Superannuation Reporting Standard SRS 711.0 SuperStream Benchmarking Measures (SRS 711.0): Response to Consultation' is available on APRA's website at <http://www.apra.gov.au/Super/Pages/superannuation-consultation-packages.aspx>.

off collection of information on the methodology applied in producing costings data for SRS 711.0;

- the total cost of processing each transaction type would be collected rather than the average cost of straight through transactions; and
- *Reporting Form SRF 711.0 SuperStream Benchmarking Measures* was amended to clarify the way in which contributions supporting defined benefit interests are to be reported.

However, the letter advised that the reporting standards require RSE licensees to report information to APRA and therefore administrators would be obliged to report costings data (as a component of administration costs) to RSE licensees. The letter also confirmed that APRA expects SuperStream to facilitate an increased proportion of transactions which could be processed straight through and hence is expected to reduce costs.

SRS 711.0 was issued as final on 4 December 2013 on the basis that it would become effective for a 5-year period from 1 July 2014 to 30 June 2019.

On 26 May 2014, however, the Acting Assistant Treasurer announced that superannuation funds would have until 1 July 2015 to implement the SuperStream contribution data standards. Following this announcement, APRA issued a letter on 27 May 2014 deferring the commencement of SRS 711.0 until 1 July 2015 and stating that APRA would undertake further industry consultation later in 2014 regarding the content of SRS 711.0.

During September and October 2014, APRA, Treasury and the ATO met with representatives of ASFA, AIST, FSC, ISA and Corporate Super Association (the superannuation industry bodies) to discuss the content of SRS 711.0. Further written comment was also provided by ASFA, the FSC and AIST. As a result of this consultation, a consensus was reached on a significantly revised SRS 711.0. The revised SRS 711.0 has been endorsed by the Treasury, ATO and APRA in meeting their objectives for the data collection, while also being endorsed by the industry bodies as significantly reducing the costs for reporting on funds as compared to the previous version of SRS 711.0.

The key changes made to the revised SRS 711.0 are:

- data in respect of rollover transactions will no longer be required. Data will therefore be collected only in respect of contribution transactions;
- contribution transactions will now only be collected in respect of active employers and contributions will be classified as processed via Channel A (fully SuperStream compliant transactions), Channel B (acceptable alternatives) and non-conforming channels rather than the previous classifications of 'standard format', 'straight through' and 'manual handling';
- any reductions in cost arising from the SuperStream package of measures will be verified on an annual basis by collecting data on the actual costs of processing transactions under SRS 711.0. As agreed as part of the previous

consultation process, RSE licensees will be allowed to report costs according to their own methodology under SRS 711.0 on the proviso that the methodology adopted by each RSE licensee remains unchanged for the duration of the collection; and

- the data under SRS 711.0 will be collected for a four year period from 1 July 2015 to 30 June 2019 rather than the original five year period commencing 1 July 2014.

Given that RSE licensees will be using their own costing methodology, APRA has confirmed that the data collected under SRS 711.0 will be determined to be not non-confidential.

The revised SRS 711.0 was issued as final on 22 December 2014 and will be effective from 1 July 2015.

4. Regulation Impact Statement

SRS 711.0 is designed to collect, for a limited period, an additional small number of data items which will enable identification of the direct consequences of RSE licensees' compliance with the Standards. These data items will complement the data items that will be sourced from existing collections, in particular, APRA's regular quarterly and annual reporting forms.

The Office of Best Practice Regulation has advised that a Regulation Impact Statement is not required for this legislative instrument.

5. Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

ATTACHMENT A

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instrument listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act)

Overview of the Legislative Instrument

The purpose of making this legislative instrument is to introduce a new reporting standard (SRS 711.0) in relation to RSE licensees that will require the reporting to APRA of specific data relating to the contribution transactions of a registrable superannuation entity (RSE). The data collected in SRS 711.0 will be used primarily by the Treasury for the purpose of measuring the success of SuperStream. The data may also be used by the ATO to assist in evaluating the success of SuperStream and by APRA for the purposes of prudential supervision and publication.

Human rights implications

APRA has assessed the instrument against the international instruments listed in section 3 of the HRPS Act and determined that only Article 17 of the International Covenant on Civil and Political Rights (ICCPR) is conceivably potentially of relevance to the instrument.

Article 17 of the ICCPR prohibits the arbitrary or unlawful interference with a person's privacy, family, home and correspondence, and attacks on reputation. Article 17 is exclusively concerned with prohibiting interference with the privacy and/or reputation of individual persons. It does not extend to the privacy and/or reputation of corporate entities.

The information collected will be about each RSE licensee's business operations, focusing on aggregate transactions information. The information collected does not relate to individuals or persons.

This information ultimately supports APRA achieving its mission of ensuring that, under all reasonable circumstances, financial promises made by the institutions APRA supervises are met within a stable, efficient and competitive financial system.

APRA does not publish the personal information which it collects. Information provided to APRA under reporting standards is protected information for the purposes of section 56 of the *Australian Prudential Regulation Authority Act 1998* (APRA Act) and cannot be disclosed except under a limited range of circumstances provided for under that section. While APRA does publish some protected information gathered under reporting standards, APRA reviews all releases of data received under reporting

standards to ensure that no information pertaining to an individual person can be deduced from the data.

Conclusion

Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2015 is compatible with human rights because:

- (i) to the extent that determination No. 23 of 2015 limits human rights, those limitations are reasonable, necessary and proportionate; and
- (ii) the remaining parts of the determination do not raise human rights issues.