

**Financial Sector (Collection of Data) (reporting standard) determinations No. 13 to 22 of 2021**

**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.

Subsection 15(1) of the Act provides that APRA may declare a day on and after which the reporting standards are to apply.

On 15 September 2021, APRA made the following determinations (the instruments):

- (1) Financial Sector (Collection of Data) (reporting standard) determination No. 13 of 2021 which determines *Reporting Standard SRS 101.0 Definitions for Superannuation Data Collections* (SRS 101.0);
- (2) Financial Sector (Collection of Data) (reporting standard) determination No. 14 of 2021 which determines *Reporting Standard SRS 251.0 Insurance* (SRS 251.0);
- (3) Financial Sector (Collection of Data) (reporting standard) determination No. 15 of 2021 which determines *Reporting Standard SRS 332.0 Expenses* (SRS 332.0);
- (4) Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2021 which determines *Reporting Standard SRS 550.0 Asset Allocation* (SRS 550.0);
- (5) Financial Sector (Collection of Data) (reporting standard) determination No. 17 of 2021 which determines *Reporting Standard SRS 605.0 RSE Structure* (SRS 605.0);
- (6) Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2021 which determines *Reporting Standard SRS 606.0 RSE Profile* (SRS 606.0);
- (7) Financial Sector (Collection of Data) (reporting standard) determination No. 19 of 2021 which determines *Reporting Standard SRS 611.0 Member Accounts* (SRS 611.0);
- (8) Financial Sector (Collection of Data) (reporting standard) determination No. 20 of 2021 which determines *Reporting Standard SRS 705.0 Components of net return* (SRS 705.0);

- (9) Financial Sector (Collection of Data) (reporting standard) determination No. 21 of 2021 which determines *Reporting Standard SRS 705.1 Investment Performance and Objectives* (SRS 705.1);
- (10) Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2021 which determines *Reporting Standard SRS 706.0 Fees and Cost* (SRS 706.0).

The instruments commence upon registration on the Federal Register of Legislation.

## **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 is used by APRA to assist with APRA's supervisory functions, and also by Government and other agencies such as the Australian Bureau of Statistics and the Australian Securities and Investments Commission.

It is crucial that RSE licensees, government, regulatory agencies, superannuation members and other interested stakeholders have access to high quality and consistent data to assess industry performance and the outcomes delivered for superannuation members. APRA identified the need to address gaps in the coverage and quality of the superannuation data collection and commenced the Superannuation Data Transformation (SDT) project in 2019. The new superannuation reporting standards address critical data gaps in the current reporting framework and the highest priority areas impacting member outcomes including: the expansion of the data collection to include all products and investment options; and improved data in relation to performance, fees and costs, insurance arrangements, expenses, member demographics and asset allocation classifications.

The new reporting standards will enable APRA to meet its new legislative obligations set out in the *Superannuation Industry (Supervision) Act 1993* (SIS Act) (including administering the performance test under paragraph 60C of the SIS Act for trustee directed products) and to strengthen its prudential oversight of the superannuation industry. The data will support APRA's ongoing supervision activities that seek to ensure adequate focus by RSE licensees on improving member outcomes, and will also assist APRA in promoting transparency and comparability within the superannuation industry.

## **2. Purpose and operation of the instrument**

The purpose of these instruments is to determine ten new reporting standards that require RSE licensees to provide information to APRA about their businesses and activities. This data is needed to strengthen supervision of the superannuation industry and promote transparency and comparability within the superannuation industry.

The new reporting standards and associated reporting forms are issued under the Act. The collection of data under the new superannuation reporting requirements is staggered over the period from 30 September 2021 to 30 June 2022.

The new reporting standards require reporting of historical information for reporting periods that occurred prior to the commencement of the reporting standard. The new reporting standards are not retrospective in operation as the obligation to report on the historical reporting periods commences from, and not prior to, the commencement of the reporting standard.

Centralisation of data definitions will provide consistency in definitions across all current and future reporting standards, as well as reduce administrative burden associated with any future changes to data items.

SRS 101.0 outlines the definitions of data to be reported across the superannuation data collection.

The importance of insurance through superannuation, and its impact on member outcomes, highlights the need for enhanced data to facilitate an improved understanding of the nature and value of these arrangements. Improved transparency of this data will also assist RSE licensees in considering appropriate outcomes for their members when entering into an insurance arrangement.

SRS 251.0 outlines the requirements for the provision of data to APRA on insurance arrangements, including:

- enhanced data on insurance policies and their linkages to superannuation products, including claims experience and the choices members make in relation to insurance; and
- enhanced and more granular data on default insurance arrangements in order to better understand the member experience across a range of circumstances.

As the superannuation industry matures, expectations for the robustness of the industry's governance and transparency in relation to expenditure have lifted and has underlined the need for enhanced reporting of data on expenses. RSE licensees should be held to the high standards of accountability and transparency on how they spend members' retirement savings, as this expenditure directly impacts members' retirement outcomes.

SRS 332.0 outlines the requirements for the provision of data to APRA on expenses, including more expansive and granular data on expenditure with consistent and informative classifications. The data will also support focused supervisory intensity on areas of RSE expenditure that may be identified as potentially not in members' best interests.

To facilitate the assessment of investment performance and understanding of investment strategy and exposures to various asset classes, it is necessary to collect consistent and comparable asset allocation data for all investment options, and enhanced data on key investment exposures. Consistent and accurate data on strategic asset allocation is of increasing importance in undertaking performance benchmarking for various purposes.

SRS 550.0 outlines the requirements for the provision of data to APRA on investment asset allocation and exposures, including:

- enhanced and expanded coverage of the existing collection of asset allocation data to capture all investment options; and
- enhanced the data on key investment exposures of the RSE including derivatives.

A foundational framework capturing the structure of each RSE, and the products and investment options they offer is needed to support the collection and interpretation of more granular and meaningful data for all investment options.

SRS 605.0 outlines the requirements for the provision of data to APRA on the RSE's superannuation products, investment menus, investment options, fee arrangements and their characteristics.

SRS 606.0 outlines the requirements for the provision of data to APRA on the relationships between these superannuation products, investment menus and investment options, including the number of members and member assets.

To ensure that RSE licensees are meeting their fiduciary obligations under the legislated member outcomes assessment, and in meeting the requirements of Superannuation *Prudential Standard 515 Strategic Planning and Member Outcomes (SPS 515)*, a sufficiently detailed understanding of membership composition is essential.

SRS 611.0 outlines the requirements for the provision of data to APRA on member demographics, including enhanced granularity and frequency of reporting on member segmentation data at the RSE level and MySuper product level.

Recent prudential and legislative changes governing the superannuation industry, such as *Prudential Standard SPS 515 Strategic Planning and Member Outcomes (SPS 515)* and the *Treasury Laws Amendment (Your Future, Your Super) Act 2021*, have underlined the importance of having sufficiently granular, comparable and consistent data on outcomes provided to members and the elements that drive those outcomes.

SRS 705.0 outlines the requirements for the provision of data to APRA regarding the performance of all superannuation products, investment menus and investment options.

SRS 705.1 outlines the requirements for the provision of data to APRA regarding performance, investment objectives and volatility measures for all investment options.

Fees and costs have a significant impact on the retirement outcomes provided to members. As such, it is important that fees are appropriate and in line with costs incurred by RSE licensees. APRA's MySuper Heatmap and other analysis indicates that there is scope for fees and costs to be reduced in some areas. More granular fees and costs data will enable RSE licensees and APRA to focus in on where change is most needed.

SRS 706.0 outlines the requirements for the provision of data to APRA on the disclosed fees and costs for members for all products, investment menus and options.

Where the instruments refer to an Act, Regulation, Prudential Standard, Reporting Standard, Australian Accounting Standard or Auditing Standard, this is a reference to the document as it exists from time to time, and which is available on the Federal Register of Legislation at [www.legislation.gov.au](http://www.legislation.gov.au).

There are a number of powers that may be exercised by APRA in reporting standards that involve an element of discretion and which may impact the interests of the financial sector entity to which the reporting standard applies. These decisions include APRA refusing to change a reporting period or due date for an RSE licensee to provide information required by these reporting standards. Decisions made by APRA exercising those powers are not subject to merits review.

APRA considers that decisions made exercising discretions under its reporting standards should not be subject to merits review, as they are financial decisions with a significant public interest element.

APRA's reporting standards collect financial data from regulated entities. This data contains critical indicators of a regulated entity's financial wellbeing, including data on an entity's assets, liquidity, expenses and risk exposures. APRA relies heavily on this financial data to inform its supervisory actions towards its regulated entities. Without timely and complete data, APRA may miss indicators that an RSE licensee is taking on imprudent risk. APRA's supervisory decisions may be jeopardised if its receipt of data is unreliable due to entities seeking merits review under its reporting standards.

The data collected by APRA's reporting standards is also often used to compile and publish statistical publications, analysis and benchmarking such as heatmaps.

Delays caused by an entity seeking merits review of APRA's decisions under one or more reporting standards could significantly compromise these publications. As the publications are done at an aggregate level, any lack of data from one entity caused by a merits review claim prevents the release of the entire publication.

### **3. Consultation**

APRA has consulted extensively on the proposed reporting standards since 2019, including:

- APRA engaged in public consultation on these instruments<sup>1</sup>. In November 2019, APRA released the first consultation package on reporting requirements for the first phase of the SDT project. This covered the topics of RSE structure and profile.

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<sup>1</sup> The discussion paper, topic papers and response to consultation together with proposed reporting standards are available on APRA's website at [Consultation on APRA's Superannuation Data Transformation](#).

- In December 2019, APRA released a second consultation package on reporting requirements for the first phase of the SDT project. This covered the topics of performance and member accounts.
- In August 2020, APRA published the final consultation package on reporting requirements for the first phase of the SDT project. This covered the topics of asset allocation, insurance arrangements, fees and costs and expenses.
- APRA held a number of roundtable consultation sessions and working group meetings with industry, and informal meetings with RSE licensees, and released frequently asked questions (FAQs) and worked examples to address and provide clarification on issues raised by industry stakeholders.
- APRA received 35 submissions in response to the consultation packages and over 300 submissions of pilot data. These were valuable in assessing whether the data would meet the objectives of the SDT project, highlighting the practical issues that RSE licensees may experience in reporting and where additional guidance or improvements to definitions were required.
- In March 2021, APRA released a response to consultation, including revisions to the proposed reporting standards to address concerns raised in consultation.
- APRA continued to work closely with industry from March 2021 – September 2021 through workshops and supporting test submissions of data in the reporting system (APRA Connect) external test environment. Where RSE licensees identified specific challenges through this process, APRA released clarifications, further adjusted the staged implementation approach, and incorporated these updates into the reporting standards to address these concerns.

#### **4. Regulation Impact Statement**

APRA prepared a Regulation Impact Statement which has been lodged as supporting material.

#### **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.

#### **6. Legislative instruments – disallowance and sunseting**

The instruments are legislative instruments for the purposes of the *Legislation Act 2003 (Legislation Act)*. In accordance with section 44 of the *Legislation Act* and item 3 in paragraphs 9 and item 6 in paragraph 11 of the *Legislation (Exemptions and Other Matters) Regulation 2015 (Legislation Regulation)*, the instruments are not subject to disallowance or sunseting under the *Legislation Act* on the grounds that the instruments relate to superannuation. The instruments are reporting standards, which require registrable superannuation entity (RSE) licensees to provide information to

APRA about their superannuation businesses and activities. The Explanatory Statement to the Legislation Regulation states:

“Item 3 is an instrument (other than regulations) relating to superannuation. This item preserves the exemption in item 39 of the table in subsection 44(2) of the Legislative Instruments Act. This exemption exists because exposure of superannuation instruments to disallowance would cause commercial uncertainty, as well as uncertainty for superannuation fund members and providers. These instruments are intended to have enduring operation and are not suitable for the disallowance process.”

“Item 6 is an instrument (other than a regulation) relating to superannuation. This item preserves the exemption in item 42 of the table in subsection 54(2) of the Legislative Instruments Act. Sunsetting of instruments relating to superannuation could cause commercial uncertainty, as well as uncertainty for superannuation fund members and providers. These instruments are intended to have enduring operation and it would not be appropriate to subject them to sunsetting.”

As detailed above, extensive consultation with industry stakeholders occurred prior to the finalisation of the instruments. APRA conducts regular reviews on its reporting standards, which range from post-implementation reviews to targeted reviews of specific standards or aspects of standards.

## ATTACHMENT A

### **Statement of Compatibility with Human Rights**

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

#### **Financial Sector (Collection of Data) (reporting standard) determination No. 13 to 22 of 2021**

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

#### **Overview of the Legislative Instrument**

The purpose of the instruments is to determine:

- *Reporting Standard SRS 101.0 Definitions for Superannuation Data Collections;*
- *Reporting Standard SRS 251.0 Insurance;*
- *Reporting Standard SRS 332.0 Expenses;*
- *Reporting Standard SRS 550.0 Asset Allocation;*
- *Reporting Standard SRS 605.0 RSE Structure;*
- *Reporting Standard SRS 606.0 RSE Profile;*
- *Reporting Standard SRS 611.0 Member Accounts;*
- *Reporting Standard SRS 705.0 Components of net return;*
- *Reporting Standard SRS 705.1 Investment Performance and Objectives; and*
- *Reporting Standard SRS 706.0 Fees and Costs.*

These reporting standards outlines the requirements for the provision of information to APRA relating to the superannuation products and business of RSE licensees.

#### **Human rights implications**

APRA has assessed the instrument and is of the view that it does not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment, the instrument is compatible with human rights.

#### **Conclusion**



The legislative instrument is compatible with human rights as it does not raise any human rights issues.