

28 March 2024

APRA
General Manager
Macro and Industry Insights Risk
Australian Prudential Regulation Authority
email: superdatatransformation@apra.gov.au

Dear Sir / Madam,

Australian Custodial Services Association Submission

The Australian Custodial Services Association (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients, and the market.

Collectively, the members of ACSA hold securities and investments in excess of AUD \$4.5 trillion in value in custody and under administration. Members of ACSA include NAB Asset Servicing, J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, Bank of New York Mellon, Citi, Clearstream, Netwealth and The Northern Trust Company.

While members of ACSA are not the subject of the regulation, many ACSA members are currently engaged by RSE's to assist in meeting their regulatory reporting obligations. This will typically utilise the accounting and valuation records maintained by the custodian (as investment administrator) for the fund. Accordingly, it is expected that ACSA members will continue to play a significant role in collecting and collating performance information, fees, and costs data to support clients' data needs including APRA reporting requirements.

ACSA welcomes further engagement with APRA throughout the Superannuation Data Transformation Please 2 Depth consultation. The over-riding principles should be that the data is fit for purpose, practicable to produce, based on standard data and calculation definitions, and be harmonised across regulatory agencies (in terms of data dictionary and reporting timelines).

SUMMARY

Our detailed response can be found in Attachment 1 split by draft return.

Key points from our review on the proposed new reporting requirements.

- Implementation timeline – from the release of the final regulation and reporting standards, industry will require a minimum of 12 months to build, test and deploy the final solution. What is critical within this process is that the regulations released are final requirements and no further changes or amendments will be released. Any change or amendment will have a downstream impact from end-to-end documentation of changes, solution through to the amendments to planned developments and operational readiness.

- Phase 2 Depth – across the new draft reporting standards, the level of data required for one single return involves multiple sources and data providers, this increases the complexity, build and ongoing maintenance of the solution. This will lead to increased costs to RSEs to implement this change, work with all their service providers to aggregate the data from the multiple sources.
- Reporting of indirect data – as we have seen within Phase 1 – Breadth of the SDT program, industry continues to face challenges with look through data, that being both receipt of data and/or the quality of the data. With the increased reporting requirements within the draft returns on the assumption that they relate to indirect held investments as opposed to internally managed investments, this challenge to receive the required look through data will continue. Issues will be faced with both quality and timeliness of data received.

Thank you again for the opportunity to participate in this consultation. Please contact me if you have any comments about this submission.

Yours sincerely

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About ACSA

www.acsa.com.au

Custodians provide a range of institutional services, with clients typically favouring a bundled approach to custody and investment administration. Solutions may include traditional custody and safekeeping, investment administration, foreign exchange, securities lending, tax and financial reporting, investment analytics (risk, compliance and performance reporting), investment operations middle office outsourcing and ancillary banking services.

These services represent key investment back-office functions – often representing the client’s asset book of record and essential source data in relation to the investments they hold.

The key sectors supported by ACSA members include large superannuation funds and investment managers, as well as other domestic and international institutions.

ACSA works with peer associations, regulators and other market participants on a pre-competitive basis to encourage standards, promote consistency, market reform and operating efficiency.

Note: The views expressed in this letter are prepared by ACSA for the purposes of consideration by Treasury in response to climate related financial disclosures and should not be relied upon for any other purpose. The comments in this letter do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.

Appendix

Please see attached template of items.

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
1	22-Feb-24	SRS 550.0, 551.0, 552.0 and 553.0	n/a	Authorisation	Section 12 in each reporting standard reads "When an officer or agent of an RSE licensee provides the information required by this Reporting Standard using an electronic format, the officer or must digitally sign the relevant information using a digital certificate acceptable to APRA. The officer or "what". this is an incomplete sentence.	Low
2	22-Feb-24	550.4, 553.0, 553.1	n/a	Valid Values Country of counterparty	Country Of counterparty". Will there be a published list of valid values? Currently Valid values are "applicable country name" . Will a detailed list of names or cades be provided ?	Medium
3	22-Feb-24	550.4, 553.0, 553.1	n/a	Valid Values - Country valid values	What should be reported if counterparty is a Multi-national? It is not practical to look at the contract to determine jurisdiction. Country of counterparty is available -	Low
4	22-Feb-24	All returns, al tables	n/a	Reporting basis and unit of measurement	Provision of instructions within all returns and tables within eqxh retun whereby look through is required	Low
5	22-Feb-24	553.0 Table 1, 553.0 Table 2	11	Country	New definition - SRF 101.0 now defines Country as the country of exposure, please provide further clarifications e.g. country of incorporation, country of issue	Medium

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
SRF 332.1 - Indirect Investment Costs						
1	22-Feb-24	332.1	n/a	Disclosure of custody fees	Disclosure of custody fees would result in disclosure of commercial sensitive information	High

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
SRF 550 Asset Allocation, SRF 551 and SRS 553						
1	22-Feb-24	SRS550.0	n/a	Reporting basis and unit of measurement	Footnote 6 on page 9 is only showing first line. This appears in full in the current SRS550.	Low
2	22-Feb-24	SRS550.0	n/a	Eligible Rollover Fund	References to ERF have been removed in the Introduction of SRS550.0 as well as in Reporting Forms SRF550.0, SRF550.1 and SRF550.2, but have been included in the new Reporting Forms SRF 550.3 and SRF550.4. Is this intentional or an oversight?	Low
SRF 550.3 - Derivative Transactions						
3	22-Feb-24	550.3	n/a	Valuation Basis - System of National Accounts vs AASB consistency	Valuation based on "2008 SNA is market prices". Currently valuations are based on Accounting Standards AASB13 <i>Fair Value</i> , for consistency the use of AASB is preferred	Medium
4	22-Feb-24		n/a	Market price not available use of careful estimates	Definition for "careful estimates" to be included in SRS 101	Medium
5	22-Feb-24	550.3	n/a	Consistency with AASB	"Do not use hedge accounting on SRF 550.3." Should this be defined as hedge accounting per AASB 9 <i>Financial Instruments</i> ?	Low
6	22-Feb-24	550.3	n/a	Definition of 2008 SNA	Define "2008 SNA is market prices" as "System of National Accounts 2008" in SRS 101	Low
7	22-Feb-24	550.3	n/a	Clarification of assets to be reported on an unconsolidated basis vs non look through	"SRF 550.3 assets to be reported on an non look through basis, SRF 550.3 are to be reported on an unconsolidated basis except where specified. Only assets held in internal trusts or wholly-owned investment (non-trading) subsidiaries are to be consolidated into the appropriate asset class." Definition required to distinguish between non look through and unconsolidated basis. examples of scenarios would be beneficial What is consolidation requirement vs look-through? Please provide a definition for consolidation	High
8	22-Feb-24	550.3, 550.4, 551.0, 553.1	various	Consistency of terminology "monetary"	"Monetary" is the specified valid value. Should this be replaced with "whole dollars" to be consistency with rest of SRS?	Low
9	22-Feb-24	550.3	N/A	550.3 v 550.2 alignment	There appears to be significant crossover with 550.2 with the main difference is splitting of net transactions in 550.2 between revaluations and derivative transactions amount. Is there an expectation that 'net transactions' reconciles to 'revaluations' and 'transaction' amounts. It would be useful if this could be clarified within the definitions.	Medium
10	22-Feb-24	550.3	14	Position Type at Transaction	What is expectation with regards to the 'Position type at transaction'? This refers to disclosure of positive or negative market value as the point of coupon receipt / payment. If multiple coupons received during the period on the same instrument and the MV is fluctuating between positive and negative that all coupons received when positive as grouped? There would be a challenge in identifying the market value at point of coupon / payment across large volume books of derivative positions.	High
11	22-Feb-24	550.3	n/a	Derivative movements reconciliation	What is the reason for excluding CCP / exchanges? Is the aim that opening market value plus derivative revaluations plus derivative transactions amount equals closing MV?	Medium
SRF 550.4 - Margining & Risk Mitigation for Non Centrally Cleared Transactions						
12	22-Feb-24	550.4	n/a	References to CPS 226	Define "CPS 226" as "Prudential Standard CPS 226 <i>Margining and risk mitigation for non-centrally cleared derivatives</i> "	Low
13	22-Feb-24	550.4 / 101	8, 12	Definition of CSA	"Report whether the counterparty is a covered counterparty with CPS 226 compliant CSA for Variation Margin." Define "CSA" as "Credit Support Annex"	Low
14	22-Feb-24	550.4	N/A	Collateral versus security alignment	Collateral is typically maintained at an account level so it is not always possible to align to specific positions. This would net off different derivative exposure types if multiple maintained.	High

SRF 551 - Liquidity

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
1	22-Feb-24	551 Table 1	1	Redeemable for Cash	The term redeemable for cash - is this to be determined per standard market settlement times ? Or under stressed conditions ?	High
2	22-Feb-24	551.0	1, 2	Non-cash settable assets	551 refers to "investment can be redeemed for cash". How are investments that are not cash settled treated? AASB7 refers to financial liabilities that are settled by delivering cash or another financial asset. For example an option may be exercised by delivering the underlying, rather than cash	High
3	22-Feb-24	551.0 Table 2	1	Investment options in scope	Confirm that where an investment option does not satisfy the criteria for a particular quarter that reporting is not required	Low
4	22-Feb-24	551.0 Table 3 & 4	10	NCDs reported twice?	Clarification as to why NCDS are a separate line item , and are to be reported at 9 as well as 10?	High
5	22-Feb-24	551.0 Table 3 & 4	10	Bank bills treatment	Are bank bills and promissory notes excluded from 10?	Medium
6	22-Feb-24	551.1 Table 1	3	Rebalancing	"Rebalancing" is required to be disclosed as a cashflow type. Rebalancing would have a nil cash impact at the RSE level (ie only relevant at the option level)	Low
7	22-Feb-24	551.1 Table 1 & 2	3	Other cashflow types	Other Funding is very broad and would include security buys & sells, dividends & coupons, expenses, et al	Medium
8	22-Feb-24	551.1 Table 1 & 2	5	Actual cashflows	Does "Actual Net Cash Inflows/(Outflows)" need to reconcile to any other reporting? Is it akin to a cashflow statement? Can it be reported simply as the movement in cash? Does it need to be reported via each of the categories at item 3?	Medium
9	22-Feb-24	551.1 Table 3	1	Valid values for FFX	Valid values are listed as <ul style="list-style-type: none"> Principal Positive Market Value of Foreign Currency Contracts Outstanding Negative Market Value of Foreign Currency Contracts Outstanding" Please explain what is required to be reported here: principal amount or market value? Or both on separate lines? this may need to be split out as 3 separates columns , principle, outstanding positive and outstanding negative	High
10	22-Feb-24	551.1 Table 3	1	Cross form validation FFX	Does the total of 551.1 Table 3 have to reconcile to 550.2?	Low
11	22-Feb-24	551	N/A	Lookthrough availability of data	Sourcing of data on a lookthrough basis with the expanded data set is likely to pose a manny challenges .Challenges comtiune with the current reporting, on ectenssion this will be magnified , especially within the internatioal markets	High
12	22-Feb-24	551	N/A	Lookthrough purpose	Should the disclosure for liquidity supply not be at the IV level as this is where the RSE is buying/selling investments, rather than the underlying assets held within the vehicle?	High
13	22-Feb-24	551 Table 3	N/A	Asset class characteristic granularity	Would it be possible to advise of the purpose of getting liquidity profile at this level of detail by asset class characteristic (e.g. assuming equities redeemable with 3 days, what would a split by market cap permit)?	Medium
14	22-Feb-24	551.0 Table 2 / 4	N/A	Options in scope	To confirm that options are only disclosed where they meet the criteria in a particular period (e.g. where allocation fluctuates around 20% - don't report on quarters below, just where breaches this and no historic reporting).	

SRS 552 Securities Subject to Repurchase and Resale and Stock Lending and Borrowing

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
1	22-Feb-24	552.0 Table 1, 101.0	4	Definition of One Name Paper	Suggest including (a non-exhaustive list of) examples of One Name Paper eg Promissory notes, Treasury notes and NCDs (see ABS website for list of examples)	Low
2	22-Feb-24	552.0 Table 1	1, 10	Collateral matching	How to match collateral by type of security loaned by counterparty. Does this need to be apportioned?	High
3	22-Feb-24	552.0 Table 1	9	Collateral and issuer type	ABS "types" are not stored in any available system	Medium
4	22-Feb-24	552.0 Table 2	1	Intermediary type	SRF 101.0 defines intermediary type as "Means a person or entity engaged by the RSE in the origination of new member accounts, such as Employer Sponsors and financial advisers." What is the intention on 552.0? Is this the securities lending agent?	Medium
5	22-Feb-24	552.0 Table 3	1	Reinvestment of collateral	What is the intent of column 1 "instrument type". For example, if cash is reinvested in a reverse repo, is the reverse repo listed as the security type, or is the underlying pool of assets in the reverse repo required to be disclosed?	High

SRS 533 Investment Exposure

REF#	DATE RAISED	FORM / TABLE	COLUMN REF	DESCRIPTION	ISSUE	PRIORITY (H/M/L)
1	22-Feb-24	553.0 Table 1, 553.0 Table 2	Various	Total investments of the RSE	The table must be completed for directly held exposures that represents at least one percent of the total investments of the RSE, does total investments excludes derivatives?	Medium
2	22-Feb-24	553.0 Table 2	6	Service Provider Identifier	What is considered as the Fund Manager identifier? AFSL?	Low
3	22-Feb-24	553.0 Table 2	22, 23	Redemption Frequency, Restricted Redemptions	Is it on non look through basis?	Low
4	22-Feb-24	553.1		Directly held unlisted investments	Report directly held single assets only. Report investment vehicles that hold single assets in SRF 553.1 Table 2. Further clarification required - one-liner unit trust?	Low
5	22-Feb-24	553	Various	Holding Type	Though certain data points are available as part of other reporting standards, the applications of investment types seem to be different. SRF 530.0 and SRF 532.0 require reporting for Directly Held and Indirectly Held levels whereas SRF 553.0 requires further breakdowns. Please provide illustrations for below. 1. 553.0 Table 1 - Directly Held - Listed Exposures and Liquid Unlisted Exposures: the table name suggests that liquid unlisted investments are included. However unlisted investments are included as indirectly held investments per definition "Indirectly Held means an investment made via an investment vehicle", please clarify what would be the example of liquid unlisted exposures under this category? 2. 553.1 Table 1 - Directly Held - Unlisted Investments: report directly held unlisted investments, report directly held single assets only, report investment vehicles that hold single assets. Apply the same definition as point 1, please clarify.	High
6	22-Feb-24	553.1,		Fair Value Hierarchy	Level 3 assets are reported and audited as part of Financial Statements audit. They are not typically made available on quarterly basis.	High
7	22-Feb-24	553		Objective of this reporting standard	The second paragraph in the Objective reads "It includes Reporting Form SRF 552.0 Investment Exposure Concentrations and Valuations, and associated specific instructions." Given the standard is SRS 553.0, shouldn't the reporting form also be SRF 553.0?	Low
8	22-Feb-24	553.1 Table 1	7	Investment Listing Type	This table is for "Directly held - Unlisted Investments". If that is the case, wouldn't the Listing type be "Unlisted" for all assets reported and mean the column is not required?	High
9	22-Feb-24	553.1 Table 1	6	Service Provider Identifier	The description for what constitutes a "Service Provider Identifier" is incomplete, it currently reads "Report the service provider identifier of the investment manager. Where internally managed, report" What should be reported where internally managed?	Low
10	22-Feb-24	553.1 Table 3 and 553.2 Table 3	various	International Region Exposure	SRF553.1 Column 12 reads "Mid East Or Africa Region" SRF553.2 reads "Mid East Africa Region" Should these be the same? Which is correct?	Low
11	22-Feb-24	553.0 Table 1	5	Currency exposure, not available	The list of valid values for "Investment Strategic Sector Type" does not match the valid values in SRF 550.0 Table 1 SAA	High
12	22-Feb-24	553.0 Table 1	6	Currency exposure	The list of valid values for "Investment Asset Class Sector Type" does not match the valid values in SRF 550.0 Table 2 Actual Asset Allocation	High
13	22-Feb-24	553.0 Table 2		FV level 3 assets	ok through	High
14	22-Feb-24	553.0 Table 2	17	External audit	Audit reports and financial statements don't specify which accounting standards are complied with. Rather the Director's declaration and audit report states that the financial statements have been prepared in accordance with accounting standards	Medium
15	22-Feb-24	553.1 Table 3, 553.2 Table 3	12	International Region Exposure vs Country	Valid values are listed as "Global" • Americas Region • Asia Region • Europe Region • Mid East Or Africa Region • Oceania Region • Individual Country" Please explain what is required to be reported here: region or country? Or both on separate lines?	High
16	22-Feb-24	553.2 Table 3	3	International Region Exposure vs Country	"Report the country of investment. Report 'not applicable' if the international region exposure reported in column 2 is Global, Americas region, Asia region, Europe region, Mid East / Africa region or Oceania region." What are some examples of countries that don't fit within a region	Medium
17	28-Mar-24	553.0 Various	Various	Internal Investment Identifier	SRS 101.0 defines the Internal Investment Identifier as being "a unique identifier <u>created by the RSE licensee</u> " which " <u>cannot change so long as the investment exists</u> ". RSE licensees may rely on identifiers in place with service providers, such as custodians, for this information rather than generating it themselves. Where an RSE licensee changes service providers, these identifiers would change and historical identifiers would not typically be maintained by the new service provider. Please could APRA confirm whether it would be appropriate for licensees to rely on service provider identifiers in this scenario and confirm expectations should service providers change.	High
18	28-Mar-24	553.0 Various	Various	Internal Investment Identifier / Type	Industry standard identifiers as defined within the list of Investment Identifier Types (ISIN, CUSIP etc.) may not be available for various assets, in particular unlisted holdings. Where an identifier cannot be sourced based on the list of Investment Identifier Types, please could APRA confirm whether the expectation for disclosure within the Investment Identifier Type and Investment Identifier columns in the form?	High