

5/04/2024

General Manager
Macro and Industry Insights
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
Sydney NSW 2000

Via email: superdatatransformation@apra.gov.au

Dear General Manager,

Re: Superannuation Data Transformation publications and confidentiality consultation

AustralianSuper welcomes the opportunity to provide feedback on the Australian Prudential Regulation Authority's (APRA's) Superannuation Data Transformation (SDT) Phase 2.

AustralianSuper is Australia's largest superannuation fund, with over 3.3 million members, and over \$317bn in member assets under management. We are the custodians of the retirement savings of one in 7 working Australians. Our purpose is to help members achieve their best financial position in retirement.

Utilising data that funds already hold

We support the need to collect sufficient data to inform effective supervision to maintain the safety and soundness of financial institutions. We believe that this can be achieved through utilising data that funds already hold and use internally. Attachments 2 and 3 of our submission set out where we believe APRA may have deviated from data already in use by funds and requested the generation of duplicative data with limited utility beyond reporting.

Commercial information

As Australia's largest superannuation fund, we aim to maintain the highest standards of governance and support members' trust by being as open and transparent as possible. The 2023 Global Pension Transparency Benchmark report rated AustralianSuper third overall out of 75 funds globally. We continue to be an industry leader when it comes to the provision of clear, usable, and transparent information about our operations and investment holdings.

AustralianSuper is a champion of transparency. For example, we pioneered portfolio holdings disclosure before it was a regulatory requirement due to its alignment to member interests.

However, we are concerned that this additional collection of predominately commercial data is accompanied by a subsequent later consultation on the potential release of the sensitive data. It is important that the public benefit of enhanced transparency and reporting be clearly articulated. More often publicly releasing data can and will have a significant public benefit, it also promotes openness and accountability. There will however also be situations where this impacts members' best financial interests. In this instance, some of the information is commercially sensitive and can erode negotiating positions with contractors or undermine competitive pricing of assets.

When determining what is publicly released, APRA should also apply the principle of competitive neutrality. Financially material information can place Australian superannuation funds at a competitive disadvantage when competing with global and domestic investment funds not subject to the same requirements.

Should you have any questions, please contact

Yours sincerely,

Chief Financial Officer

Attachments:

Attachment 1: Overall Comments

Attachment 2: Detailed Comments on Proposed Reporting Standards

Attachment 3: Detailed Comments on Proposed Reporting Forms

1 Attachment 1: Overall Comments

1.1 Commerciality and international competitiveness

We acknowledge APRA's commitment to 'consult on proposals for the confidentiality and publication of data after the proposed reporting standards have been determined'. If APRA intends to release any data covered in these reporting standards, APRA should consult before it occurs.

It is important to note that:

- The release of certain data may make asset managers less willing to provide services to the Australian market: an outcome which would be adverse for members; and
- The release of data in a disaggregated form could lead to the release of commercially sensitive information, resulting in sub-optimal member outcomes.

AustralianSuper recognises and supports the need for transparency while also being an active participant in the international funds management community. Anything that makes it less appealing to accept a mandate from an Australian superannuation fund, such as disclosing highly commercial management fees and costs (SRF 332.1 *Indirect Investment Costs*), will impact retirement outcomes as the potential downside will be incorporated into the asset managers' pricing strategy. APRA should consider the balance of providing sufficient information against the hypercompetitive and inherently restricted international funds management industry.

1.2 Fit-for-purpose data requests and definitions

To minimise compliance costs APRA definitions and data requested as part of the proposed reporting standards should align with pre-existing data classifications and industry practice.

For example, data used for liquidity management is sourced from a fund's daily Investment Book or Record (IBOR) while data used for financial reporting, and some existing APRA reporting (e.g. SRS 550) is based on a fund's periodic (e.g. month-end) Accounting Book of Record ("ABOR"). In this case, allowing IBOR data to be used for the purpose of the proposed SRS 551.0 *Liquidity*, would significantly reduce the level of additional effort required of funds in providing this data to APRA.

Another area of possible alignment between data used by funds on a day-to-day basis for operations, such as liquidity management and valuation, and APRA's data requests is to clarify vague definitions, and align definitions and units of account to existing industry practice. Some key examples of proposed changes to concepts, terms or definitions have been outlined below, with references to detailed discussions in other sections on this letter.

Topic	Concept, Term or Definition	Detailed proposal
RSE Structure and Profile	Sub-fund	Section 2.2.1
Liquidity	Worst case scenario	Section 2.3.2
Liquidity	Separation of Member cash flows and Investment cash flows	Section 2.3.3
Liquidity	Redeemable for cash	More clarity and guidance on application of this new term
Valuations	Use of Internally managed versus Externally managed instead of APRA's existing concepts of Directly held versus Indirectly held	Section 2.4.2
Valuation	Use of Investment exposures instead of look-through individual investments for unlisted investments	Section 2.4.3

Securities subject to repurchase and resale, and securities lending and borrowing

Collateral allocation at a total counterparty level

Section 2.5.1

1.3 Discontinuation of superseded Reporting Forms

Some of APRA’s proposed reporting standards gather additional or enhanced data to what is collected via some existing reporting forms. To minimise the duplication of effort, we propose that APRA set out clear discontinuation dates for the following existing forms that will be superseded by proposed SDT Phase 2 reporting forms.

Form	Form Name	Frequency
SRF 001.0	Profile and Structure (Baseline)	Annual
SRF 532.0	Investment Exposure Concentrations	Quarterly
SRF 535.0	Securities Lending	Annual
SRF 600.0	Profile and Structure (RSE Licensee)	Annual
SRF 601.0	Profile and Structure (RSE)	Annual
SRF 721.0	ABS Securities Subject to Repurchase and Resale and Stock Lending and Borrowing	Quarterly
SRF 722.0	ABS Derivatives Schedule	Quarterly

Based on the implementation timeline outlined by APRA for SDT Phase 2, AustralianSuper’s view is that the final reporting period for these forms should be **30 June 2025**.

1.4 A move to business day reporting

The proposed additional reporting as part of SDT Phase 2, noting it is the first of four releases under Phase 2, represents a significant increase in information reporting requirements compared to existing APRA reporting requirements. This increase in the volume of data is accompanied by a shorter turnaround time due to the use of calendar days. This pressure is particularly acute during the December and March quarterly reporting periods (i.e. January and April) where several public holidays further reduce the business days available to funds to collect, prepare and review this information prior to lodgement with APRA.

In order to allow funds sufficient time to accurately prepare and review reporting to APRA, including the ability to consistently plan activities each quarter, we propose that APRA moves to business day reporting (similar to EFS reporting deadlines for ADIs) instead of the current calendar day reporting requirements. This would also align with funds’ existing service level agreements with custodians, administrators and other third parties that provide information following each quarter end, which are based on business day reporting deadlines.

2 Attachment 2: Detailed Comments on Proposed Reporting Standards

2.1 RSE licensee profile (SRS 604.0)

2.1.1 Consistent reporting deadlines for ad-hoc forms

We propose for SRF 604.0 Table 3B *RSE Licensee – Other Directorships* to be aligned with the due date of other existing ad-hoc APRA reporting forms, which is within 28 calendar days after the end of the calendar quarter in which the change occurred. This will provide funds sufficient time to accurately provide information to APRA and allow consistency across ad-hoc APRA reporting processes.

2.2 RSE profile (SRS 607.0, SRS 605.0, SRS 606.0 and SRS 251.0)

2.2.1 Clarity on the definition of sub-fund and applicability to AustralianSuper

As currently defined in the proposed reporting standards, AustralianSuper’s view is that no ‘sub-funds’ exist in relation to employer sponsors and no such identification is currently in place. Furthermore, ‘promoters’ are not applicable to AustralianSuper.

There are no differences in administration or other fees across all AustralianSuper members regardless of employer sponsor.

2.3 Investments – Liquidity (SRS 551.0)

2.3.1 IBOR vs. ABOR

As outlined in section 1.2, we propose that APRA allow funds to use existing daily IBOR data, which is used by funds for liquidity management purposed, instead of month-end ABOR data used to populate certain other quarterly APRA reporting forms.

2.3.2 Worst case scenario

Based on industry discussions and discussions with APRA, we propose a definition of ‘worst case scenario’ as ‘a severe but plausible scenario, which would be the most severe plausible stress test run during the relevant time period’. This is based on our understanding that APRA is not looking to have an industry-wide consistent worst case scenario each quarter. If this is not the case, we encourage APRA to prescribe specific liquidity testing scenarios for superannuation funds, similar to the approach taken with ADIs, so that the information provided across funds is consistent.

2.3.3 Separating member flows from investment flows and rationalising tables

We recommend separating the member cash flows and investment cash flows for reporting at both the RSE and investment option levels. Investment cash flows (e.g. derivative margining and foreign currency contracts settlements) are managed at the investment option level and not at product level.

We propose the SRF 551.1 Table 1 and 2 to be separated as follows:

Table	AustralianSuper proposal
SRF 551.1 Table 1	RSE – Member Cash Flows
SRF 551.1 Table 2	RSE – Investment Cash Flows
SRF 551.1 Table 3	Investment Option – Member Cash Flows
SRF 551.1 Table 4	Investment Option – Investment Cash Flows

The proposed superannuation product phase type reporting can be retained for the proposed member cash flows tables (Tables 1 and 3 above). However, based on the rationale in Section 2.3.4, we recommend changing the reporting of superannuation phase type to Taxed (Accumulation and Transition to Retirement (TTR)) and Untaxed (Retirement) for the proposed Tables 2 and 4 above as these are more representative of investment cash flows.

In addition, we propose the introduction of additional member cash flow types and investment cash flow types to cater to the separation of member and investment cash flows into separate tables.

2.3.4 Product level information vs. investment option level information

Reporting investment cash flows at product level will not be feasible without making an apportionment potentially based on members’ assets (SRF 606.0 *RSE Profile*), which is an inaccurate representation of actual investment cash flows. Subject to our comments in Section 2.3.3, we propose that investment product level information (e.g. Accumulation Balanced Option, TTR Balanced Option, and Retirement Balanced Option) is only collected in member cash flows tables.

In the investment cash flows tables, we propose that APRA collect cash flows based on an investment option level information (e.g. Total Accumulation (including TTR) Balanced Option, and Retirement Balanced Option) as investments are polled across taxed investment products of the same options (i.e. Accumulation and TTR Balanced option investments are managed together). This could be achieved through a ‘Taxation Type’ column in the investment cash flows tables instead of a ‘Product Phase Type’ column.

2.3.5 SRF 551.3 Table 1 – reporting on at an asset class, listing and domicile level

APRA proposes to establish reporting on the estimated order of asset liquidation at an individual security level. This does not reflect the reality of a liquidation order in a stressed scenario. In addition, the production of a security level estimated order of liquidation solely for APRA reporting purposes is unlikely to reflect how AustralianSuper would respond to a liquidity event, given our real-time considerations of available market liquidity for individual securities. Security level information related to

liquidity also contains market-sensitive and confidential information, that if released would not be in the best financial interests of members and the market as a whole.

Instead, we propose that APRA considers this reporting at a listing, asset class, and domicile level as defined in SRS 101.0 *Definitions for Superannuation Data Collections* (e.g. Listed Equities International), with a potential additional column for an additional sub-category at an individual fund’s discretion (e.g. Listed Equities International Developed Markets, and Listed Equities International Emerging Markets).

2.4 Investments – Investment Exposure Concentrations and Valuations (SRS 553.0)

2.4.1 Materiality

We propose amending the materiality threshold for material exposures (SRF 553.0 Table 1 and Table 2) and Investment Vehicle Exposures (SRF 553.2 Table 2) to ‘\$500m or 0.5% of RSE assets, whichever is higher’. We believe that this will provide APRA with a sufficient level of information on material exposures without imposing a significant burden on funds. The number of expected records in SRF 553.0 Table 1 under various materiality thresholds are shown below:

Materiality Threshold	Number of records
>\$50m	315
>\$500m	68
>0.5% of RSE assets	17

In addition, we recommend introducing a materiality threshold for reporting unlisted exposures (SRF 553.1), and out of cycle valuations (SRF 553.3 Table 1). This threshold should capture (in order of AustralianSuper’s preference):

- The top 20 investments / exposures;
- All investment exposures that are greater than \$500m or 0.5% of RSE assets, whichever is higher; or
- All investment exposures that are greater than a specified percentage (i.e. 0.25%-0.5%) of RSE assets.

Based on detailed AustralianSuper data shared directly with APRA during the consultation process, we believe that such a level of materiality would strike an appropriate balance between meeting APRA’s information needs and not creating a reporting burden on funds.

2.4.2 Internally managed vs. Externally managed investments

APRA’s existing definitions of ‘directly held’ and ‘indirectly held’ are less applicable to unlisted investment exposures and valuations. Instead, we propose that for SRS 553.0 purposes, unlisted investment exposures are classified as either ‘internally managed’ or ‘externally managed’ as this is the key determinant of the level of valuation information available on material unlisted exposures.

We propose the SRF 553.1 Tables use this classification as follows:

Table	AustralianSuper proposal
SRF 553.1 Table 1	Internally managed – Unlisted investments
SRF 553.1 Table 2	Externally managed – Unlisted investments*
SRF 553.1 Table 3	Externally managed – Unlisted investments (Valuation)*

*We also propose merging Tables 2 and 3 to one table containing details of all material externally managed unlisted investments.

We propose that the definitions of internally managed investments and externally managed investments should be consistent with the existing guidance on these terms used within the Portfolio Holdings Disclosure. The *Corporations Amendment (Portfolio Holdings Disclosure) Regulations 2021 (F2021L01531) Explanatory Statement* contains this guidance.

2.4.3 Investment exposures rather than look-through individual investments for Unlisted Investments

The unit of account is an important consideration in the valuation of unlisted investment exposures. Generally, unlisted investments are valued at an overall investment exposure level (e.g. exposure to an unlisted port), rather than by looking through to individual investment vehicles and instruments. This is because a single exposure could be held through different investment vehicles and instruments (e.g. an exposure to an unlisted port could be held across ordinary equity, preference shares, and shareholder loans notes), but the entire exposure is subject to valuation, and the entire exposure is then allocated to investment options (e.g. as unlisted infrastructure).

Therefore, we propose that investment exposures are considered the unit of account for the internally managed unlisted investments in SRS 553.0. For externally managed unlisted investments in SRS 553.0, the unit of account should be at the fund / investment vehicle level (e.g. a private equity investment fund level – i.e. if several PE funds / investment vehicles are held with the same external investment manager, each fund / investment vehicle would be reported separately).

2.4.4 SRF 553.3 Table 2 Fair Value Hierarchy

The categorisation of data to be collected via this form seeks to align fair value hierarchy information with categories within SRS 550.0 *Asset Allocation*, which is different to current financial reporting of the fair value hierarchy of investments within a typical superfunds annual financial report. Considering the challenges outlined in Section 1.2 related to producing SRS 550 data, AustralianSuper proposes for APRA's data collection to align with existing financial reporting requirements to reduce the duplication of effort by funds and for consistency with existing publicly available information on fair value hierarchy.

2.4.5 SRF 553.3 Table 3 Investment Option Valuation Approach

AustralianSuper is unclear as to APRA's intentions behind the information required to be collected within SRF 553.3 Table 3 *Investment Option Valuation Approach*. This table appears to request information related to both liquidity and valuation of investment options based on timing frequencies; however, this spans across the different concepts of transaction frequency, pricing, and valuation. Furthermore, this table appears to be using transaction frequency as a proxy for pricing and / or valuation, which does not present an accurate view. We are open to engaging with APRA to better understand the intention behind the information required within this table and participate in further industry discussions related to this table.

We understand APRA's need to collect the information in columns 2 *Member Transaction Frequency*, 4 *Approach to Earning Attribution*, 5 *Pricing type (application/redemption)*, 6 *Pricing type (switching)*, 7 *Buy/sell spread*, and 9 *Liquidity Provider Type* at an option level; however, this information may be better suited via collection in SRF 605.0 Table 3 *Investment Options* as this information would remain relatively static.

2.5 Investments – Securities Subject to Repurchase and Resale and Securities Lending and Borrowing (SRS 552.0)

2.5.1 Collateral allocation to counterparties at a total counterparty level

AustralianSuper, in conjunction with our custodian, manages and allocates collateral to each counterparty at a total counterparty level, rather than at a security level. Any allocation of collateral to a security level would require significant manual effort (initially) by both AustralianSuper and our custodian solely for APRA reporting purposes. As such, we propose that collateral information is collected at a total counterparty level.

2.6 Investments – Derivative Transactions (SRS 550.0)

2.6.1 Application and Valuation Expectations

We recommend APRA provide clarity and worked examples on how funds should report the 'Position Type at Transaction' required in Column 14 of SRF 550.3 *Derivative Transactions*. The proposed standard requires the market value position type of the derivative at the point of coupon receipt / payment to be reported; however, it is unclear how this should be applied where there are fluctuations in the market value during the reporting period and where there are multiple transactions.

For example, where a market value switches from positive to negative during the period and there are multiple transactions during this period, it is unclear if funds would be expected to obtain a market value for each transaction date during the period

to meet the proposed requirements. Meeting such an expectation would be challenging as it would require isolating and reporting on detailed daily information for individual derivatives. In such an instance, we would recommend that APRA allow funds to allocate the position type at transaction based on the market value on the coupon receipt / payment date of the latest transaction in the period or based on the closing market value.

It is also unclear how 'Position Type at Transaction' should be treated for new derivatives reported in the period given their market value at inception will be zero. We propose that funds are allowed to report 'Not Applicable' in such situations.

2.7 RSE indirect investment costs (SRS 332.0)

2.7.1 Scope and consistency

We propose amendments to SRS 332.0 and / or SRS 101.0 to provide clarity around the scope of the types of costs that should be included within indirect investment costs (SRF 332.1) and the consistency of the scope of included costs and cost categories with:

- Investment fees and costs and transaction cost categories within ASIC Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements*;
- Fees and costs disclosed in existing reporting of components of net return (SRF 705.0); and ☐ Expenses disclosed in SRF 332.0 Table 3 *Investment management expenses*.

2.8 RSE licensee financial statement (SRS 340.0)

See Attachment 3.

2.9 Definitions (SRS 101.0)

Our comments and proposals related to SRS 101.0 have been included Section 1.2 and throughout the rest of this submission.

3 Attachment 3: Detailed Comments on Proposed Reporting Forms

We have included detailed feedback on specific tables and columns below to be considered in conjunction with the overall comments provided in the sections above.

	Reporting Form	Table	Column(s)	AustralianSuper Feedback
1	SRF 340.0 <i>RSE Licensee Financial Statements</i>	Table 4: Related Party Transactions	4	We propose that the 'service types' be expanded to cater to income received by the RSE licensee (e.g. reimbursements by the RSE to the RSE licensee related to Directors' fees).
2	SRF 550.3 <i>Derivative Transactions</i>	Table 1: Derivative Transactions	All	Requirements of 550.3 <i>Derivative Transactions</i> overlap with requirements of SRF 550.2 <i>Derivatives and Counterparties</i> . We propose SRF 550.2 be amended to remove duplicate requirements.
3	SRF 551.1 <i>Liquidity Demand</i>	Table 4 Member Switching Transactions and Applications/Redemptions	2	In line with our comments in Section 2.3.4, we propose to change the Superannuation Product Phase Type to 'Taxation Type' as Taxed (Accumulation and TTR) and Untaxed (Retirement) as Accumulation and TTR products are invested in the same taxed phase investment options.
4	SRF 553.1 <i>Unlisted Exposures</i>	Table 1: Directly Held - Unlisted Investments	1, 2, 6 to 11	Consistent with our comments in Section 2.4.2 and 2.4.3, we recommend: <ul style="list-style-type: none"> Reassessing columns 1 and 2; Removing columns 6 to 11; and Adding the 'Investment Strategic Sector Listing Type' and 'Investment Strategic Sector Domicile Type' to align with the investment exposure's asset allocation as a whole.
5	SRF 553.1 <i>Unlisted Exposures</i>	Table 2: Indirectly Held - Unlisted Investments	14	We propose adding a 'Not Applicable' enumeration to Redemption Frequency to allow reporting of investments in wind down or liquidation.
6	SRF 553.1 <i>Unlisted Exposures</i>	Table 3: Indirectly Held - Unlisted Investments (Valuations)	1, 2, 6 to 13	Consistent with our comments in Section 2.4.2 and 2.4.3, we recommend: <ul style="list-style-type: none"> Reassessing columns 1 and 2; Removing columns 6 to 13; and Adding the 'Investment Strategic Sector Listing Type' and 'Investment Strategic Sector Domicile Type' to align with the investment exposure's asset allocation as a whole.
7	SRF 553.1 <i>Unlisted Exposures</i>	Table 3: Indirectly Held - Unlisted Investments (Valuations)	21 to 24	We propose adding a 'Multiple' enumeration to Valuer Name, Valuation Approach, and Valuation Method to allow reporting of multiple valuers appointed by the external managers. We propose adding a 'Not Available' enumeration to Valuer Name, Valuation Approach, Valuation Method, and Change in Valuation Approach or Methodology, to allow for where information on valuers is not available at the reporting date. This would be the case if information on investment exposures other than those considered material as outlined in Section 2.4.1 is required.

