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To: General Manager, Macro and Industry Insights

Discussion paper – Superannuation Data Transformation (SDT) Phase 2 "Depth"

RegCentric is a leading software and consultancy services provider to the superannuation industry, specialising in all facets of APRA Reporting. We support the superannuation industry by holding quarterly APRA reporting discussion groups which are attended by hundreds of APRA reporting specialists throughout the year.

APRA released a discussion paper for SDT phase 2 on 30th November 2023. This discussion paper sets out APRA's proposals to enhance its data collection from the superannuation industry.

APRA's SDT phase 2, "Depth", consultation builds on existing collections to collect more data needed to further support APRA's supervision of the industry in the following areas:

- **Trustee profile** – by seeking enhanced data on the business model and structure of the trustees, trustee boards and board committees.
- **Superannuation fund profile** – to have more detail understanding of product distribution arrangements between funds and intermediaries (employer sponsors and promotors)
- **Investments** – by capturing new data to analyse and assess investment governance and exposure to liquidity and valuation risk.
- **Indirect Investment costs** – seek new data on total annual indirect investment costs associated with each investment manager. This will bridge the gap in APRA's data on investment expenses.
- **Financial statements** – to help APRA understand the flow of monies within superannuation trustees and the superannuation system and support assessment of financial resilience.

RegCentric welcomes APRA's Superannuation Data Transformation to enhance industry transparency and accountability by upgrading the breadth, depth and quality of its superannuation data collection.

RegCentric would like to provide feedback as a software provider as well as a consulting services provider on release 1 of SDT Phase 2.

SCOPE

In April 2022, APRA outlined its proposed scope of Phase 2 and a staged consultation process across 4 releases.

APRA's current consultation includes various topic areas previously identified in release 1 and release 2 (source: Response Paper: Superannuation Data Transformation Project Phase 2, August 2022).

The industry is keen to understand the updated planned timetable for Release 2/3/4 of Phase 2 as quickly as possible, so all participants can continue to incorporate this important program into annual budgets and plans which are being finalised shortly. This ongoing uncertainty can delay decision making.

Super fund attendees at our roundtables have generally supported a position of sequencing the consultation for each new release until after the previous release is fully implemented. That being said, we do appreciate APRA's need for additional data to support its ongoing supervision of the industry.

TIMELINE

Subject to consultation feedback, APRA proposes that the first reporting reference period is 30 June 2025 for annual reporting and 30 September 2025 for quarterly reporting with due dates in November 2025 and December 2025 respectively.

We note that even though reporting doesn't start until 30 June 2025, some data effectively needs to be collected from 1 July 2024.

While we understand the need for APRA to have additional data to better regulate the industry, we believe that both APRA and the industry will be challenged by the proposed timeline. It contains no slack to cater for delays which tend to be inevitable for change of this size. Our recommendation is to confirm the effective date based on the release of finalised reporting standards and allow for at least 15 months from that date; i.e. if APRA releases finalised reporting standards in September 2024, the effective date should not be before December 2025.

PILOT DATA

We understand that some larger funds are participating in the Pilot Data scheme.

As much as possible, we would recommend including a broad section of the superannuation industry, including wrap providers, medium and small funds to better inform APRA of some of the challenges faced by standardisation of reporting to the regulator.

We also note that the consultation closes prior to the completion of the Pilot Data program which means that Pilot Participants will not be able to provide all learnings to APRA within the consultation period.

However, we understand APRA will accept further additional feedback to incorporate all learnings from the Pilot.

DUPLICATE REPORTING

We know that the industry supports the prompt removal of duplicated standards, as duplicate reporting is a source of compliance burden and additional cost. It would be helpful if timeframes to remove duplicated standards could be made as new standards are introduced.

READY? – SET? – GO!

In other parts of the industry, APRA has introduced a "Ready? – Set? – Go!" approach, with extended reporting deadlines and reduced data quality expectations in the "Ready?" and "Set?" reporting cycle, to allow for both APRA and the industry to better prepare for the new reporting requirements. We would encourage APRA to apply a consistent approach across industries when introducing new reporting standards. For example, this table is part of APRA's consultation for ARS 117 - Interest Rate Risk in the Banking Book, applicable to ADIs:

APRA's Expectations	Ready? 1st APRA Connect Reporting Period 30 June 2025	Set? 2nd APRA Connect Reporting Period 30 September 2025	Go! (Live) 31 December 2025 Reporting Period
Due Date	+ 40 Business Days	+ 40 Business Days	+35 Calendar Days
Expected level of compliance with the standards	Best endeavours	Material[3]	Complete
May use test systems	Yes	Yes	No
Completeness of data sets	Some gaps permitted	Complete data required but may not be reconciled	Complete, reconciled data
Subject to APS 310 requirements	No	No	Yes
Signed off by accountable executive	No	No	Yes

We recommend APRA apply this approach to SDT forms, with a decommissioning of relevant D2A forms at the "Go!" reporting period.

KNOWLEDGE MANAGEMENT

We recommend that APRA have an increased focus on supporting the industry with change through improved communications and website materials. APRA reporting specialists at the moment must review standards, guides, frequently asked questions, APRA letters to the industry and discussion papers which makes it challenging for industry participants to have a holistic view of APRA reporting requirements.

APRA CONNECT PERFORMANCE AND END TO END AUTOMATION

Industry has faced challenges in making timely submissions as APRA's systems have struggled to process the reports being submitted. As a software provider, we would be happy to explore how we can support improved performance by looking at technical opportunities to reduce submission timeframes.

One technical solution may be for an API direct connection from software providers to APRA. This has been under consideration for a number of years, however we are not yet aware of a plan to make this available to all software providers. It is important that APRA maintain a level playing field for all.

SUBMISSION SUPPORT AND FACILITATING CONTINUOUS IMPROVEMENT

To support timely submission, we recommend APRA provide a heightened support service in the lead up to deadlines through a dedicated phone service or email service.

We recommend APRA consider establishing an Operational Forum where operational level concerns can be raised, perhaps post each quarterly submission period where a post submission review can be completed.

ONGOING SUBMISSION TIMEFRAMES

The industry would benefit from submission timelines being prescribed by business days.

Successful APRA Reporting relies on many parts of the industry (investment managers, custodians, administrators, trustees) working together to provide information through to APRA in the format required. Existing agreements to supply data are all based on business days; so multiple public holidays have the potential to adversely affect the timeline to complete reporting. This is most prevalent in January and April of each year when multiple national and state holidays affect the reporting timeline.

TAXONOMY ARTEFACTS

All industry participants and their service providers require the taxonomy artefacts during the implementation phase of the project. We recommend APRA releases its draft taxonomy artefacts together with the finalised reporting standards.

Since the introduction of APRA Connect in September 2021, we have observed inconsistencies in the structure of APRA Connect taxonomies between ADI's, Insurance and Superannuation; and recommend that APRA strives for a consistent application of taxonomy across industries. For example, to align the use of Keys and Labels for enumerations.

LIQUIDITY – SRS 551.0

Fundamentally, the approach proposed to capture liquidity is not in line with how many funds approach and report on liquidity internally, so this information will mainly be produced for reporting to APRA.

- In relation to Liquid Assets, there is complexity in classifications and further guidance from APRA would assist the industry in ensuring that liquidity in assets is classified consistently.
    - For example, a portion of a strategic holding in an ASX listed company could be considered highly liquid even though redeeming the whole asset may take a much longer period than redeeming part of the asset. It is unclear how to best report this through to APRA.
- Super funds are considering applying different levels of sophistication as to how to classify assets:
    - is the asset class sufficient to apply the time to liquidate; or
    - should funds be investigating actual liquidity by factoring in consideration of things such as daily share trading volume?
- Classifying assets at the individual asset level will require significant effort, if this is the expectation.
- Liquidity supply may be limited by disclosures made in Product Disclosure Statements which needs to be considered.
- Liquidity Demand - many funds do not look at the Superannuation Product Phase Type in the manner proposed in the Liquidity Demand tables.
- APRA may benefit from more consistent data by providing additional guidance on scenarios for stress testing.
- Providing the data in the format proposed in Table 3 will not be possible in the timeframe proposed. More co-design of this format should enable the data necessary

to be provided but not all of the fields proposed due to the level of manual intervention required.

INVESTMENT EXPOSURE CONCENTRATIONS AND VALUATIONS – SRS 553.0

- In terms of the scope of the proposed reporting:
    - the proposed approach will require a significant effort to report.
    - a more flexible approach to materiality could simplify reporting for funds while still providing APRA with the information they need to assess risk across the entire industry.
    - some funds mentioned a simpler approach may be to require reporting of the Top 20, or perhaps this number could be dependent on total holdings. This would align to APRA's large exposure reporting in the banking industry.
- Additional guidance for valuations will ensure the industry reports better in line with APRA's expectations.
- The proposed approach requires the reporting of a significant amount of new information, and in particular for indirectly held unlisted assets, this will be complex to collect and report. More co-design in relation to this may lead to a more sustainable approach for super funds that still meets APRA's requirement for additional data.
- It may be equally effective to approach the collections for directly and indirectly held investments differently.
    - For example,
        - a quantitative approach to the data collection for internally managed investments as the governance is completed by super funds; and
        - a qualitative approach to the data collection for externally managed investments as the governance is completed externally.
- This type of different approach may give APRA the assurance it requires without the need for comprehensive, granular, data collections.

We appreciate that designing regulatory collections is complex, and would like to take this opportunity to thank APRA, and the SDT team for its ongoing public consultations. We would welcome further discussion on our feedback. Please don't hesitate to contact [redacted] via email at [redacted].

Yours Faithfully

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