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Mr Pat Brennan
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Dear Mr Brennan,

CONSULTATION ON PROPOSED AUSTRALIAN BUREAU OF STATISTICS ('ABS') REPORTING
SRS 720.0 ABS Statement of Financial Position
SRS 721.0 ABS Securities Subject to Repurchase and Resale and Stock Lending and Borrowing
SRS 722.0 ABS Derivatives
SRS 730.0 ABS Income and Expenditure

The Association of Superannuation Funds of Australia ('ASFA') is pleased to provide this submission in response to APRA/ABS consultation on Proposed SRS 720.0; SRS 721.0; SRS 722.0 and SRS 730.0. It takes into consideration the ABS letter dated 1 April.

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90 per cent of the 14 million Australians with superannuation.

GENERAL COMMENTS ON PROPOSED SUPERANNUATION REPORTING STANDARDS

ASFA appreciates the consultation process that has commenced, including the roundtables which were conducted in Sydney and Melbourne, and the ability to provide input before the forms are finalised. We also appreciate the openness which the ABS has shown to the issues which were raised at the roundtables and the responsiveness of the ABS to indicate their preparedness to adjust the forms based on the feedback and input which was presented at the roundtables.

We welcome the ABS letter from 1 April 2015. It addresses a number of issues of concern to RSE licensees and we largely support the proposals in the letter.

ASFA submits there is a need for further consultation on these standards.

As requested, there are some matters with respect to which we wish to provide comment. We have some general comments as well as feedback on some specific forms.

A) GENERAL COMMENTS

Our general comments on the proposed superannuation reporting standards are as follows: -

1. Australian Accounting Standards - AASB 1056

The basis of financial statements will change in 2017 following the commencement of AASB1056 (the new Superannuation Accounting Standard replacing AAS 25) for reporting periods beginning on or after 1 July 2016. RES licensees are permitted to adopt AASB1056 early.

Therefore, to reduce the burden of reporting, we recommend that the reporting required by the proposed standards be aligned to the reporting requirements under AASB 1056. The changes to the AASB accounting framework would render any baseline data submitted in 2016 virtually obsolete.

The changes to the AASB accounting framework will be likely to result in some of the information required by SRS 730.0, Item 20, Defined Benefit becoming available, but prior to then that data generally will not be available.

We therefore support **ABS Proposal #1**: (c) that the valuation principles in the proposed standards specifically reference the Australian Accounting Standards.

2. Timing

2.1. Commencement

The consultation states that the new forms will be finalised and released by 31 July 2015 with the first reporting to occur for the quarter ending 31 March 2016 and for the year ending 30 June 2016.

Given the complexity of the issues we believe that the Registrable Superannuation Entities (RSEs) may find it difficult to be in a position to deliver in accordance with the proposed timetable, notwithstanding the planned simplification of SRS 730.0, as indicated in the 1 April ABS letter.

Given the widespread IT and operational impacts, and finite resourcing and capacity, RSE licensees will need a full 12 month implementation period from the finalisation and release of the forms in order to complete a thorough analysis, resolve any issues, prepare and test systems changes, develop and implement processes and procedures, implement operational changes, review and test changes and effect training.

Accordingly, in light of this and **ABS Proposal #1** (above), we request that ABS and APRA reconsider the timing for the initiation of the ABS APRA forms to be with respect to periods commencing no earlier than the commencement of the revised AASB standards - 1 July 2017. If the forms are not finalised by June 2016 then commencement should be one year after finalisation of the forms.

With respect to SRS 722.0, we understand that APRA plans to consult on a materially reduced version of SRF 534.0 over the coming months to ensure that reporting on derivatives is better aligned with how information about these instruments is collected, maintained and monitored by industry. In our view, the reporting obligations under SRS 722.0 ABS Derivatives Schedule should be delayed until such time as they can be revised to consider the outcome of APRA consultation on SRF 534.0 and Over the Counter ('OTC') derivatives trade reporting requirements.

2.2. Due date for reporting

The new quarterly forms are due 28 calendar days (20 business days) after the end of the quarter and the annual forms three months after the end of the financial year.

Members have expressed concern about their capacity to source and collate this information for the ABS in these relatively short time frames. This is exacerbated by the use of calendar days, as opposed to business days, which creates an issue during the January, April and October reporting months where there can be up to three public holidays. This has the effect of reducing the available days from 20 days to as few as 17 days for the completion of quarterly reporting – a reduction of 15% in available time.

Furthermore, much of the data required for the ABS forms will be leveraged off data being prepared for APRA forms. It would be sensible and efficient for there to be a small lag between the submission of the APRA forms and the submission of the ABS forms to ensure that the data is reported accurately. Even an additional seven calendar days (five business days) would greatly assist RSE licensees to ensure that the data is properly constructed and reviewed prior to its submission.

Within an RSE licensee, there is usually a dedicated team preparing and making submissions to APRA on D2A. Such teams will be hard pressed to prepare and submit all of the ABS data at the same time as the other APRA data, in particular once Select Investment Option ('SIO') reporting commences. One ASFA member has indicated that this will necessitate the preparation and submission of 200 additional forms per quarter. The biggest challenge will be in April, which generally loses three business days due to Easter and ANZAC day. A different pressure exists in September as a result of annual reporting, which should not be underestimated.

A large, diversified entity generally will have multiple RSEs submitting data. Members have indicated that the data entry for SRF 720.0 alone could take an entire working day, with another whole day needed to check the data.

ASFA members have expressed concern that D2A may not be sufficiently robust to facilitate speedy response times in the peak load period at the end of each quarter and the end of financial year reporting times. Any degradation of system time will directly impede the ability of RSEs to submit some or all of the APRA and ABS reports on time.

Accordingly, ASFA would appreciate if the ABS and APRA were to reconsider amending the reporting due dates for the submission of the ABS APRA quarterly forms. In order to provide quality data, RSE licensees need time to liaise with their custodians, fund managers and administrators to obtain the necessary data; collate, analyse and report within the timeframes. We would suggest that 35 calendar days (25 business days) would be a more appropriate, permanent, timeframe for the lodgement of quarterly ABS forms.

Other APRA forms have allowed a transition period - 35 calendar days (25 business days) for quarterly forms and four months for annual forms.

We request that the time for reporting be specified in business days, as opposed to calendar days.

We also request that consideration be given to extending the time for these new ABS forms by an additional seven calendar days (five business days). This would have the effect of significantly alleviating the pressure on RSE licensees, their reporting teams and the sign-off process.

3. Audit / review / assurance

This consultation highlights that one of the measures taken to reduce the burden of reporting is the fact the information in the proposed standards is not required to be reviewed and tested by RSE auditor.

It should be noted, however, that Prudential Standard SPS 310 *Audit and related matters* (SPS 310) at paragraph 19 (b)(iii) states that: -

‘the RSE auditor must provide limited assurance addressing the RSE licensee’s systems, procedures and internal controls that are designed to ensure that the RSE licensee has complied with all applicable prudential requirements, has provided reliable data to APRA in the reporting standards prepared under the FSCOD Act, and has operated effectively throughout the year of income’.

The new reporting standards for ABS data collection are captured under SPS 310 and, while the information in the new forms will not be subject to an audit/review, the RSE auditor will still be required to provide limited assurance that the RSE has provided reliable data to APRA in the new ABS reporting forms. This requirement counteracts the measure taken by the ABS to reduce the burden of reporting.

The proposed ABS reporting standards indicates that: -

‘All information provided by an RSE licensee under this Reporting Standard must be subject to systems, processes and controls developed by the RSE licensee for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the RSE licensee to ensure that an appropriate set of policies and procedures for the authorisation of information submitted to APRA is in place’.

While the proposed ABS forms are not required to be audited but the same quality control processes are required as for audited APRA forms. Quality control systems, processes and controls apply equally to all forms irrespective of whether a form is audited and whether the form is for use by the ABS or APRA.

Therefore, we believe that completion of the proposed ABS forms will require a significant amount of time to be able to satisfy the quality control requirements in the proposed ABS reporting standards.

Further, under Prudential Standard 220 - Risk Management (SPS 220), RSE licensees are required to provide APRA with an annual risk management declaration. This includes a declaration that the licensee has adequate reporting systems and internal controls supporting the preparation and reporting of accurate financial and statistical information to APRA and that information provided to APRA accurately represents the transactions for the year and financial position at year end in accordance with the provisions of the SIS Act and FSCOD Act.

For the RSE licensees to be able to make the declaration with respect to the proposed ABS reporting forms, completion of the forms must occur within the same APRA reporting framework as all other APRA reporting forms.

One approach to remedy this would be to amend the wording of the proposed ABS reporting standards to reflect accurately the expected degree of quality control and to modify Attachment A to SPS 220 to exclude the proposed ABS reporting forms.

Alternatively, consideration could be given to removing the proposed ABS forms from the APRA reporting framework so that the APRA reporting quality controls do not have to be applied and RSE Licensees do not have to consider the proposed ABS forms as part of their annual SPS 220 risk management declarations.

4. The ability to provide estimates

ASFA acknowledge and welcomes the ability of RSE licensees to utilise ‘careful’ or ‘best’ estimates. Having said that, we require further information and guidance on the circumstances in which estimates can be used and what is considered a ‘careful estimate’, as members have expressed some concerns that these issues have only partially been addressed.

During the roundtables the ABS and APRA advised that ‘best estimates’ could be used to complete the proposed ABS forms.

The instructions for each form, however, indicate that ‘careful estimates [can be used only] where exact values are not available to the RSE licensee’. Based on the instructions the ABS forms should be completed using exact values and careful estimates should be used only where exact values cannot be determined (i.e. by exception).

Accordingly, it needs to be clarified as to whether forms can be completed on a ‘best estimate basis’ as opposed to on a ‘best estimate by exception basis’:-

- if the forms can be completed on a ‘best estimate basis’, the proposed ABS reporting standards and instructions will need to be modified to explicitly reflect this. Simply removing the audit requirement does not equate to a ‘best estimate’ basis being acceptable;
- if exact values are to be used then ASFA believes that the instructions should include guidance as to materiality, the level of additional effort and investigation which a RSE can reasonably be expected to undertake in order to determine an exact value and when a ‘best estimate basis’ can be utilised. ASFA is firmly of the view that RSE licensee should not be expected to implement extensive system changes or expend significant resources to achieve absolute precision when an estimate would be sufficient.

ASFA is also of the view that ‘careful estimates’ needs to be defined. This term is unusual and appears to be making a distinction between a careful estimate and a best estimate.

5. Non-resident members

Under the Anti-Money Laundering/Counter Terrorism Financing Act and the Foreign Accounts Tax Compliance Act RSE licensees are not required to perform identification and verification of members at the time of joining the fund/acquiring the product and being entered into the RSE’s record keeping systems and fund members generally do not provide residency status on joining. Even if members were to do so, residency can change over time and there is no mechanism whereby a member must advise the RSE licensee of a change in residency.

Accordingly, RSE licensees generally do not have the system capability to collect and monitor the residency status of members. This would represent a significant build for industry and would be of little value.

As a result, for APRA reporting purposes, the RSE will need to determine the member’s residency status by referring to their mailing address. This may not be accurate as members with an Australian address may not necessary be residing in Australia and vice versa.

RSE licensees do not have a sound basis to determine whether the member is resident overseas. The only proxy mechanism available to RSE licensees with respect to residency would be a member’s mailing address - this may be misleading and certainly does not meet the definition used by the ABS.

Some examples of the issues of utilising a member's address as a proxy for residency include:-

- within corporate superannuation schemes/sub-funds the employer's address may be used;
- a member may use the address of a family member or friend;
- a member can use a Post Office Box; and
- most RSEs have a number of 'lost' members.

Accordingly, RSE licensees using the address of the member as the basis for whether a member is based overseas could produce inaccurate results.

Furthermore, the key time for communicating with members is the annual statement - subsequent to that mail-out occurs the largest volume of changes in the address files of the RSE licensees, which occurs some time after the ABS's 30 June cut off. It becomes difficult for the RSE licensee to determine which address to report for 'overseas members' - the address advised to the RSE licensee after the annual statements have been mailed out or the address on file as at 30 June (which is less likely to be accurate).

ASFA supports ABS **Proposal #2** (a) that column 3 be removed from proposed SRS 730.0.

With respect to ABS **Proposal #3(b)** - that an additional item (proportion of non-resident members' and members' benefits) be added to proposed SRS 720.0 – ASFA has qualified support for this, on the basis that it does represent an improvement (with the proviso that RSE licensees will need guidance as to the basis of estimation for this new question. There is an issue with the proposed definition in Appendix 2 – 'not ordinarily domiciled in Australia' – as this would not be known to the RSE, as outlined above).

With respect to the apportionment of non-resident and member benefits, however, we note that the apportionment will never represent an accurate allocation of investment income attributable to non-resident members. It is rarely tax advantageous for a member to continue to hold superannuation in Australia once they have ceased to be an Australian resident for tax purposes, so this element of the membership is likely to be minimal, and yet it will cost RSE licensees a significant amount in the preparation of the data. The proportion of income and expenditure relating to non-residents will be immaterial.

Accordingly, in the absence of compelling reasons to collect this information, ASFA recommends that consideration be given to removing this data requirement from SRF 720.0 altogether.

We note the ABS comment to the effect that data from the annual Member Contributions Statement ('MCS') that superannuation providers lodge with the Australian Taxation Office potentially could be used to estimate the residency status of individual superannuation members through data linking and integration of MCS data together with personal income tax data. The ABS has commented that this is likely to be a longer-term opportunity and that they will investigate the case for using MCS data concurrently with other changes proposed.

ASFA supports this ABS initiative and suggest that it will provide a significantly more robust estimate for overseas members than that envisaged by the proposed Appendix 2 questions or the original SRS 730.0 form.

6. Defined Benefits data

In order to complete the forms, RSE licensees will need to obtain additional data from the actuaries for each defined benefit ('DB') sub fund and then aggregate the data. Members have advised ASFA that they will be unable to supply any meaningful and timely information to the ABS without implementing quite significant system and reporting changes and incurring additional costs in engaging actuaries to provide data on a regular basis.

6.1.1. Liability for members' benefits

The most complicated of these DB items is in proposed SRF 730.0 at item 20.

The data element 'Liability for members' benefits' (within item 20 and other sub-fields) represents the present obligation to members and beneficiaries for benefits which they are entitled to receive in the future. It is not clear whether this is intended to be the actuarial value of accrued benefits or of vested benefits. Issues exist with reporting on either basis:-

Accrued Benefits

Accrued benefits are measured and reported by the actuary of the fund on a triennial basis as part of the actuarial review and valuation of the fund. For DB funds which pay pensions the valuation is annual. Accordingly, this data will only be up to date after the actuarial valuation has been completed.

Furthermore, RSE licensees generally do not store the value of the accrued benefits in their systems.

Neither do RSE licensees currently have the ability to separately quantify, or adequately estimate, the current versus past service increases (items 20.1 and 20.2). Substantial manual work would be necessitated even to provide an adequate estimate.

Vested Benefits

RSE licensees generally have up to date vested benefit information in their DB administration systems.

As per above, RSE licensees currently do not have the ability to separately quantify, or adequately estimate, the current versus past service increases (items 20.1 and 20.2). Substantial manual work would be necessitated even to provide adequate estimates.

In light of the above, ASFA submits that item 20 should be removed altogether. This data is not captured in RSE licensees' GL systems and it would be necessary to increase the scope of the work performed by actuaries to capture these requirements, which will serve to impose additional costs in meeting the reporting requirements.

6.1.2. Changes in scheme structure with member consent

'Changes in scheme structure with members consent' (item 20.3) within DB plans would be an extremely rare occurrence and, for the most part, will be zero. A data item will be reported here once every 10 to 15 years, if at all). Its value certainly would not be held in the administration registry systems and would need to be sourced manually.

- 6.1.3. Changes in actuarial assumptions
- 6.1.4. Changes in price or indexation assumptions
- 6.1.5. Changes in other actuarial assumptions

‘Changes in actuarial assumptions’ (item 20.4); ‘changes in price or indexation assumptions’ (item 20.4.1) and ‘changes in other actuarial assumptions’ (item 20.4.2) would need to be provided by the fund actuary. This data will only be up to date after the actuarial valuation has been completed (as per above) and typically is not stored within the RSE licensees’ administration systems.

Overall, consideration needs to be given to the additional cost pressures imposed on RSE licensees by this DB reporting and the costs which will be incurred to source this additional data.

In addition, until the new AASB standards come into effect after 1 July 2017, any data provided by RSEs and recorded by the ABS would provide a meaningless baseline.

7. Added complexity

The ABS has stated that it expects most data items will be re-used from other RSE reporting, however, our members have identified a number of instances where they are not able to leverage off other RSE reporting including, for example:

- the level of look-through;
- SRS 720.0 - classification of investments. This is particularly onerous for providers which have wrap platform where they hold shares on behalf of members; and
- SRS 720.0 - much of the other data in the form.

According to the ABS, for RSEs with investments entirely in indirect holdings

‘the burden of complying with proposed SRS 720.0 is expected to be minimal as significant parts of this form would only require the reporting of nil values’.

It should be noted, however, that wrap platforms will require:

- significant reporting as equity holdings for members (item 6) is not via an indirect vehicle. This therefore adds greatly to the complexity within providers who offer wrap style products;
- a significant change to the reporting of trusts (item 7) where providers would categorise data only as being held at the wholesale trust level.

The reporting of receivables (item 11) will also be more complex than is currently stored within the systems of most providers.

Accordingly, ASFA supports: -

- **ABS Proposal #1:** (a) that the proposed standard apply only to directly-held investments;
- **ABS Proposal #2:** (a) that column 3 be removed from proposed SRS 730.0; and
(b) that an additional item (proportion of non-resident members and members’ benefits) be added to proposed SRS 720.0), although our preference is that this be removed altogether;

- **ABS Proposal #3:** (a) that the ABS make greater use of information from SRS 330.0;
(b) that column 1 be removed from proposed SRS 730.0 and that unique data items from column 1 be relocated to elsewhere in the reporting collection, either a separate or existing reporting form;
- the comments that the ABS is:
 - considering the level of data proposed to be collected in proposed SRS 720.0 to identify whether reduced granularity in these data items can be achieved; and
 - investigating whether SRS 330.1 data potentially could be used to approximate the income and expenses attributable to defined benefit members for SRS 730.0.

8. Effect of s29QC

It is important to note that the proposed Class Order restricting section 29QC of the *Superannuation Industry (Supervision) Act 1993* ('SIS Act') to the desired MySuper items is yet to be made. As a result, disclosure by an RSE licensee could be subject to the operation of section 29QC with respect to data items contained these ABS forms (and any future versions) if the data elements have items '*calculated in a particular way*'.

As ASIC and APRA's section 29QC consultation is ongoing and RSE licensees do not have final requirements it is difficult to assess the potential effect.

Given this, and on the basis that RSE licensees are allowed to provide 'careful estimates', ASFA suggests that these ABS forms should explicitly be carved out from the operation of section 29QC, at least until such time as the position with respect to section 29QC is finalised.

9. Confidentiality

It is of some concern to ASFA members that APRA has indicated that they will not be consulting with respect to the confidentiality of data submitted in the ABS forms. This is inconsistent with APRA's previous approach with respect to the APRA reporting forms.

Members have expressed concern about data submitted to the ABS being made available in the future via means of the APRA data dissemination tool without consultation with the industry or the opportunity to consider the implications based on the data items contained in the final forms.

By way of example, we note that APRA has indicated that, for the time being, it will not treat data as to the Operational Risk Financial Reserve as non-confidential. In ASFA's view, it is important to ensure that this is not undermined through publication of the data where it appears in the ABS reporting (SRS 720.0, item 27.1, ORFR Reserve).

Accordingly we request that, once the requirements have been settled, and prior to any data being added to the searchable database, a separate consultation be conducted with respect to the confidentiality of data items reported to the ABS.

10. Process

ASFA does have some concerns about the process of developing these forms.

These ABS reporting standards should be designed to collect existing information and should not necessitate RSE licensees having to incur considerable expense in implementing new systems builds or performing volumes of manual work.

Accordingly, ASFA welcomes the comment from the ABS / APRA in the consultation covering letter that:

‘the proposed reporting standards have been designed to collect data that RSE licenses have available for existing reporting, without the need for significant system rework’.

We endorse this as a guiding principle which should underpin the requirements of the ABS forms. Furthermore, to the extent possible, APRA should automatically share information with the ABS as opposed requiring separate reporting through the use of additional standards.

In the original forms there was considerable duplication of data items and an absence of cross-referencing between similar data items. While we are appreciative of the ABS and APRA proposals to reduce duplication, this does serve to raise the question as to how this occurred in the first place.

One suggestion which came out of the roundtable consultation was for the ABS and APRA to produce a heatmap/cross-reference document which would identify which data items were common across forms. As a result of the proposed changes this heatmap is no longer being produced, however, it would be reasonable to have expected such a mapping exercise to have been performed as part of the process of developing the forms in the first instance.

Similarly, as a result of the roundtable consultation, it was agreed that APRA would circulate the assumptions which they had made when structuring the forms – for example that the requested data elements existed within GLs. Identifying and documenting assumptions at the outset of a project is standard good practice, as it enables them to be challenged and qualified by those with expertise or subject matter knowledge in particular areas. In this case engaging and involving superannuation providers, the accounting profession and custodians at a relatively early stage may have identified data elements which are not captured, stored or mainlined at an earlier time.

B) FORM SPECIFIC ITEMS

1. SRS 720.0 - ABS Statement of Financial Position

This form has about 190 rows of data in one, two or three columns over 11 pages – this represents a considerable volume of data to analyse, produce and report. ASFA supports the ABS comment that it is considering the level of data proposed to be collected in proposed SRS 720.0 to identify whether reduced granularity in these data items would still allow the ABS to meet its obligations under the National Accounts. ASFA and our members would be willing to participate in any focus group consultation to assist with the re-drafting of this form.

Item 29 requires disclosure of the reasons of the surplus in net assets. This data is not captured in RSE licensees' General Ledger ('GL') systems and it would be necessary to increase the scope of the work performed by actuaries to capture these requirements. This will serve to impose additional costs in meeting the reporting requirements. Accordingly, we recommend that this data item be removed.

The detailed breakdown of the financials is non trivial and some items are new. By way of example: -

- associated payments due in one year or less;
- debt instruments reported based on original and remaining term to maturity and the currency of denomination; and
- the categorisations of equities are all new obligations.

The new categorisation of equities (item 6) is difficult, in particular for wrap platforms. Noting that equities change quite regularly, the RSE licensee may not be able to source the data to aid in the categorisation. There is a concern that they may not be adequately classified by issuers.

The categorisation of indirect assets (item 7) is also an issue. For the most part RSE licensees generally are able to categorise (at the top layer) indirect assets into the following broad categories: -

- *Retail trusts – listed* (item 7.1)
- *Retail trusts – unlisted* (item 7.2)
- *Cash management trusts* (item 7.3)
- *Wholesale trusts* (item 7.4).

As the GL generally does not hold or categorise funds in this way, it will be extremely difficult for RSE licensees to break down wholesale trusts further into the sub categories 7.1.1; 7.1.2; 7.1.3; 7.2.1; 7.2.2 and 7.2.3 in any automated way. This would therefore necessitate a manual amalgamation of the 'sales view' of fund holdings, not GL generated 'accounting view' of data.

Members have advised that their accounting teams are of the view that they are unable to break down wholesale trusts into:-

- 7.4 External wholesale trust which are open only to superannuation funds;*
- 7.5 Other external wholesale financial trusts;*
- 7.6 Other external wholesale property and infrastructure trusts.*

This would therefore also be a manual process based on an amalgamation of the 'sales view' of fund holdings not a GL generated 'accounting view' of data.

Other items are also problematic (by way of example items 11.3; 11.4 and 11.5 *Contributions receivable*) as generally superannuation providers do not have accruals for contributions.

RSE licensees are required to report assets by asset types, however, the reporting standard and instructions does not refer to the treatment of limited liability partnerships and hedge funds. This needs to be rectified.

Item 2 requires RSE licensees to report on foreign currencies (included as notes and coins denominated in a foreign currency) and Australian notes and coins (included as notes and coins denominated in Australian dollars). RSE licensees generally do not hold physical currency.

Further, members have advised that currently they report everything in Australian dollars. Generally they do not manage any foreign exchange risks directly - everything which a member directs the RSE licensee to acquire or sell would be denominated in Australian dollars. Accordingly, members have advised that column 2 *'of which denominated in a foreign currency'* will always be blank.

We would also like to draw your attention to an issue with a definition - benefits payable in item 18.4.1 and item 22.1 specifies that it *'represents the liability to members who remain unpaid instead of exiting or drawing a benefit payment'*. We note that, technically, this would exclude payments to non-members - for example beneficiaries in the event of the death of the member.

Members have also advised that they do not have data stored within their administration systems to support item 28.4.1 *Total Liability for members' benefits: of which: attributed to non-residents* (as per ABS **Proposal #2**).

2. SRS 721.0 - ABS Securities Subject to Repurchase and Resale and Stock Lending and Borrowing

While this form appears to be relatively compact, the number of cells is potentially quite large. By way of example, item 4 has 13 x 5 x 15 combinations which would equate to 975 rows and item 5 has 13 x 16 x 4 combinations which would equate to 832 rows.

It is important to note that the reporting requirements are completely reliant on the custodian collecting and recording data: -

- at the level of individual securities. Many of these data elements are not recorded for all securities and therefore there would be an additional, specific, cost incurred in attaching these additional data elements to every security which potentially could be borrowed, loaned or repossessed;
- at a counterparty level. These counterparty characteristics frequently are not recorded and, as such, the custodian may need to attach these additional data element to the list of counterparties.

There can be thousands of securities and an extensive list of custodians. The need to attach additional data element to the lists of securities and counterparties will serve to increase costs significantly.

Finally, the instructions for SRS 721.0, in the last paragraph on page 1, states that SRS 720.0 is to be reported on a non-look through-basis. This would appear to be a typographical error and should instead refer to SRS 721.0.

3. SRS 722.0 - Derivatives

Given the recent withdrawal of SRS 534.0 *Derivative reporting* pending re-consultation, ASFA is of the view that this proposed SRS 722.0 form should also be withdrawn. Once the new SRS 534.0 standard form is finalised then that would be the appropriate time to consult on this proposed SRS 722.0 form.

By way of preliminary comments on the current version of proposed SRS 722.0, we note that: -

- a principal amount relating to each derivative is required to be reported (items 1 &2). Members have sought clarification as to the methodology for calculating a principal amount for an equity option. By way of example – is it
 - the number of shares times the strike price; or
 - the number of shares times the actual price; or
 - the delta adjusted effective exposure?
- reporting requirements are completely reliant on the custodian collecting and recording
 - data at the derivative level;
 - data at a counterparty level.

Many of these data elements are not recorded for all derivatives and counterparties and therefore there will be an additional, specific, cost of attaching these additional data elements to the long list of every derivative and counter-party recorded.

4. SRS 730.0 - Income and Expenditure

Overall, we support: -

- ABS **Proposal #2**:
 - (a) that column 3 be removed from proposed SRS 730.0; and
- ABS **Proposal #3**:
 - (a) that ABS make greater use of information from SRS 330.0; and
 - (b) that column 1 be removed from proposed SRS 730.0 and unique data items from column 1 be relocated to elsewhere in the reporting collection, either a separate or existing reporting form.

With respect to **Proposal #3** (c) that proposed SRS 730.0 apply only to RSEs with defined benefit members, ASFA is of the view that this proposal, combined with the comment from the ABS with respect to utilising SRS 330.1 and aggregating, should result in most of proposed SRS 730 effectively disappearing.

It should be noted that

- over 80 per cent of the 730.0 reporting of RSE values appears to duplicate data, at each line level, from the SRF 330.0 form. We recommend that the ABS data system could extract the submitted SRS 330.0 data and reuse it. This would result in a significant reduction in the reporting burden on the industry (as per ABS **Proposal #3**).
- over 80 per cent of the 730.0 reporting of amounts attributed to DB members, at each line level, looks to be the aggregate of all SRF 330.1 forms. We recommend that the ABS data system could extract the submitted 330.1 data and combine it, as opposed to adding to the reporting burden imposed on the industry (as per the ABS comment under the heading ‘Potential use of SRS 330.1 to provide information about defined benefit members’).

Members have advised that, at the RSE level, they do not separately record item 1.5.1.1 *Contribution Tax: of which: Tax on Employer Contributions: of which: Tax on Salary Sacrifice Contributions*.

For defined benefit members (Column 2) the following items often may not be relevant: -

- item 1.1.1 *Employer Contributions: of which: Salary Sacrifice Contributions*
- Item 1.5.1.1 *Contribution Tax: of which: Tax on Employer Contributions: of which: Tax on Salary Sacrifice Contributions*.


Finally we note what appears to be a definitional issue. Member's benefits flows out, as reported in item 2, does not appear to allow for TPD claims which, while they may be funded in whole or in part from an insurance payout, they are not paid as a lump sum benefit but are paid as an income stream which is not classified as a pension.

* * * *

We would be pleased to meet with you again to discuss the contents of this submission.

If you have any queries or comments regarding the contents of our submission, please contact me on (03) 9225 – 4021 or 0431 490 240 or via email to fgalbraith@superannuation.asn.au.

Yours sincerely,



Fiona Galbraith
Director, Policy