

The Chairman
Productivity Commission
Superannuation Review – Assessing Competitiveness and Efficiency
Locked Bag 2, Collins St East
MELBOURNE VICTORIA 8003

21 August 2017

Submission – Superannuation: Assessing Competitiveness and Efficiency, Issues Paper – July 2017

Introduction

The Gateway Network Governance Body Limited (GNGB) seeks to make a limited submission in response to the Issues Paper. Our submission relates specifically to the proposed centralised clearing house referred to on pages 22 and 23 and in Appendix C on page 37 of the Issues Paper.

The GNGB made a previous submission in relation to the stage 2 Inquiry on the potential establishment of a centralised clearing house administered by the ATO. We refer you to that submission made on 28 April 2017, a copy of which is attached, for our initial comments on the proposal.

We note and support the comments marked as *concerns about the reform* in Appendix C of the Issues Paper on selected features discussed in Stage 2, and seek to provide some further comment on the questions raised in the Issues Paper issued in July 2017.

Executive Summary

We assert that the objectives intended by a single, centralised clearing house are currently being met effectively and efficiently by the successful implementation of SuperStream and the operation of the Superannuation Transaction Network.

The implementation of SuperStream and the creation of the Network means that solutions are available to both employers and superannuation funds that integrate into their enterprise software systems and processes, and have been developed to support reconciliation, straight-through-processing, and the ability of the Network to keep pace with technological change. The nature of the Network, with participants actively engaged in collaboration across the variety of models in the industry, means that it is responsive to change, and supports employer and fund requirements efficiently.

Issues related to the proposed centralised clearing house, page 23 *Issues Paper*

Question 1

The GNGB has concerns about the proposal of the ATO operating a centralised clearing house for all superannuation transactions. The experience of the ATO outages over 2016 and 2017 affecting ATO's SuperStream Enabling Services, raise questions about the robustness of the ATO's infrastructure to operate a centralised clearing house service, and concentrates the risk of system failures. The current SuperStream model of a range of solutions through multiple providers results in mitigation of these risks around a potential single point of failure.

The Network currently consumes superannuation contributions between employers and funds and rollovers between funds and funds. A centralised clearing house would also not resolve the need to transact superannuation rollovers messages between funds which would require funds to maintain a separate network at an additional cost.

In addition, the current Network arrangements for data and payments provides for opportunity to implement improvements across the Network, and the potential for commercial pressures to keep service offerings up to date with technological change. The GNGB has a focus on ensuring the efficiency, reliability and security of the Network, and is in a position to support the Network-wide implementation of change. The creation of a centralised clearing house reduces the incentive for that single provider, whether ATO or any other single provider, to implement technological change due to the costs of implementation, with no commercial pressure to do so.

Question 2

The current Gateway Operator services offer a range of solutions to funds and employers, including clearing services, integration into registry systems, data transformation into a standards-compliant format, data integrity screening services, integration into payroll systems, reconciliation services and transaction reporting and monitoring, to meet their various client needs. The scope of services available provides employers and funds with options for solutions that are appropriate to the level of their internal capability, and the ability to outsource where appropriate. This practical approach has resulted in a universal adoption of SuperStream with over 94% of employer contributions being SuperStream compliant.

The implementation of a centralised clearing house would not address the full scope of these services currently available to employers and funds. Therefore, an assessment of only the cost of operating a centralised clearing house does not provide an effective measure of the costs of transition or ongoing operational costs to participants in the SuperStream environment.

Question 3

The GNGB currently facilitates entry and exit of Gateway Operators. There are currently nine operational Gateway Operators; however not all Gateway Operators are clearing houses. Two of the Gateway Operators operate commercial clearing house services in addition to their participation as a Gateway Operator. These services are available to both employers and superannuation funds. In

addition, several superannuation funds operate their own clearing houses, and the ATO operates the Small Business Superannuation Clearing House (SBSCH).

The GNGB asserts that the processes to enable entry and exit to the STN are appropriate to support efficient and stable operation, and appropriate change in response to efficiency demands.

Question 4

We note in the papers issued by the Productivity Commission that the experience in New Zealand is referenced favourably in comparison to Australia. We understand there are differences between the two systems which would make a centralised clearing house model less appropriate in Australia, including the longer history of the Australian system and the option for choice and multiple accounts.

Conclusion

The GNGB strongly oppose the creation of a centralised clearing house, irrespective of whether the ATO or any other single government provider would operate such service, as the objectives of integration, responsiveness to change and efficiency are already being met by the current operations in the industry. There has been considerable investment in the design and implementation of the SuperStream infrastructure which ultimately is being paid for by superannuation members, and the additional and unnecessary disruption, cost and risk to participants in all parts of the system would be considerable.

Contact details

We welcome questions or discussion on any items raised in this submission, and are happy to engage in consultation or further engagement on this matter.

Sarah O'Brien
Executive Officer

Appendix

Submission – Superannuation: Alternative Default Models, Draft Report

28 April 2017

Introduction

The Gateway Network Governance Body Limited seeks to make a limited submission in relation to only one aspect of the Draft Report on Superannuation: Alternative Default Models, being the question of whether there is a case for a central clearing house.

The Gateway Network Governance Body Limited urges that before the Commission consider recommending a central clearing house, first assess the extent to which the policy objectives outlined by establishing a central clearing house are already achieved by the established Superannuation Transaction Network, and seeks in this submission to provide further detail to the Commission on the current arrangements.

Executive Summary

The GNGB is concerned that the creation of a central clearing house could undermine the efficiencies already gained with the introduction of SuperStream, and introduce further change to a system that has established stability in the electronic transaction environment for superannuation. It is our assertion that the objectives intended by a single, centralised clearing house are currently being met effectively and efficiently by the implementation of SuperStream and the operation of the Superannuation Transaction Network.

The Gateway Network Governance Body Limited and the Superannuation Transaction Network

The Gateway Network Governance Body Limited (GNGB) was established in September 2016, as an industry-owned, not-for-profit organisation whose purpose is to manage the integrity of the Superannuation Transaction Network (STN), which is the network created by the Gateway Operators who transact superannuation data under the SuperStream Data and Payments Standards. The role of the organisation is to promote the efficiency and effectiveness of the network, monitor compliance, support change and work with the gateways and industry on initiatives that support these objectives. The GNGB was established out of the SuperStream reform program, with early work by industry then the Australian Tax Office to ensure an efficient and cohesive network supporting the industry to meet its obligations.

The GNGB has support of the superannuation industry, gateways and employer representatives, and includes as its members the following Co-Sponsors:

- Association of Superannuation Funds of Australia (ASFA)
- Australian Institute of Superannuation Trustees (AIST)
- Financial Services Council (FSC)
- Australian Business Software Industry Association (ABSIA)

as well as an Associate Co-Sponsor:

- Gateway Association and Transaction Exchange (GATE).

The GNGB roles include engagement with key stakeholders, including the Australian Tax Office and the Australian Prudential Regulatory Authority to ensure that the network remain relevant, reliable, and keeps pace with changes in superannuation.

The network created by the interoperation of the Gateway Operators in the superannuation system is known as the Superannuation Transaction Network (STN). The GNGB meets its governance responsibilities of the STN by the operation of a Memorandum of Understanding between the Gateway Operators and the GNGB, which requires compliance with Gateway Standards and associated requirements concerning information security, service level standards, amongst others. The GNGB carries out a range of activities to monitor and manage compliance and interoperability between these providers.

The GNGB is governed by a Board, comprising of Directors appointed by members, and an independent Chair. It has two further forums: Gateway Operators Meetings that manage operational matters and implementation of change, and a Technical Working Group that considers technical interoperability and testing matters. The GNGB also has a process for managing potential disputes through a Disputes Resolution Panel. The GNGB activities include review and audit of information security requirements to ensure the network is robust and secure, and a process for managing a Business Continuity Plan in the event of incidents that affect the network.

The GNGB mechanisms and processes also allow for change over time in the network and to meet the changing needs of industry, regulation and emerging technology change.

Gateway Operators and Services

As a result of the implementation of SuperStream mandatory Data and Payment Standards across employers and the superannuation industry, most entities engaged providers, known as Gateway Operators, to meet certain obligations under those requirements. The Gateway Operators comprise a range of different types of organisations, including clearing houses, payroll services, specialist data management providers and self-administered superannuation funds, serving a range of client types.

Gateway Operators offer clearing services, integration into registry systems, data transformation into a standards-compliant format, data integrity screening services, integration into payroll systems, reconciliation services and transaction reporting and monitoring, to meet their various client needs.

These services, in a digitised transaction environment, provide vital structures to manage data integrity and payment reconciliation, and support efficient, straight-through processing. The transaction services provided are therefore a part of a broader landscape of electronic and data services, and meets already many of the objectives sought by centralising a clearing house.

The industry has made significant investment in electronic transaction capability, and the associated commitment to more efficient processes. The services the Gateway Operators provide have assisted and supported these improvements. The management of data, and at times payment, by these providers is part of the landscape of the superannuation industry, and is well-integrated into vital processes within the industry.

A consequence of the development of solutions available is that employers have access through a range of options, to low cost and no cost services that ensure that contributions can be sent compliant with the SuperStream mandatory Data and Payment Standards, and delivered by Gateway Operators across the STN to destination superannuation funds.

Conclusion

We would ask that any further consideration of a central clearing house be the subject of rigorous industry consultation on the need and value, taking into account the investment to date, and the potential cost and disruption.

Contact details

We welcome questions or discussion on any matter raised in this submission to:
Sarah O'Brien
Executive Officer