

29 August 2012

Manager  
Benefits and Regulation Unit  
Personal and Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

**Email:** [StrongerSuperStream@treasury.gov.au](mailto:StrongerSuperStream@treasury.gov.au)

Dear Sir/Madam,

**RE: Superannuation data and payment standards: Enabling services**

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$450 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST supports this Exposure Draft ("ED"). We support any measures that are put in place to ensure that entities that are paying superannuation monies to funds and RSA providers can ensure that funds are transferred electronically with an appropriate level of safety.

AIST makes this submission in the aim of improving the flow of information and payments between superannuation funds, as well as from employers to funds.

AIST has no comment on the monitoring provisions as proposed in Division 2 of this ED.

**Register of information about certain superannuation entities**

We support the requirement for the Commissioner of Taxation ("the Commissioner") to maintain a register of information about certain superannuation entities. It is essential that in transmitting payments, employers and other entities have a degree of certainty about where these monies are going, as well as the information required to accompany these monies.

In addition to this, we support the requirement for the information in this register to be provided mandatorily by superannuation trustees.

Mystifyingly, subsection (2) of the proposed section 34Y suggests that the requirement to maintain this register electronically appears to be optional. We believe that this register can only work if the register is electronic and strongly recommend that the word "may" be replaced by the word "must" in this proposed subsection.

AIST has concerns about the scope of this measure, being ‘certain superannuation funds’, as well as RSA providers and employers. This measure provides a minimum information set that allows a significant degree of automation to present productivity enhancements on a scale never before seen in the industry. This is a point that is recognised at paragraph 1.21 of the EM. As long as there continue to be funds that are not covered within this measure, this automation will stop and potentially messy workarounds will need to be implemented, which will almost certainly impact on productivity and errors. We understand that the initial intent of this legislation is for transfers between APRA regulated funds; however this legislation will be most effective if all superannuation entities are required to participate. Section 34Z allows for the regulations to prescribe other regulated superannuation entities (i.e. SMSFs); however we believe that this intention to include SMSFs once a validation service exists should be explained in the EM.

We also note that the term ‘certain superannuation funds’ appears to be, with some very minor scope for difference, the same as that of the term ‘prescribed eligible superannuation entities’ as used in the proposed section 34Z. We are uncertain as to why this different terminology is used in this ED and recommend that consistency be applied or that the term ‘certain superannuation entities’ be specifically defined in the ED.

In subsection (4) of the proposed section 34Y, the Commissioner ‘may’ make the contents of the register available to the parties that are specified at subsections (a) and (b) of this subsection. We are unable to understand why this would not be made available to all parties satisfying that criteria in all circumstances. The EM should contain examples of where the Commissioner might not make this information available, together with some additional reasons for this. This would not need to be an exhaustive list.

We also note that there appears to be no guidelines for the Commissioner in how frequently this register will be being updated. The proposed section 34Y should contain a requirement for the Commissioner to keep this information updated, together with a minimum expected period between updates.

We welcome the explanation contained at paragraph 1.27 of the EM about the type of information to be contained in the register, and note that this will include bank account details. Whilst we understand the need for bank details to be contained within the register to “ensure [that payments] go to the correct destination”, we wonder whether this information needs to be made readily available. We point out the intention of this measure is to facilitate payments (as described at paragraph 1.18 of the EM) and believe that bank account details should be provided in hashed or encrypted form to facilitate payments and nothing more. It is our understanding that the register will not be used by superannuation entities to obtain this banking information, but to remit payments. We imagine that the closest that a superannuation entity or employer would get when remitting funds to seeing a bank account of another fund would be selecting the name of a fund from a dropdown list.

We note that the proposed section 34ZA of the ED will require superannuation funds to respond to requests for information from other superannuation entities, RSA providers or employers (where the Commissioner's register is unavailable) within 1 business day of the request being received. We believe that this timeframe is extraordinarily impractical, and ideally, we would prefer that this timeframe be extended to (3) three working days. We point out that verifying the source of the request may, itself, take time and also note that once SMSF's are included, a one day response time would most likely result in numerous offences.

### **Tax file numbers**

AIST has long supported efforts to enable tax file numbers (TFNs) to be an identifier for members of superannuation funds. However, we also acknowledge that this initiative has the potential to place some members at risk. For example, we believe that this may have complications with regards to account consolidation, particularly where unrelated members have identical TFNs through no fault of their own, or through less innocent means.

We support the proposed section 299LB, which allows trustees to use TFNs for the purposes of validating information about a member. We believe that this will go a long way towards improving information about members that trustees are required to hold.

Paragraph 1.46 of the EM has a factual inaccuracy in the first sentence. While it is reasonable to conclude that in a majority of cases, the source of member information provided to funds has come from employers, there are an arguably significant number of members who have provided their own information to superannuation funds upon the opening of accounts, or at other stages independently of employer involvement. This should be stated.

Lastly, we believe that this measure should take into account the very real possibility that accounts have been set up in years gone by with incorrect (or without) TFNs, dates of birth or even correct names and encourage validation solutions utilised in the proposed section 299TD to address these scenarios.

AIST continues to support the right of superannuation members to not quote their TFN and applauds the statement made at paragraph 1.48 of the EM where this right is upheld.

If you have any further questions regarding this submission, please contact Tom Garcia, Policy & Regulatory Manager on (03) 8677 3804 or [tgarcia@aist.asn.au](mailto:tgarcia@aist.asn.au).

Yours sincerely,

A handwritten signature in black ink that reads 'Fiona Reynolds'.

Fiona Reynolds  
**Chief Executive Officer**