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Confidential Communication

General Manager

Data Analytics & Insights
Risk and Data Analytics Division
Australian Prudential Regulation Authority
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Australian Custodial Services Association response on Topic Paper 7 – Fees and Costs Disclosed

Dear Sir/Madam

The Australian Custodial Services Association (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients and the market.

Collectively, the members of ACSA hold securities and investments in excess of AUD \$3 trillion in value in custody and under administration. Members of ACSA include NAB Asset Servicing, J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, Citi and Northern Trust.

While members of ACSA are not the subject of the regulation, many ACSA members are currently engaged by RSE's to assist in meeting their regulatory reporting obligations.

ACSA welcomes engagement with APRA to promote efficiency and consistency. ACSA believes that the over-riding principles should be that data is fit for purpose, practicable to produce, based on standard definitions and harmonised across regulatory agencies (in terms of both data dictionary and reporting cadence).

EXECUTIVE SUMMARY

Our detailed response to the questions posed in the Topic Paper can be found in Attachment 1. Key points from our review of the proposed reporting changes include:

1. To ensure the industry does not face additional and duplicated development costs, it is recommended that a single implementation date (September 2022) for the disclosure of fees and costs is set, with the data to be disclosed based on the final RG97 rules, rather than separate pre and post RG97 reporting obligations.

2. Consideration be placed in retiring old forms, or sections of forms, in line with the commencement date of new standards, rather than running two sets in parallel. This would streamline the reporting process.

CONTACT INFORMATION

We welcome further dialogue with representatives on the views of ASCA and thank you for your consideration to date.

If you have any questions in relation to this letter, please direct those questions to the Chair of the ACSA Regulatory Affairs Working Group, [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

Chair
Australian Custodial Services Association

Note

The views expressed in this letter are prepared by ACSA for the purposes of consideration by APRA in response to Topic Paper 7 (Fees and Costs Disclosed) of the Superannuation Data Transformation project and should not be relied upon for any other purpose. The comments in this letter do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.

About ACSA

Custodians provide a range of institutional services, with clients typically favouring a bundled approach to custody and investment administration. Solutions may include traditional custody and safekeeping, investment administration, foreign exchange, securities lending, tax and financial reporting, investment analytics (risk, compliance and performance reporting), investment operations middle office outsourcing and ancillary banking services.

These services represent key investment back office functions – often representing the client’s asset book of record and essential source data in relation to the investments they hold.

The key sectors supported by ACSA members include large superannuation funds and investment managers, as well as other domestic and international institutions.

ACSA works with peer associations, regulators and other market participants on a pre-competitive basis to encourage standards, promote consistency, market reform and operating efficiency.

www.acsa.com.au

Attachment 1 ACSA Responses

Topic Paper 7 – Fees and Costs Disclosed

Question	ACSA Response
<p>1. What difficulties, if any, may be caused by reporting data items on draft SRS 706.0 that allows reporting on both a current and transitional RG97 implementation basis? How could this be mitigated?</p>	<p>ACSA is supportive of the approach to align fees and costs reporting to the updated version of RG97.</p> <p>However, the implementation timeline of RG97 and APRA Superannuation Data Transformation should be aligned so that development of solutions to both initiatives can be funded and developed in parallel. ACSA has concerns to report data using different versions of RG97, as this would require potential development by industry participants for both current and final RG97 requirements, thereby increasing the costs on the industry, and ultimately on the members. Rather, ACSA recommends a single implementation date for reporting data items under the final RG97 rules. The implementation timeline would therefore be for all reporting after September 2022.</p>
<p>2. When do you anticipate that you will complete the transition to the updated RG97 requirements?</p>	<p>ACSA understands RSE licensees are at different stages of transitioning to the updated RG 97 requirements. Therefore, as stated above, ACSA recommends a single implementation date of September 2022 for reporting data items on SRS 706.0 under the final RG97 rules. This will ensure all RSE licensees not only report consistent data, but are not required to develop multiple solutions to provide the fees and costs disclosure to APRA.</p> <p>ACSA has seen significant challenges in the industry-wide change process needed to implement the significant expansion of data. Agreed definitions, building and testing of solutions takes time and this is being undertaken in parallel with the impacts of pandemic disruption on funds, investment markets and their supply chain. RG97 still requires an industry data dictionary and standards to be agreed to ensure consistency of interpretation and disclosures. Accordingly, implementation date of September 2022 to report under the final RG 97 rules will enable the industry to meet these new disclosure requirements.</p>

Question	ACSA Response
<p>3. What difficulties, if any, may be caused through reporting fees and costs disclosure at an investment option level and how could they be mitigated?</p>	<p>While similar data is extracted for MySuper reporting from custodian books of record, the expansion to investment option level will present a significant volume increase for RSEs that offer choice. ACSA does not have a view on whether Administrators or RSE licensees will face any difficulties in extracting and reporting fees and costs disclosure at an investment option level other than the general observation that all extensions to reporting come at a cost.</p>
<p>4. Are there any gaps or areas requiring further clarification?</p>	<p>Requirements in SRS 703.0 and SRS 706.0 to be merged</p> <p>ACSA proposes that the original SRS 703.0 be retired and a new SRS 706.0 be introduced for all superannuation products, that incorporates the requirements in both SRS 703.0 and SRS 706.0. The SRS 706.0 is a new report with additional data points, and not merely a copy of SRS 703.0 drafted to capture the same data for the additional superannuation products. Therefore, a single legislative instrument is simpler to monitor, manage and control than multiple instruments that could lead to differences, duplication or confusion.</p> <p>Benefits of generating additional data to be balanced against increased cost of generating the data</p> <p>ACSA is supportive of the need for the data collection for all superannuation products. The addition of choice and investment options to existing MySuper and lifecycle option level reporting would provide holistic data essential for the assessment of the superannuation industry’s operations and progress of RSE licensees to improve member outcomes. As a general principle, any potential benefits of inclusion of additional data points to seek more granular data should be balanced against the increased cost of generating and maintaining the information. Further, the various data points collected should be aligned in order to produce useful information, such as product comparison, for the members.</p>
<p>5. Feedback as outlined in item 3.1 Feedback sought on confidentiality proposals. Please ensure feedback is</p>	<p>ACSA does not have a view as to whether any information collected under SRS 706.0 should remain confidential or not. This is a matter for RSEs, their specific operating model, member’s interest and commercial agreements.</p>

Question	ACSA Response
specific on which data items should remain confidential and any detriment to member or commercial interests.	