

SUBMISSION

Submission to APRA
Discussion Paper —
Superannuation Data
Transformation:
Publications and
confidentiality

14 April 2022

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General Manager
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Via email: superdatatransformation@apra.gov.au

14 April 2022

Dear Sir / Madam,

Superannuation Data Transformation – Publications and confidentiality

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to APRA's consultation on the Discussion Paper: Superannuation Data Transformation – Publications and confidentiality.

About ASFA

ASFA is a non-profit, non-partisan national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$3.4 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing almost 90 per cent of the 17 million Australians with superannuation.

If you have any queries or comments in relation to the content of our submission, please contact [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

General comments

ASFA supports increased transparency that leads to improvements in outcomes for members. We acknowledge that APRA's general approach is to maximise the amount of data determined as non-confidential and released publicly.

However, we consider that data should remain confidential in circumstances where its publication could compromise outcomes for members or promote instability in the superannuation system.

The publication of commercial in confidence data can reveal details of an entities business strategy, business operations and financial position, either directly or by inference, and include third parties' commercially sensitive data. Publication of this data will compromise RSE licensees' strategic and business planning practices, and achievement of strategic objectives for members, as required by APRA under *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515).

Similarly, the publication of market sensitive investment and asset allocation data can reveal details of investment strategy and be harmful to returns and member outcomes. In addition, semi-annual public disclosure of investment information is occurring under Portfolio Holdings Disclosure requirements that began 31 March 2022 and overlapping disclosures may cause confusion for consumers.

Where data is published it should be contextualised and comparable so that consumers are not misled. APRA should work closely with stakeholders to resolve identified issues prior to publication. Insurance data presents challenges in this regard, and we recommend further consultation occurs prior to publication of insurance data.

We note that confidential data may still be appropriate for APRA to utilise for prudential supervision purposes, despite its unsuitability for broader publication.

Specific comments

Expense Data

Superannuation funds and third-party service providers enter confidential contracts on commercial terms. Some of the granular entity level data proposed to be published under *SRF_332 Expenses* is commercial in nature and should remain confidential.

Although APRA's discussion paper says it does not propose to publish individual service provider information, the granularity of the expense data it proposes to publish is inconsistent with this position and will render it ineffective. So, the commercial and member detriment consequences of publishing individual service provider information would still arise.

Should APRA disclose, for example, entity level administration fees, it would dismantle the embedded confidentiality in administration contracts. This would be prejudicial to the commercial interests of third-party service providers and detrimentally impact key services provided to superannuation fund members.

In addition, not all contracts specifically isolate fees at the level requested. Subsequently there may be a degree of subjectivity regarding the expense splits reported by industry participants., for example an expense split between a Responsible Service Entity (RSE) and other entities may result in an overstatement of profit reported at the RSE level. In the absence of further co-design with industry, this could result in a lack of comparability in data between funds that would not serve the best interests of consumers.

The confidential data can be used by APRA as part of its supervision and monitoring to generate ongoing improvements in RSE licensee practices and fee levels across the sector.

Recommendation 1

Entity level data in *SRF_332* remains confidential and further co-design occurs with industry to ensure consistency in reporting by participants.

Employer Plan or Platform dealer group data

The publication of commercially sensitive information, such as corporate sub-plan and platform dealer group fees with names of plans/menus and rates, would be contrary to confidential arrangements between superannuation funds and employers/dealer groups which stipulate that certain information cannot be shared or published. Even de-identified publication of custom fee arrangements would precipitate commercial impacts without relevant context such as the level of service provided for fees charged and the value of insurance arrangements to members.

The published data would likely be reproduced for various purposes including comparisons, without being contextualised, and as a result may create confusion for consumers as fees and costs charged may vary considerably depending on the arrangements in place. Eventually, the publication of commercially sensitive data in a highly competitive market could make the provision of lower fee arrangements uneconomical and lead to members paying higher fees.

The confidential data can be used by APRA as part of its supervision and monitoring to generate ongoing improvements in RSE licensee practices and fee levels across the sector.

Recommendation 2

Custom fees and costs arrangements reported in Table 4 of SRF 605.0 (flagged under column C) and relevant data in 705.0 and 706.0 should be determined confidential.

Actual and Strategic Asset Allocation

When third party providers such as research houses publish asset allocation information, the baseline data is adjusted to ensure it is consistent and comparable before being issued. If APRA intends to publish raw data, it will need to ensure that the data is provided on a consistent basis that enables reasonable comparisons.

Further we are requesting a 90-day lag for the asset allocation data to be published, this is consistent with the Portfolio Holdings Disclosure (PHD) regime and will protect the confidentiality of the investment strategy and therefore member returns.

Finally, the proposed new annual fund-level publication Asset Allocation in table 2 (Fund-level derivatives reported in SRF 550.2 Table 1) is more detailed than is required under the PHD regime. The publication of this information would reveal to competitors how a fund is engaging with the market, this would be the case even with the introduction of a reporting lag due to the longer-term nature of derivatives exposures.

Recommendation 3

APRA undertakes further consultation on Asset Allocation disclosures to ensure the consistency and comparability of information provided and disclosed and outlines the need for these disclosures considering the Portfolio Holding Disclosure requirements already in place.

Fees and Costs Data

The publication of fees and costs data with a comparison of two balances being \$50,000 and \$100,000 may not provide an appropriate point of comparison for consumers in funds with much higher average balances. The fees and costs data on a larger representative balance should also be considered to reflect different types of products where the average member balance is in general much higher than \$50,000 or \$100,000.

Recommendation 4

An additional representative balance of \$250,000 is utilised in circumstances where this would provide a more suitable point of comparison for consumers.