

Gateway Network Governance Body

contactus@gngb.com.au

www.gngb.com.au

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General Manager, Policy
Australian Prudential Regulation Authority (APRA)
via email
superannuation.policy@apra.gov.au

RE: Gateway Network Governance Body Ltd (GNGB) Response to APRA's Consultation of Transfer Planning for Superannuation Trustees

GNGB would like to thank APRA for the opportunity to provide input into the proposed enhancements for superannuation transfer planning, dated November 2022.

GNGB is the industry owned governance body responsible for the information security, integrity and availability of the Superannuation Transaction Network (STN). Registrable Superannuation Entities (RSEs), together with employers, rely on the Gateway Operators within the STN, to enable their legislative superannuation obligations to be met as it relates to the transmission of member contributions and rollover transactions. It is in the context of GNGB's role, overseeing the STN, that this feedback is provided.

During 2022 and 2023, the STN has seen a number of successor fund transfers (SFT's) executed, each with different elements and considerations made during the planning and execution phases, by Superannuation Trustees. The different approaches have enabled an ability to understand benefits and impacts of each, to build a common view of success factors for SFT's within the STN. The experience of the STN has noted 3 areas in particular, where impacts to stakeholders can be mitigated with stronger guidance to Trustees:

1. **Employer Communications**
2. **Administration Blackout periods**
3. **Planning transfers around industry peak periods**

We wish to now share those with APRA, for consideration in proposed enhancements to the Execution Phase Guidance of Prudential Practice Guide SPG 227.

1. **Employer Communications**

When a transfer requires the cessation of one USI and the transfer of member accounts to a new or existing USI, ultimately employers need to change their records, to contribute to the new fund entity. Whilst APRA's guidance for Trustees includes a requirement to communicate early and clearly with Members, this information is not consistently or reliably passed onto employers. The result is a large

number of contribution error messages across the STN, directly after the cessation of the legacy USI, as employers attempt to direct transactions to a closed USI. This significantly impacts the efficiency of the STN and can cause delays in the application of contributions to member accounts.

GNGB has seen some Funds include employers in communication campaigns about the upcoming SFT which can assist to mitigate the number of errors, however the nature of superannuation is such that any employer can make contributions to any Fund. It is therefore very difficult to cover communications to all Australian employers.

Recommendation

Early notification from APRA or Fund Trustees of upcoming SFT's to GNGB would allow us to communicate directly with Gateway Operators regarding the upcoming changes. Early awareness transfers by the STN, Gateway Operators and their data supply chain participants such as clearing houses and payroll providers, can assist with communication to employers regarding the changes, leading to a decrease in error messages and impacts to an efficient network. These ecosystem participants all facilitate employer transaction entry to the STN and are therefore in a good position to update user interfaces and provide communications. GNGB notes that where this early awareness has occurred to date, the impact to the STN in terms of efficiency and disruption, has been significantly decreased.

2. Administration Blackout periods

Difficulties arise when there is an administration black out period (non-processing of transactions) required for the execution stage of a transfer. This may be a strategy deployed to assist with registry processing during an SFT and may appear as either a USI on hold or as the cessation of legacy USI a number of days before the target USI is considered live. This creates challenges for employers when processing superannuation contributions during this period, as it requires processing of partial workforce transactions, which is not manageable for many employer organisations. This can also result in significant error messaging across the STN.

Recommendation

APRA consider inclusion of mandatory rules for Trustees to ensure Funds prioritise the ability for employers to make contributions through all stages of the SFT process. This can be done by making use of Gateway Operator or other service provider capability for example to "catch and hold" transactions until such time as processing on the new USI is live.

Another option to enable continuous contributions, is a parallel run of old and new USI's in the lead up to transfer date, so that all transactions are accepted during the transition execution period. This approach has the added benefit of enabling management of any superstream response messages, seeking to be returned to the original source USI.

3. Transfer Dates

GNGB notes SPG227 40 (h) refers to the timing of the SFT. And states “Where relevant, a prudent transferring RSE licensee would consider whether any macro-economic events or other issues may potentially adversely affect investment markets or members’ benefits at the time of transfer;”. GNGB considers that this advice is particularly relevant for transfers planned around or close to, Superannuation Guarantee Contributions deadlines as transaction volumes during this time can inhibit the efficient and effective management of large member transfer activity.

Recommendation

APRA consider explicitly calling out Superannuation Guarantee Contributions deadlines as industry peak periods and times not recommended for Transfers to take place, due to the volume of transactions occurring throughout the STN during that time.

GNGB would be pleased to discuss any of the above in greater detail where appropriate. And thank you for the opportunity to articulate the impact of transfers on the STN and Gateway Operators.

Kind Regards

Michelle Bower
Chief Executive Officer
contactus@gngb.com.au