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Ms. Wendy Hau
Director, Superannuation Access and Compliance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent PARKES ACT 2600

Lodged via email: paydaysuper@treasury.gov.au

Securing Australians' Superannuation

Dear Wendy,

Australian Payments Plus (**AP+**) welcomes the consultation on the Securing Australians' Superannuation package aimed at addressing the structural drivers of unpaid Superannuation Guarantee (**SG**). AP+ brings together Australia's three domestic payment rails, BPAY, eftpos and the New Payments Platform (**NPP**). AP+ builds and operates Australia's national payment and data infrastructure.

The proposed legislation

The policy intent of the reforms is for contributions to be allocated to individual's superannuation account as soon as possible to maximise returns to those individuals, requiring intermediaries to improve processing times and utilise real-time modern data-rich payment platforms such as the NPP.

In Attachment A, AP+ has provided a response to key questions posed in the consultation process.

Superannuation payments on the New Payments Platform (NPP)

Launched in 2018, the NPP was developed by the finance sector to enable payments to be made and received in near real-time. The Reserve Bank of Australia (**RBA**) built the Fast Settlement Service component of the NPP to allow transactions to be settled in close to real time.

Using the NPP to process SuperStream transactions provides for faster and more data rich payment messages when transferring SG amounts from the employer's bank to a superannuation fund. To achieve the policy intent, it is important to note that the NPP is currently the only payment platform that will allow the identification of individual payments as superannuation payments - payments today via direct credit, direct debit or BPAY all rely on parties manually identifying the payment to be a superannuation payment. NPP has enabled a specific service, the "*Category Purpose Business Service*", that allows all types of superannuation payments to be categorised, easily identified and processed in real time and 24/7.

AP+ notes that the Australian payment company Zepto (an NPP participating organisation¹) has partnered with OZEDI to facilitate real time superannuation payments using PayTo over the NPP. OZEDI's new SuperStream service is available and able to provide instant payment capability for Australian businesses paying employee super². We anticipate that this will be the first of many services developed by organisations to support real-time payment of superannuation contributions using the NPP. By utilising data rich payment messages for SuperStream transactions, the NPP will allow for the realisation of operational efficiencies and

¹ Zepto was Australia's first non-ADI fintech approved to connect directly to the NPP as a 'Connected Institution' and the first non-bank payments provider to become an Accredited Data Recipient. Similarly, OZEDI was one of the first gateways to join the SuperStream network.

² Media : OZEDI and Zepto partner to deliver Australia's first instant super fund payments. Available at: <https://australianfintech.com.au/ozedi-and-zepto-partner-to-deliver-australias-first-instant-super-fund-payments/>

associated cost savings. Data rich payment messages allow for improved SuperStream reporting and payment reconciliation and reporting.

Account reach of the NPP

Over 88 million bank accounts, across 100 participating banks, are able to send and receive NPP payments today. AP+ notes that a number of banks that are currently connected to the NPP have not yet made all of their accounts reachable via the NPP. However, given the government has flagged the retirement of BECS³, the RBA is now engaging⁴ with these particular institutions to fully understand their plans for their required transition to the NPP.

As of March 2023, 15.3 million accounts are not yet reachable via NPP. Of these, 3.8 million are accounts associated with superannuation products. Given the government has flagged the retirement of BECS, NPP participating banks are actively looking to make more accounts reachable over the coming years. Based on data reported to AP+ by the banks, it is the confident expectation of AP+ that any superannuation accounts not currently reachable will be connected to the NPP and that this is likely to occur in advance of the launch of PayDay Super.

AP+ notes that our BPAY scheme is currently approved by the Australian Tax Office (ATO) as one of the two payment methods permitted to be used for SuperStream superannuation payments. BPAY offers a secure method for employers to process, and evidence the sending of superannuation payments. Given the consultation paper sought views on using the NPP to process SuperStream transactions we have focused our comments to the features of the NPP.

AP+ is also partnering with the Association of Digital Service Providers Australia New Zealand (**DSPANZ**) to ensure the industry and software providers are aware of the capability of the NPP. DSPANZ is the association representing Digital Service Providers responsible for delivering SuperStream and Single Touch Payroll. This partnership between AP+ and DSPANZ aims to provide expertise and support to DSPANZ members on available payment methods and upcoming changes to the payments landscape, including the transition away from the Bulk Electronic Clearing System (**BECS**) to the NPP.

There are efficiencies and operational cost savings that will be available for employers, intermediaries and superfunds by using data rich payment messages via the NPP to process SuperStream transactions. AP+ is committed to working with all stakeholders to assist in the design of an approach which achieves the goals of the Securing Australians' Superannuation package and is fit for purpose, whilst helping entities yield the benefits of real time data rich payments to improve the operational efficiency of SuperStream payment reconciliation and reporting.

We are available to discuss any of our feedback.

Yours sincerely,



Aidan O'Shaughnessy.

Public Policy, Government & Regulatory Affairs, AP+

Encl.

³ Treasury: A Strategic Plan for Australia's Payments System, Available at: <https://treasury.gov.au/publication/p2023-404960>

⁴ Reserve Bank of Australia: Payment System Board Annual Report 2023 Available at: <https://www.rba.gov.au/publications/annual-reports/psb/2023/>

Attachment A: Responses to the key questions posed in the consultation process.

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| <p>Q1. What implementation issues could arise if 'payday' is defined as being each time a payment is made to an employee with an OTE component?</p> | <p>AP+ notes that to achieve the policy intent there will need to be an amendment to payment methods specified in the SuperStream legislation and subsequent consequential amendments to the ATO Guidance Notes⁵ to enable the NPP as an additional payment channel. The current ATO guidance states that a SuperStream solution must not send a SuperStream payment using NPP until it is prescribed as a payment method or agreed between sending and receiving parties.</p> <p><u>Schedule 3 of the ATO guidance titled: Payment Methods v2.0.pdf (ato.gov.au)</u> - specifies the current payment methods allowed.</p> |
| <p>Q2. What implementation issues could arise when more regular SG payments are mandated?</p> | <p>The benefit in making a SG payment via the NPP is the ability to leverage the data rich message capability of the NPP. The NPP has created a payment message schema specifically for superannuation payments.</p> <p>This superannuation message schema will allow all parties to send and receive the critical data elements needed for effective payment, reconciliation and reporting (e.g., mandatory fields such as details about the fund and also the member). Where solutions are implemented using APIs, sending the superannuation payment via the NPP will facilitate real time acknowledgement of successful payments (and more importantly real time acknowledgement of failed payments which require intervention).</p> <p>The NPP uses the ISO 20022 global message standard for electronic data interchange between financial institutions or organisations that move money and data. The ISO 20022 standard provides a set of comprehensive xml formatted messages, rich with both structured and unstructured data. The ISO 20022 message format can carry much richer information than the 18 characters currently available for BECS Direct Entry payments. With more than 1,400 data fields available in the ISO 20022 message, this additional data can be carried end-to-end together with the payment.</p> <p>AP+ notes that there will be implementation costs for funds and employers to adopt data rich real time payments across the NPP, however these real time data rich payments offer the ability to improve the operational efficiency (and associated cost savings) of SuperStream payment reconciliation and reporting.</p> |
| <p>Q3. Are there any advantages or disadvantages with the requirements</p> | <p>The NPP will allow for employers to make the payment for the SG contribution on the same day as the employee is paid. There are</p> |

⁵ SUPERSTREAM PAYMENTS USING THE NEW PAYMENTS PLATFORM (NPP), Available at: https://softwaredevelopers.ato.gov.au/sites/default/files/resource-attachments/G051_Guidance_-_SuperStream_payments_using_NPP_v1.0_FINAL_20180524.pdf.

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| <p>of payday super being fulfilled if employers make the payment of SG contributions on 'payday' (i.e. the employer payment model)?</p> | <p>no delays to the process and cashflow concerns (whereby the employer is paying a clearing house earlier or providing prefunding would be alleviated)⁶. The 24 /7 availability of the NPP allows for payments to be made outside of normal business hours and cut-off times for processing payments do not apply.</p> <p>The data rich capability of NPP messages allows for the straight-through processing of the contribution to the member's account. AP+ in consultation with the ATO, Treasury and superannuation industry is available to assist in the definition of any additional relevant (mandatory) data elements that would enable better reconciliation.</p> <p>AP+ notes the mandating of certain fields and the definition of data elements in the Superannuation Payment Category on the NPP would need to occur via industry consultation to define relevant data elements.</p> |
| <p>Q4. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if the employee's superannuation fund has received employer contributions a certain number of days after payday (i.e. the due date model)?</p> | <p>NPP enables the transfer of funds in near real time. Reporting and alignment to the payday due date can be met through the real time nature of the payment. Also, the data rich capabilities of the NPP payment message schema for superannuation payments, means that a vast number of data fields can be utilised.</p> <p>For example, the ability to reconcile and report on payments (and the associated operational efficiencies) will be possible by the use of the Payment Reference Number (PRN) and other mandatory data fields, in the NPP payment message schema.</p> |
| <p>Q5. Should there be a standardised due date for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid?</p> | <p>The data rich messaging format for superannuation payments via the NPP allows for the reconciliation and payment near real time on the required due date. That said, there are likely to be a number of operational, accounting and audit processes that employers and payroll service providers need to complete before approving a 'pay-run' of superannuation payments via the NPP. This may mean that industry requires different standardised due dates for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid.</p> |
| <p>Q6. Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?</p> | <p>The NPP will allow for the SG payment to be categorised and easily identified by both the employer and the financial institution using the NPP payment message specifically created for superannuation payments.</p> <p>The NPP will allow for the classification of the Superannuation payment, whether it be SG, voluntary, or to an SMSF to be captured and categorised. Subsequently, the data rich format</p> |

⁶ AP+ understands that under the current system (*not utilising the NPP*) that if the funds need to be paid on the day the employee is paid, and the fund is making the contribution it may be the case that an employer would have to pre-fund an account at a clearing house to ensure the money is transferred – It is challenging for an employer to know the exact required value of the pre-funded amount to be sent to the account in the clearing house.

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| | allows the easy identification of the payment for reconciliation, reporting and transparency. |
| Q7. How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model? | <p>In June 2022, NPP launched PayTo. PayTo is a unique service that allows third parties, such as Superannuation Clearing Houses or Superannuation funds, to initiate payments from another party's bank account.</p> <p>Currently, PayTo is available to around 91% of retail banking accounts, with this number expected to grow and include other accounts.</p> <p>The PayTo service enables intermediaries to collate SG reporting and identify payments required to be made to a fund. Once the SG value was known and the PRN identified, the intermediary would initiate an authorised payment from the employer's account to the fund's account in near real time. The payment includes all the necessary information required for reconciliation which will support faster processing, greater operational efficiencies and associated cost savings.</p> |
| Q8. Given reduced payment processing times facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe? | <p>The NPP will allow for SG payments to be categorised and easily identified by the employer, their agents and financial institutions by using the NPP payment message schema specifically created for superannuation payments.</p> <p>The NPP will allow the classification of the actual superannuation payment, whether it be SG, voluntary, or to an SMSF to be captured and categorised. Subsequently (during the payment cycle), that same data rich capability allows the easy identification of the payment for reconciliation, reporting and transparency.</p> |
| Q9. What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds? | <p>The use of PayTo on the NPP and its third-party payment initiation capability will enable intermediaries to speed up the payment process to meet a shorter payment time.</p> <p>The NPP will allow for SG payments to be categorised and easily identified by the employer, their agents and financial institutions by using the NPP payment message schema specifically created for superannuation payments. This additional data (also available in payments initiated via PayTo) ensures that each and every payment is reconcilable.</p> <p>In addition to PayTo, PayID on the NPP has the capability to be used as a <i>receivables solution</i>. PayID provides confirmation of the payee's name, which could include the fund or intermediary. Using PayID enables the payment to be processed in real time from employers to intermediaries, and also ensures the correct identification of who the payment is being made to.</p> |

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| <p>Q10. Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?</p> | <p>Given the real time nature of the NPP, payment timeframes could be met by leveraging this infrastructure and SLAs could be established that could be reported on.</p> |
| <p>Q11. How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?</p> | <p>As the digital transformation of the economy occurs, and the retirement of the Bulk Electronic Clearing Scheme (BECS) is planned⁷, it is necessary to prepare for a change in the way in which payments are processed. There are efficiencies and operational cost savings that are available for employers, intermediaries and superannuation funds by using data rich payment messages via NPP to process SuperStream transactions. AP+ is committed to working with all stakeholders to assist in the design of an approach which achieves the goals of the Securing Australians' Superannuation package and is fit for purpose, whilst helping entities yield the benefits of real time data rich payments to improve the operational efficiency of SuperStream payment reconciliation and reporting.</p> <p>The NPP uses the ISO 20022⁸ payment messaging standard. ISO 20022 is a global standard that provides a set of comprehensive xml formatted messages, rich in both structured and unstructured data for financial services.</p> <p>The ISO 20022 payment messaging standard is the Universal financial industry message scheme. It is the global payment standard adopted for data rich payment messaging used by all financial institutions across the globe. Leveraging the data rich capability of the interoperable ISO 200022 standard allows more innovation and other benefits such as advanced fraud detection.</p> |
| <p>Q12. What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?</p> | <p>The use of BECS, BPAY and, in the future, NPP meets the requirements of different superannuation payment use cases and ultimately provides the employer or payer with the choice of payment method.</p> <p>AP+ notes that our BPAY scheme is currently approved by the ATO as one of the two payment methods permitted to process SuperStream superannuation payments. BPAY offers a secure method for employers to process, and evidence the sending of, superannuation payments.</p> |
| <p>Q31. Should employers be allowed to make 'catch-up' contributions due to errors?</p> | <p>The data rich messaging format for superannuation payments via the NPP will allow employers and super funds to reconcile these 'catch up' payments much more efficiently than is the case today.</p> <p>Use of the NPP will enable simpler reconciliation of the payment. Further, PayIDs can be set up by the fund to receive the payment dedicated to catchup contributions which would simplify reconciliation even further – as the fund can set up a PayID for</p> |

⁷ Treasury: A Strategic Plan for Australia's Payments System, Available at: <https://treasury.gov.au/publication/p2023-404960>

⁸ <https://www.iso20022.org/>

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| | each individual Super Product and/ or the different type of contribution. This is because individual PayIDs can be set up and defined to be specific for each employer. |
| Q32. What would be a reasonable time period to allow employers to make 'catch up' contributions that aligns with the intent to pay superannuation alongside wages? Should this time period differ depending on payday frequency? | NPP allows for a payment to be made in near real time. Further the payment of the catchup contribution could be made with the payment of the additional wages given the data rich messaging format for superannuation payments via the NPP. |
| Q33. What are the challenges in correcting SG payments under a payday model? Is this an efficient way for employers to make corrections? Should error messages be standardised across funds? | The NPP will allow for SG payments to be categorised and easily identified by the employer, their agents, and financial institutions by using the NPP payment message schema specifically created for superannuation payments. This additional data (also available in payments initiated via PayTo) ensures that every payment is reconcilable. |
| Q34. Is the 20 business-day time-period for superannuation funds to resolve errors appropriate in a payday super model? | <p>NPP provides the capability for simpler addressing through PayID (allocating the PayID to the member and the fund), to enable the straight through processing of the member contribution to the appropriate account, thereby reducing errors.</p> <p>Where an account has been closed NPP supports the notification to the employer or clearing house, in real-time, thereby allowing adjustments to be made to the account.</p> <p>Further, data rich payments messages on the NPP and the potential use of additional data such as USI or member number, would allow for the easier identification and resolution of errors. Attribution of the funds to a member account or identification of a new member enables the ability to resolve errors as all the required information is contained within the NPP superannuation payment message.</p> |
| Q35. Under a 'due date' model, would it be appropriate for a period of grace to apply after the due date for SG contributions? If so, should the grace period apply automatically? Or should it be applied at the ATO's discretion in certain limited circumstances? | AP+ notes that the identification of a super payment and the date in which it submitted is captured in an NPP message. The attribution of the grace period would be easily identifiable in the payment reporting. |
| Q36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday | <p>AP+ recommends the use of PayID for the verification of the correct fund. PayID will provide verification of the fund being paid and may be defined to represent a particular Superannuation product.</p> <p>The PayID addressing service exists and is currently maintained by AP+ as part of the NPP infrastructure. The verification of the PayID would be confirmed when the payment is made to the fund</p> |

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| super model? Should such a service be mandated? | or clearing house. The maintenance of the database resides with the NPP and would be administered through the fund's financial institution utilising existing processes. |
| Q39. How could a smooth transition be managed to aligning STP, SuperStream, MAAS and MATS reporting, either through changing the reporting requirements to year-to-date values or transaction-based reports? | AP+ are working with the industry and DSPANZ to commence the assessment of the transition requirements to the NPP. Working through this collaboratively with the industry will allow for a smoother transition. A key consideration will be to identify phasing of the implementation and enabling some organisations to move at pace and others to develop over time. |
| Q41. Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions? | <p>By identifying the payment as a superannuation payment on the NPP and the additional data capabilities that could include ultimate creditor would support better reporting and greater transparency.</p> <p>AP+ notes that were a new identifier be required, this can be facilitated by the existing messaging format for superannuation payments via the NPP - and could also be used as an additional point of reconciliation in the NPP message.</p> |
| Q47. Are there any other changes that will be required for self-managed superannuation fund members? | The NPP message has been designed to support a broad range of use cases across the superannuation industry. Payments to an SMSF have been included in the available and applicable capability that already exists in the NPP. |
| Q48. Are there any other impacts on stakeholders or considerations Government should consider in policy design? | AP+ recommends the inclusion of the NPP as an approved payment method however it is important that the drafting of the legislation is approached in a technology neutral way, such that payment means and the method in which a payment is made can be platform agnostic. All approved payment methods should adhere to the same requirements on the proper and consistent identification of a superannuation payment and be obliged to provide the data necessary to ensure an employer or fund is able to choose the best payment mechanism available to them. |
| Q49. What further changes would be required under the current rules to allow employers to meet payday super requirements? | <p>AP+ notes that to achieve the policy intent - the proposed reforms will need an amendment to payment methods in the SuperStream legislation (and subsequent amendments to the Guidance Notes⁹) to enable the NPP as an additional payment channel. The current guidance states that a SuperStream solution must not send a SuperStream payment using NPP until it's prescribed as a payment method or as agreed between sending and receiving parties.</p> <p><u>Schedule 3 Payment Methods v2.0.pdf (ato.gov.au)</u> - specifies what payment methods are allowed.</p> |

⁹ ATO GUIDANCE: SUPERSTREAM PAYMENTS USING THE NEW PAYMENTS PLATFORM (NPP), Available at: https://softwaredevelopers.ato.gov.au/sites/default/files/resource-attachments/G051_Guidance_-_SuperStream_payments_using_NPP_v1.0_FINAL_20180524.pdf