



In partnership with

CommonwealthBank
of Australia



The NPP and Superannuation

A revolution in efficiency



The New Payments Platform offers the superannuation industry great potential to facilitate faster payments for the benefits of members and business and corporate customers. However, it will take innovation and collaboration to seize the opportunities.

In the age of technology, disruption, and heightened customer expectations, no organisation can afford to have complicated and inefficient payments systems and processes complete with delays and hidden costs.

Key payments in superannuation comprise contributions to funds from employers, top-up contributions by members, and payouts by the funds – in cash to members or, more commonly, transfers to other funds. Unfortunately, the current lag between payment initiation and completion is between one and three days – which is hitting fund members in their superannuation balances.

In a major new development for Australia, the New Payments Platform (NPP) is set to completely revolutionise how Australian payments are facilitated, with data rich, near real-time transactions, 24/7. Around four years in development, the leading edge technology is the result of a collaborative effort between 13 major banking institutions and the global payments provider SWIFT. The NPP promises to boost payment efficiency for businesses, organisations, governments and consumers, cutting out administration complexities and reducing cash flow issues.

For the superannuation sector, the NPP's impact could be millions of dollars a year in savings for fund members. Based on, for example, a three percent investment return, the switch to real-time payments from the average two-day lag could see total value generated of \$19.2 million annually (for 100 percent of Australian workers' contributions, based on FY17 contributions of \$116.9 billion).¹ This value is above and beyond the savings available for members through greater administrative efficiency for all stakeholders in the system including funds and employers.

The four unique features of the NPP:



Ubiquitous near real-time payment:

This occurs irrespective of which organisation a customer banks with, within 15 to 20 seconds.



Pay ID: This replaces a BSB and account number in a payment, and can be a mobile number, email address, ABN or business name.



Data travels with the payment: Rather than sending, for example, a remittance advice via email, it can be sent with the payment. The NPP also provides the payer with more details about the receiver for increased accuracy.



Always available: Payments can be made all day, every day, including weekends and public holidays. Banking cut-off times will be a thing of the past.



The NPP brings four key basic features to the market – near real-time payments, a unique user PayID, the ability for data to travel with payments, and 24/7 operation. By using these in a combination of ways, you can deliver unique and rich customer experiences compared to payment systems of the past.

**Albert Naffah, Managing Director,
Cash-flow & Transaction Services,
Strategic Initiatives, Commonwealth
Bank of Australia**



¹ According to ASFA, Australian super assets were \$2,324 billion at the end of June 17. <https://www.superannuation.asn.au/resources/superannuation-statistics>



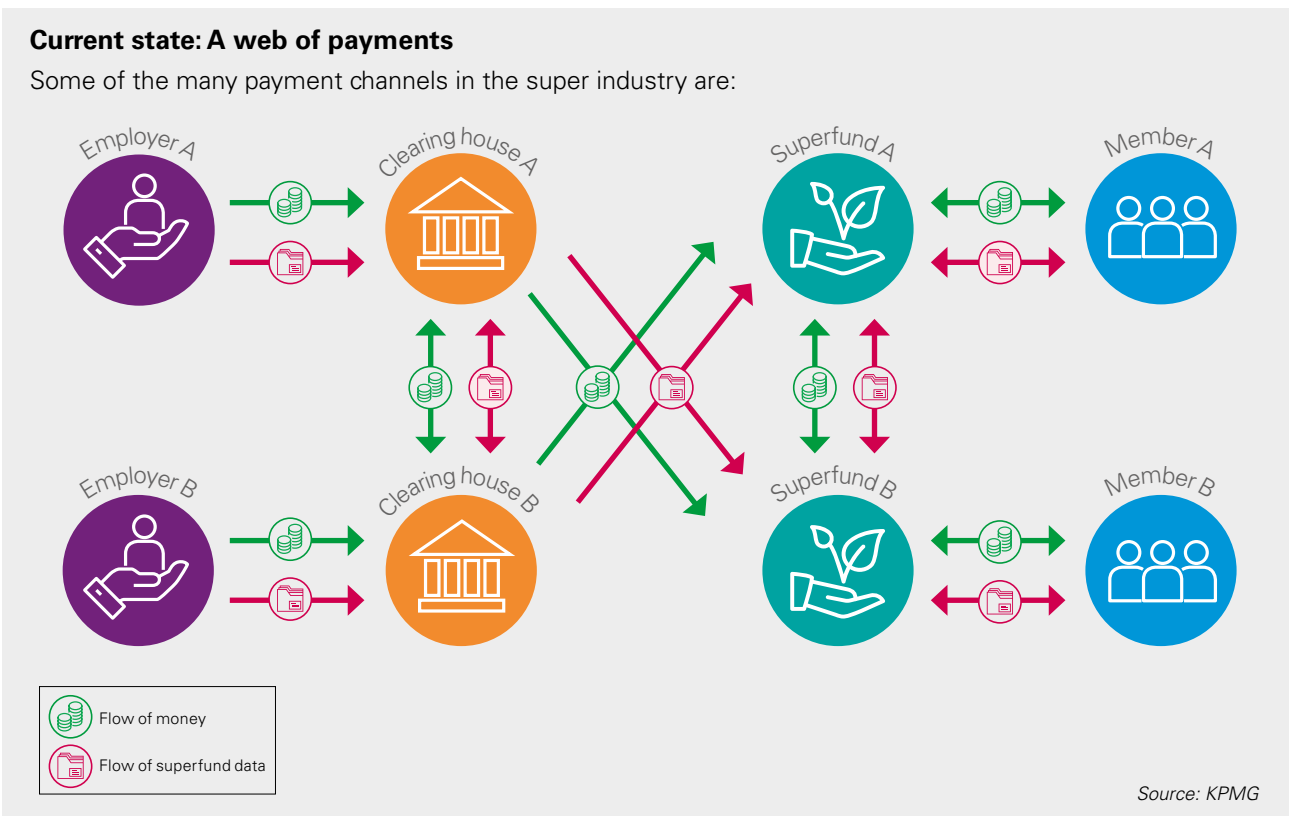
The introduction of NPP has the potential to provide the superannuation industry with significant opportunities to drive improved service to members and to enhance the efficiency of processing superannuation contributions and payments. In particular the ability to add significantly more data to a payment and to make and receive payments in real time, 24 hours a day, every day of the year provides exciting possibilities across the superannuation value chain.

Martin Fahy, CEO, ASFA



Current complications for superfunds

Australia's \$2.5 trillion superannuation industry² and its associated stakeholders facilitate a vast and complex network of payments, which can be impacted by issues such as mismatched or misdirected payments, lost super and payment delays. This can be challenging for employers, funds, fund members, and also the Australian Taxation Office (ATO).



Improving the efficiency, effectiveness and efficacy of payments within the superannuation system will mean smaller and more valuable back office functions, improved relationships with custodians and other service providers and most importantly a better experience for members.

Paul Howes, Partner,
Head of Wealth Management, KPMG

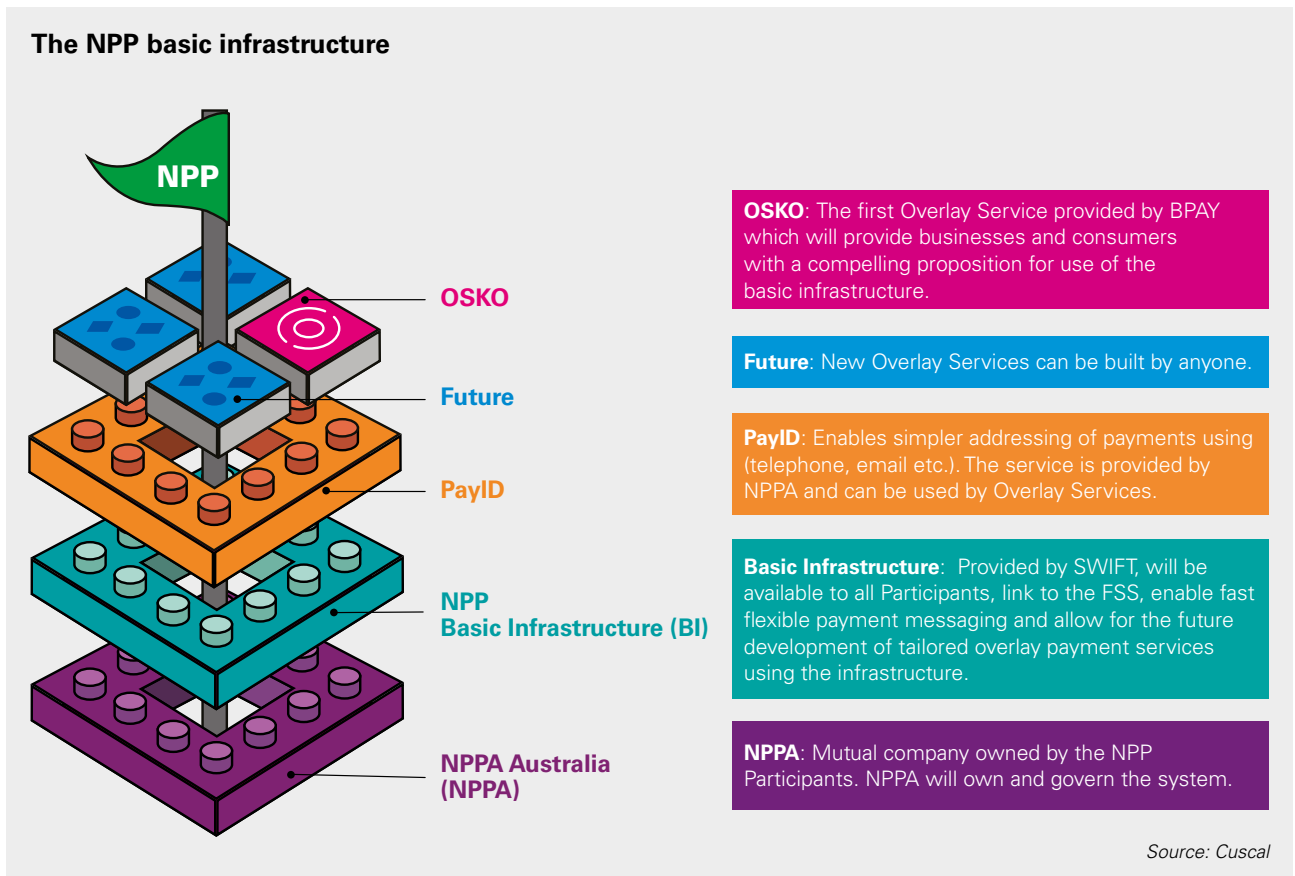
² Source: <https://www.superannuation.asn.au/resources/superannuation-statistics> (13 February 2018)

For employers, there is a need to remove administrative burdens and to build efficiency into the process. For funds, they must deliver the best possible customer experience to remain competitive. And for fund members, simplicity, transparency, and of course accumulating the highest superannuation assets for retirement are essential.

The industry has invested significantly in the SuperStream payment system, which has delivered some powerful benefits. However, it was also developed when payment technology was less sophisticated, meaning data and funds move separately, which can lead to mismatches. Clearing houses manage these issues for the industry, however this creates cost, complexity and delays in the system.

The NPP offers the potential to smooth out this web of payments, with its infrastructure comprising Switch, Networking, Addressing and Fast Settlement Services (FSS) with services built on top called Overlay Services.

“The NPP can enable efficiencies for the funds and employers, which will flow through to the member, helping to remove wasted time and costs from the whole system,” says **Angus St John, Managing Director, Wealth & Diversified Financial Institution Group, Commonwealth Bank of Australia.**



“ The NPP has the potential to help the superannuation industry be more flexible, innovative, more member centric, more transparent, and to offer real simplicity. ”

**Angus St John, Managing Director,
Wealth & Diversified Financial Institution Group,
Commonwealth Bank of Australia**



The potential benefits for employers

For employers, processing employee superannuation payments and meeting compliance obligations can be a time consuming process. **Brett Watson, Partner, Payments Advisory, KPMG**, says since the change to allow employees to choose their own superannuation fund, employers now have to facilitate payments to clearing houses, or sometimes still to multiple superfunds, and to keep up with employees' choice of fund elections and other details to ensure that the information provided to the clearing house is current and complete. This can lead to misplaced payments and high costs associated with payment returns and failures.

"The process is heavily reliant on third-party clearing houses which aggregate the payments, match them, and send them to the funds," Watson says. "That can include multiple 'hops', hidden fees, and can take three or more working days, so there is room for greater efficiency."

As the NPP enables significantly more information to be sent with the payments, it could potentially be used to minimise some of these administration issues.

"Today, the limit for sending data with a payment is 18 characters of alpha numeric text," Naffah says. "The NPP allows you to attach up to 1,400 fields of data, including a Tax File Number, ABN or other key data. Key elements of the SuperStream message could easily be replicated using NPP and the data travel with the payment."

The PayID could also be used to help employers and simplify the system. One such idea is that the employer could 'tag' the payment as a superannuation payment, then the PayID would be used to match this to the employee's superannuation account. The employer only needs to know the PayID and the employee becomes responsible for ensuring this is linked to the correct superannuation account at all times.

The potential benefits for funds and members

For superannuation funds facing immense competition and increasing consumer demands in the technology age, there is a constant need to improve efficiency and accuracy, and most importantly – to deliver an optimal service to members.

“Obligations from a regulatory perspective on how they need to handle, reconcile and manage funds, and the contributions coming in, can be time consuming and costly,” **Albert Naffah, Managing Director, Cash-flow & Transaction Services, Strategic Initiatives, Commonwealth Bank of Australia** says. “Particularly if there are problems such as mistaken, misdirected or anonymous payments.”

The NPP’s speed, data attaching capability and PayID functionality can come into play in overcoming these issues.

For the all-important fund members, the NPP could facilitate transactional experience improvement through its immediate movements and settlements and real-time balances.



The rich data capability of the globally leading New Payments Platform will enable many industries including the superannuation sector to reshape their customer (member) engagement and drive efficiencies.

**Adrian Fisk, Partner,
Head of Financial Services, KPMG**



Super complexities to overcome with the NPP:



Employers: The administrative burden of having a clearing house and dealing with changing employee details. The PayID functionality can make this simple and put the onus on the employee.



Superfunds: The need to reduce the costs, improve efficiency and boost the customer experience. With simpler reconciliation and quicker access to funds, these challenges can be eased.



Members: The need for up-to-date balances, keeping track of lost super, and easy access to funds are key. These can be facilitated with PayID and near real-time payments.



ATO: The ATO’s goal to make super payments simpler and reduce the instance of lost super will be easier to achieve when all of these factors are in play.



Innovation is key

For each group within superannuation, it is clear the NPP can help resolve many challenges, in turn streamlining the payments process. However, seizing the benefits will require superannuation funds to identify pain points and innovate solutions – in the form of Overlay Services. If we describe the NPP as the ‘train tracks’ for delivering payments, the Overlay Services are the ‘carriages’, which are tailored solutions created by organisations to delight their customers.

For example, payments organisation BPAY is an early adopter of the technology, and is set to deliver its ‘Osko’ Overlay Service, which facilitates fast payments, payments with a document, and requests for payment (with or without an attached document). **Michael Eidel, Executive General Manager, Cash-flow & Transaction Services, Commonwealth Bank of Australia**, says: “It helps funds to build lifetime relationships with their members.”



NPP is more than just a new way to pay. It represents an opportunity to enhance member experiences and help solve business problems that the existing payments system couldn’t.

Brett Watson, Partner,
Payments Advisory, KPMG



Overlay Services developed by superannuation organisations could potentially include:



NPP powered SuperStream:

As discussed in this paper, it could leverage the enhanced data capabilities, offer simplified addressing and real time capabilities to further improve SuperStream.



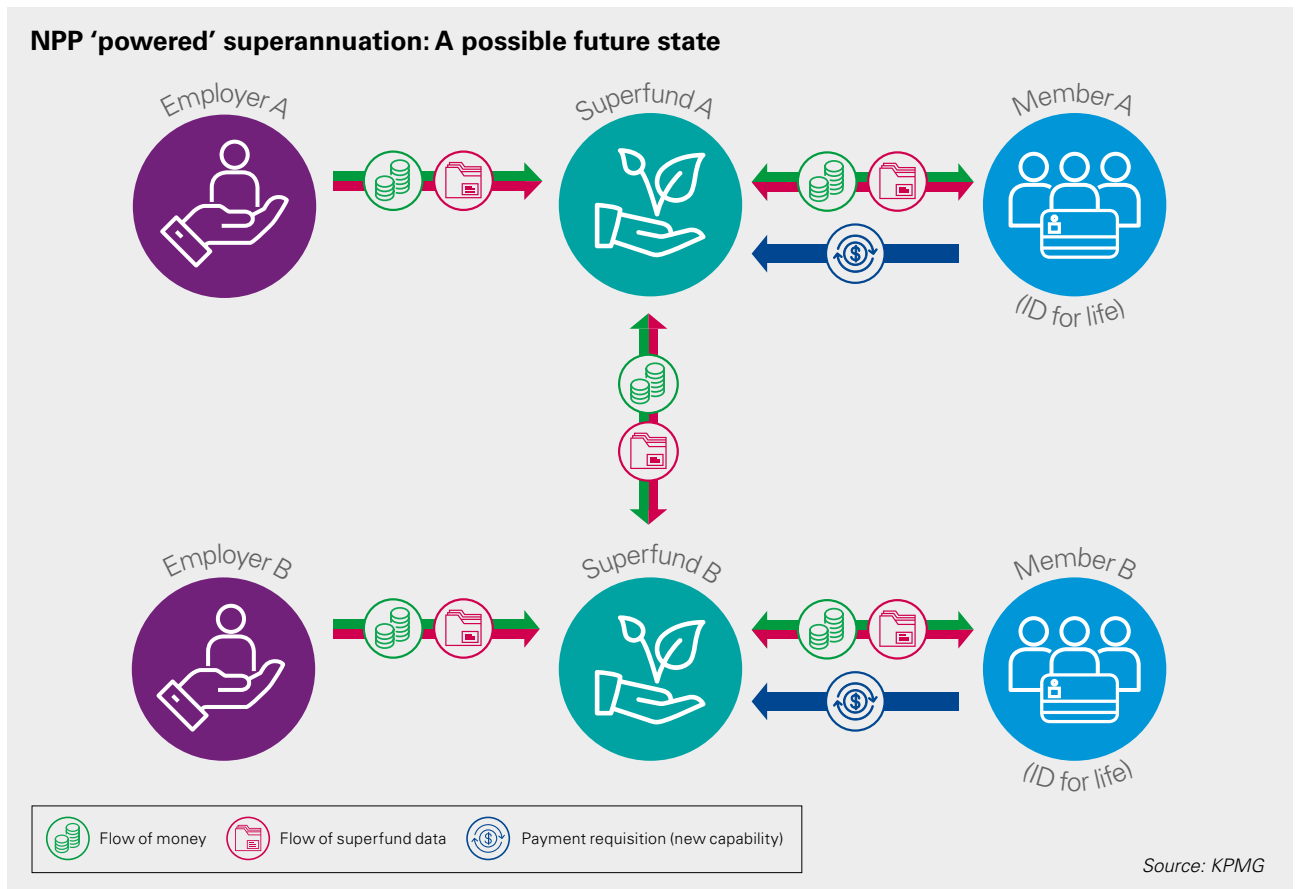
Micro top ups: This enables consumers to round up every expense to an agreed amount, and automatically put that difference into their superannuation account. The PayID can make this simple and accurate.



Rollovers: Use NPP to simplify and speed up the rollover process between funds when a member changes provider.



Pension drawdowns: As Australia’s population ages, retirees are looking for flexibility in how they manage their superannuation funds, and want easier access to their money. The NPP can reduce the need to fill out forms and wait days for a payment – and could incentivise the member to keep their money in a superfund rather than moving it to a bank.



Collaboration for solutions

To develop innovative, impactful Overlay Services, participants in superannuation will benefit from taking a collaborative approach. The key, Eidel says, is to engage early and to work closely with aligned partners and experts.

“There is no design for these great ideas existing today, so it is really incumbent on the funds, in collaboration with their bank and the right expert advice, to really understand the pain points and work together to co-design a solution,” he says.

St John adds that when deciding what innovations to pursue, to always put the member experience at the core of each concept and focus on those that will deliver optimal outcomes.

“An aligned financial experience for the member, from their banking provider to their financial service provider to their superannuation provider, is possible,” he says.

Watson adds: “For superannuation funds that seize the NPP’s potential, they have a chance to play a greater role in their members’ financial life than today.”

Linda Elkins, Executive General Manager, Colonial First State, sums it up: “Driving innovation and efficiency within the superannuation system is important for the retirement planning of all Australians. The capability of the NPP presents some exciting new opportunities to help achieve this.”

“The NPP infrastructure is here, and you need to engage with the ecosystem, collaborate and co-design to deliver on the things to make a better experience for the superfund member. It will only happen if we co-design and collaborate.”

Michael Eidel, Executive General Manager,
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February 2018. N15991LOBS