



Open Superannuation

Capitalising on the NPP and Open Data

Evolution or revolution?

October 2019

KPMG.com.au

Introduction

Australia’s payments and banking landscape is facing unprecedented change and opportunity with the introduction of both the New Payments Platform (NPP) and Open Data. These new capabilities are creating a hyper-connected, real-time world for funds, members and employers. For funds, these new capabilities create an opportunity to enter an ‘Open Super’ world, and to revolutionise how they interact with their customers — both members and employers — while driving significant operational efficiencies.

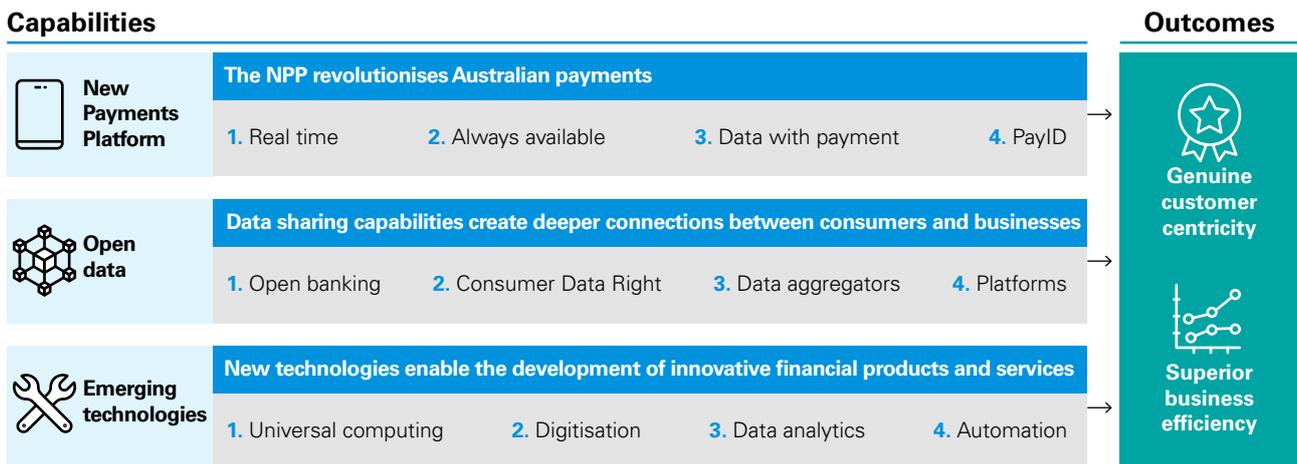
In our increasingly connected societies, the right to data ownership has become a hot topic. Through the legislative push of the Consumer Data Right (CDR), which was passed by the Australian Parliament on 1 August 2019, the Australian government is empowering customers with the rights to own and direct the use of data that organisations hold about them. While this starts with Open Banking, the superannuation sector is likely to follow quickly. Coupled with new and incoming NPP functionality, these capabilities are opening up a world of possibilities for all firms — including superannuation funds.

It will take foresight, innovation and collaboration to seize the emerging opportunities. Funds will need to decide if they will take small incremental steps to defend current market positions (evolution), or truly change the game by re-defining how they interact with their customers (revolution).

With superannuation system assets increasing by 7.9 percent over 2017/18 to represent \$2.7 trillion in Assets Under Management (AUM)¹ (39 percent more than the market capitalisation of the ASX² and 49 percent more than Australia’s GDP³), the sector will continue to be a target for nimble and highly efficient disruptors offering members and employers enhanced experiences.

AUM growth is no longer guaranteed for incumbents, with a number of disruptors taking advantage of new technologies and entering the market, often targeting niche areas along the superannuation value chain. With many more disruptors looking to enter the sector in the immediate term, it is critical for funds to respond quickly. Progressive funds are already identifying potential partners and constructively challenging their traditional business models.

Open Super enablers and outcomes



“Generating genuine member engagement is the well-known superannuation utopia. Open Super changes the game with solutions that improve member and employer interactions and integrate superannuation into everyday financial life.”

David Bardsley, Partner, Wealth Advisory, KPMG

Rising operating costs remain a key challenge for Australian funds as increasing political and public scrutiny encourages members to move out of high-fee or under-performing funds. Account consolidation is creating a smaller membership base to spread fees across, meaning operational efficiency will continue to be critical for all funds.

KPMG has defined a number of practical Open Super solutions that look to enhance engagement, reduce operating costs and can be implemented by super funds via partnering with banks, technology providers or fintechs for seamless customer experiences. These solutions are centred around:

Real-time member contributions:

Encourage regular top-ups and take advantage of valuable government incentives.

Streamlined member withdrawals:

Exceed customer expectations with quick, seamless experiences.

Personal financial management:

Interact with members wherever and however they manage their finances.

There are a number of options for delivering these Open Super solutions, each with differing levels of complexity and implementation timeframes.

For truly progressive funds, there is an opportunity to revolutionise how they interact with members and employers utilising emerging payment and connectivity capabilities. Open Super solutions have the unique potential to solve several key challenges facing funds today, including poor customer experiences and operational inefficiencies.

Open Super — evolution or revolution?

Evolution



Improve

- Eliminate unnecessary costs to reduce fees further
- Deliver efficiencies through automation
- Reduce banking fees by using cheaper channels



Defend

- Wealthtechs are threatening traditional models
- Start-ups offering fast, cheap alternatives
- Disruptors are small now, but some will grow quickly

Revolution



Compete

- Funds are now considering competitive options
- New business models are emerging
- Funds that don't innovate may be left behind



Innovate

- Be a first mover and truly differentiate
- Genuinely engage with members to grow balances
- Make it simple for employers to meet obligations

“In the current environment of technological change, disruption and heightened customer expectations, funds should be considering which path they are going to take to defend and compete; will they evolve or revolutionise their business.”

Dan Houseman, Partner, Transformation Program Management, KPMG

The New Payments Platform (NPP)

Recent advances in payment and connectivity capabilities are enabling customer experience and operational improvement.

Key to this is the NPP, which went live in February 2018 with promising early adoption. The leading edge technology is the result of a collaborative effort between a diverse range of financial services companies including major, regional, international and customer-owned banks, as well as the Reserve Bank of Australia and the global payments provider SWIFT.

The NPP promises to boost payment efficiency for businesses, organisations, governments and consumers and promote innovative payment solutions.

The NPP promises four key features:



Universal near real-time payment:

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



PayID:

A new account identifier, which 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:

The data fields in a payment message are extensive, and allow the capture of additional information, both structured and unstructured, to be transmitted between the sender and receiver.



Always available:

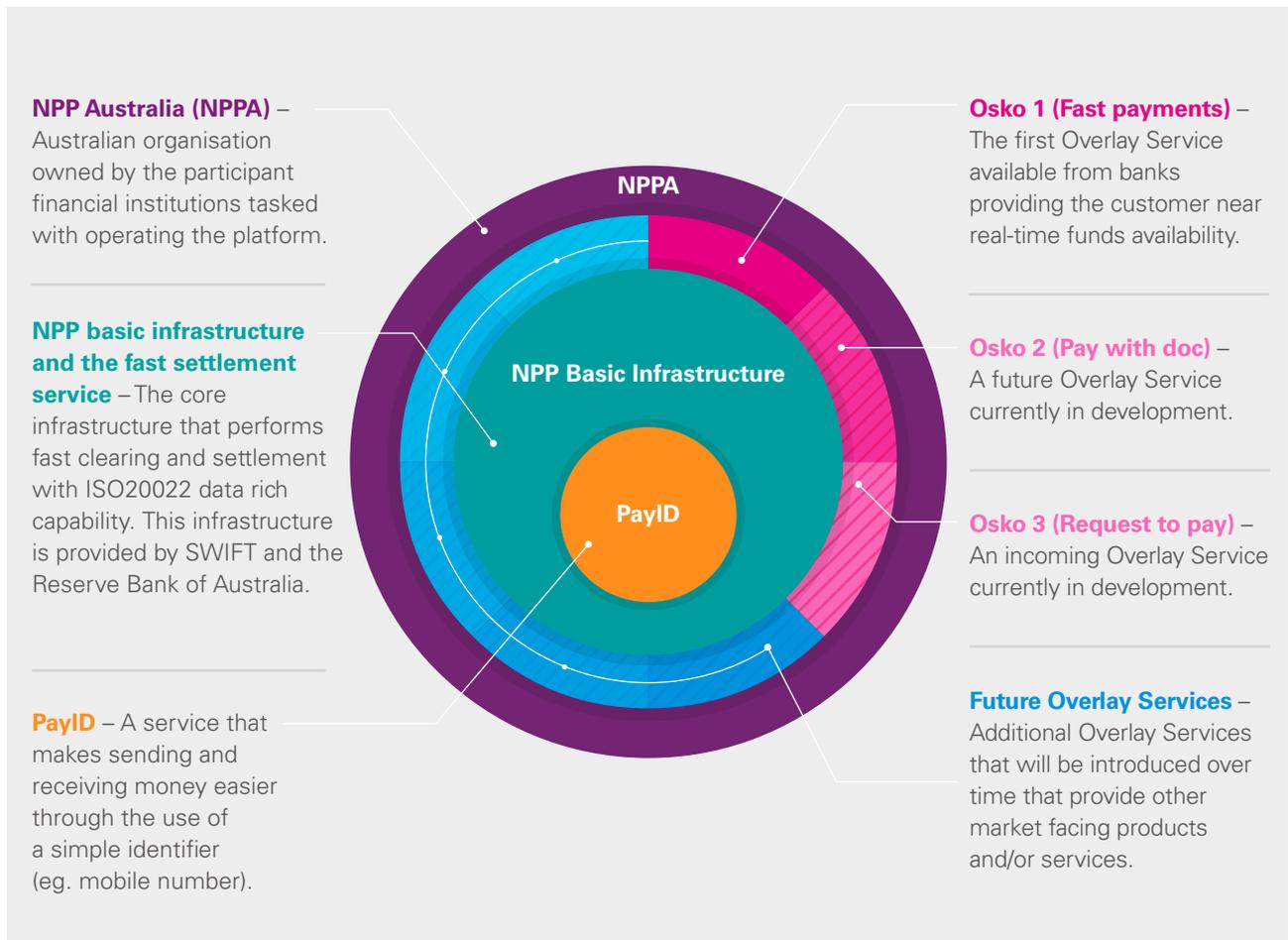
Near real-time payments can be made all day, every day, including weekends and public holidays — 24/7/365.

Source: KPMG and CBA, The NPP and Superannuation, February 2018.

The NPP is expected to revolutionise Australian payments over the coming years, not only by facilitating real-time payments, but through the introduction of PayIDs (which replace traditional account numbers), data-rich messaging and Overlay Services. Overlay Services are value-add services built on top of the NPP's basic infrastructure that can range from company/bank-specific solutions to industry-wide solutions. Funds do not necessarily need to build Overlays to take advantage of the NPP; they can utilise the existing and incoming functionality to great effect.



The NPP basic infrastructure: building blocks



Source: KPMG and CBA, The NPP and Superannuation, February 2018.

Initial NPP use has been solid, and continues to grow exponentially. As at January 2019:



52 million

Australian accounts available to make/receive NPP payments



Over 80

financial institution brands support the NPP



400,000

transactions a day pass through the platform



2.4 million

PayIDs created

NPP functionality and timing

- 1 **Real-time payments:** [Live](#)
- 2 **Request to pay:** [Near to mid-term](#)
- 3 **NPP bulk:** [Mid-term \(will vary from bank to bank\)](#)
- 4 **NPP debit:** [Near to mid-term](#)
- 5 **Document link:** [Near to mid-term](#)

NPP standards for superannuation

In February 2019, NPP Australia Ltd (NPPA) — the company established to oversee the NPP development and operation — commenced market consultation to develop standards for superannuation (and others) which will be accessible and available for any market participant to use.

NPPA is developing ISO 20022 Message Usage Guidelines for superannuation (and PAYG tax and payroll) payments on the NPP to ensure standardised data usage across the industry.⁴

The NPP ISO 20022 message usage may be applied to Application Program Interfaces (APIs) that have been developed for use with the NPP. NPPA has developed an API framework which defines the technical approach and mandatory data attributes for NPP APIs, aligned to the NPP implementation of ISO 20022 standards. The API framework is intended to drive inter-operability, standardisation and consistency in how organisations can use APIs to access the NPP.⁵

“With promising initial take-up, the integration of payments with rich data flows that the NPP is enabling as it matures offers real enhancement opportunities for funds, around both customer experience (for example, by making contribution top-ups very easy), and operational efficiency (for example, by eliminating unreconciled contributions).”

Dan Houseman, Partner, Transformation Program Management, KPMG

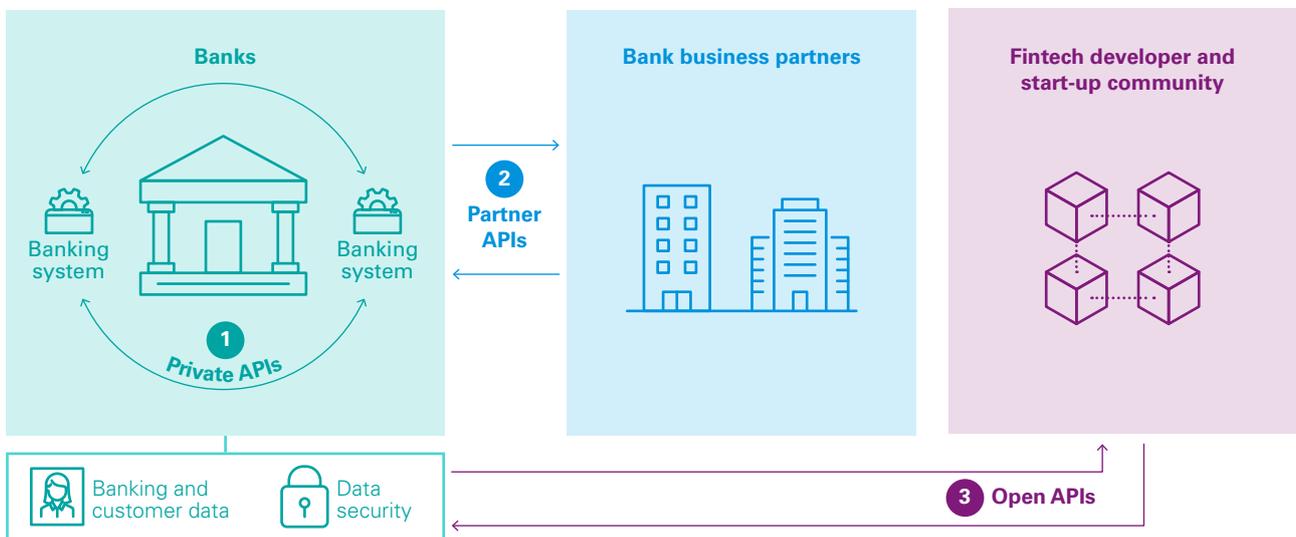




The Consumer Data Right, Open Data and APIs

Through the legislative push of the CDR, which was passed by the Australian Parliament on 1 August 2019, the Australian Government is accelerating the introduction of Open Data by empowering customers with the right to own and direct the use of data that organisations hold about them. The implication of this legislation is that customers will be able to authorise registered third party service providers to access and use their personalised data, through standardised Open APIs.

APIs can be private, partner or open:



1 Private APIs share information internally between a bank's siloed business systems

2 Partner APIs are used to share customised data for specific business models with contracted partners

3 Open APIs are used to securely share bank data with authenticated third parties without a formal/direct business relationship

An API is a standardised set of requirements (a contract) governing how one piece of software interacts with another. In basic terms, it lets systems share information.

APIs are built on global technical standards, which makes them interoperable, scalable, reusable and easy to code. An Open API can be fully publicly available, meaning all of the data it gives access to is open, or it could have different levels of authentication required in order to obtain data from it. In the financial sector, an open API requires at least a pre-authorised access for developers and for obtaining secured data — an authentication key. Data sharing, or data openness partially created by the CDR, is known as Open Data.

The first iteration of the CDR is Open Banking, which will promote increased competition between banks by enabling smaller market players (i.e. fintechs and bank disruptors) to design and provide value-add financial products and services or enhanced customer experiences by using data traditionally held by the major banks. Other industries, including superannuation, are expected to follow.

Open Banking timeline

The implementation timeline for Open Banking is ambitious.

Access to product data for credit and debit cards, deposit accounts and transaction accounts.	January 2020
Access to product data for mortgages and personal loans.	February 2020
Access to consumer, account and transaction data for credit and debit cards, deposit accounts and transaction accounts.	
Access to product data for other covered products.	July 2020
Access to consumer, account and transaction data for mortgage and personal loan accounts.	
Access to consumer, account and transaction data for all other covered products.	February 2021
Access to product data for credit and debit cards, deposit accounts and transaction accounts.	July 2020
Access to product data for mortgages and personal loans.	February 2021
Access to consumer, account and transaction data for credit and debit cards, deposit accounts and transaction accounts.	
Access to product data for all other covered products	July 2021
Access to consumer, account and transaction data for mortgage and personal loan accounts.	
Access to consumer, account and transaction data for all other covered products.	February 2022

Source: acc.gov.au/focus-areas/consumer-data-right-cdr-0/cdr-rules-banking (September 2019)

Applies to Big 4 banks

Applies to other banks

Productivity Commission's recommendations

In its final inquiry report titled *Superannuation: Assessing Efficiency & Competitiveness*, the Productivity Commission made the following recommendations (amongst others):

- Government should automatically accredit superannuation funds to be eligible to receive — following member consent — information held by banks under the Open Banking initiative.⁶
- CDR be rolled out to Superannuation in parallel with the implementation of the elevated MySuper and Choice outcomes tests (i.e. by 31/12/20 for MySuper products, and by 30/06/21 for Choice options).⁷

If these recommendations are implemented, funds would be required to pass member information to competitor funds — both traditional and disruptor funds (subject to member consent).

To date, there has been no indication from the Government if/when the CDR will apply to superannuation.

As banking and other industries move to open and real-time ecosystems, there will be an unprecedented opportunity for firms across these industries to partner and introduce new customer-centric products and solutions powered by personalised data. For funds, this means developing a new and personal understanding of the customer and delivering experiences that benefit them and in turn drive trust, engagement and AUM growth.

“The introduction of both the NPP and Open Data in such a short time-frame will have a transformational impact across the economy. By combining these two disruptive capabilities, funds can deliver innovative experiences that were previously impossible.”

Brett Watson, Partner, Payments and Open Data, KPMG

Trends challenging the industry

While Australia’s superannuation system is recognised as being one of the best in the world, there are a number of well-publicised hurdles, which for some participants create significant opportunities, and for others create further complexity.

In our [2019 Super Insights Report](#)⁸, we highlighted a number of key themes, ascertained through discussions with funds that will continue to shape the industry in 2019.

Risk and regulation

Legal and regulatory implications

APRA inquiry into CBA and BEAR

Member outcomes and legislative changes

Financial advice

Mergers and industry consolidation

Tax

Technology and data

Trust and social licence

Member experience and engagement



Responsible investment

Through ongoing market discussions, KPMG has observed a range of challenges that continue to be front of mind for funds, and that cut across a number of the industry themes.⁹ These focus on three broad key topics — heightened customer/member expectations, increasing competition, and a focus on cost and efficiency.

1. Heightened customer experience

Rapidly changing customer experiences outside of superannuation (both within and outside financial services) are driving demand for improved experiences in all areas of a customer’s/member’s life. Digital connectivity (augmented by personal service) is a key demand that remains largely unfulfilled within the superannuation industry.

From a member perspective there are a range of factors influencing the future success of funds:

Member experience expectations:

Members have heightened engagement expectations, driven by positive experiences in other sectors. Poor experiences are galvanising new entrants and disrupters into redefining member engagement strategies and capitalising on these needs.

Service and product differentiation:

While the core superannuation product is becoming commoditised, the service provided to members should be a key differentiator. Members are seeking additional services and products beyond basic superannuation and standardised insurance.

Ongoing member engagement:

Maintaining a relevant role with members throughout their journey with a fund is essential. Funds that recognise that member engagement strategies are key to unlocking a step change in performance metrics will see a transformation in member advocacy.

KPMG’s experience from other industries demonstrates the benefit of acting fast to address market shifts. We see funds preparing for the next stage of their member experience ambitions in a range of areas. Funds (typically having a range of legacy platforms) are now preparing to move to modern, open technology platforms that enable improved innovation, connectivity and experience management.

“Meeting the evolving needs of members, employers and other stakeholders now requires a personalised, integrated, easy-to-use, secure, real-time experience; where the member receives the required information when and where they choose. Member experience is no longer judged against superannuation industry services norms, but against the numerous digital experiences from other sectors.”

Brett Watson, Partner, Payments and Open Data, KPMG

2. Increasing competition

Increasing competition from traditional sector participants, as well as the emergence of non-traditional players with new service offerings at various points along the superannuation value chain, means funds must work harder to defend current market share and offer new experiences that support organic growth in member accounts.

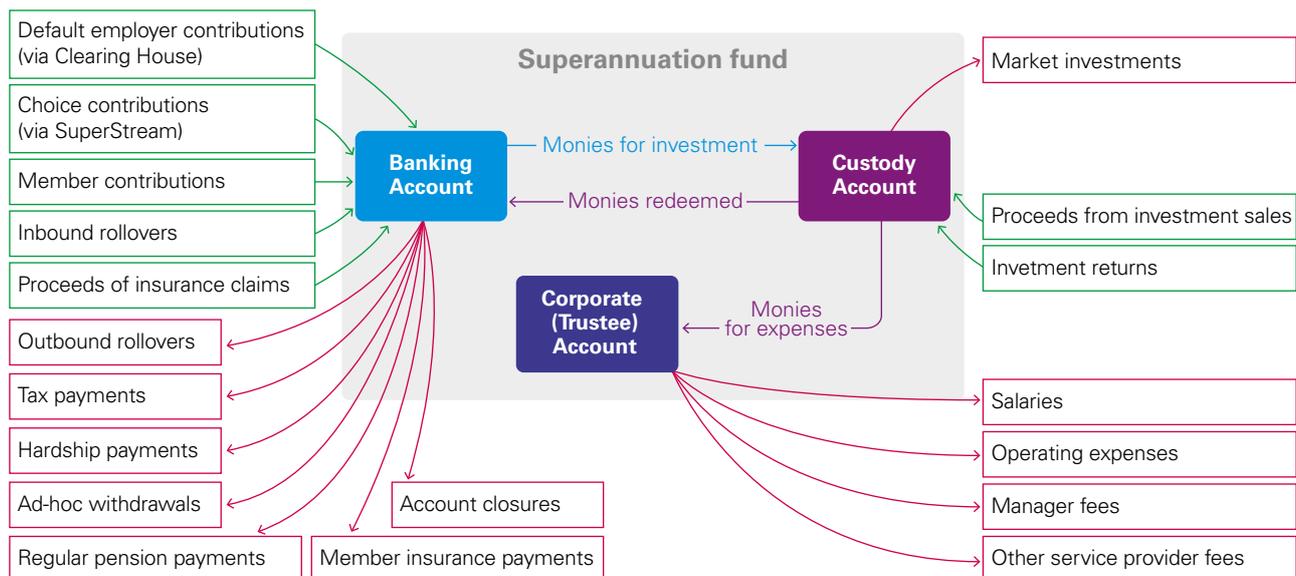
Additionally, the potential erosion of default super will see funds that are reliant on default relationships feel the pressure of more member choice.

3. Focus on costs and service efficiency

Australia’s superannuation industry 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 superannuation and delayed payments. These issues create challenges for funds, members, employers and the Australian Taxation Office.¹⁰

With MySuper requirements, heightened competition and growing member awareness continuing to drive a focus on fees, managing the cost base is more important than ever for funds. Inefficient processes and technologies leading to unnecessary operational costs and delays along the value chain, result in avoidable costs, lost returns for members, as well as a poor experience.

Superannuation funds have a complex web of payments



→ Inbound payment ← Outbound payment

Open Super is expected to provide significant operational efficiencies across the superannuation value chain — for funds, administrators, custodians, employers and members. Improving payment processes, including downstream and upstream processes, will mean smaller and more valuable back-office functions as well as a better member/employer experience. Key areas where benefits can be realised include:

Eliminating manual contribution allocation:

Unique PayIDs for each member coupled with rich data means no unreconciled contributions.

Streamlined processes:

Withdrawal processes can be redesigned for straight-through-processing/minimal handling by the fund/administrator and the payment can be automated.

Faster investment:

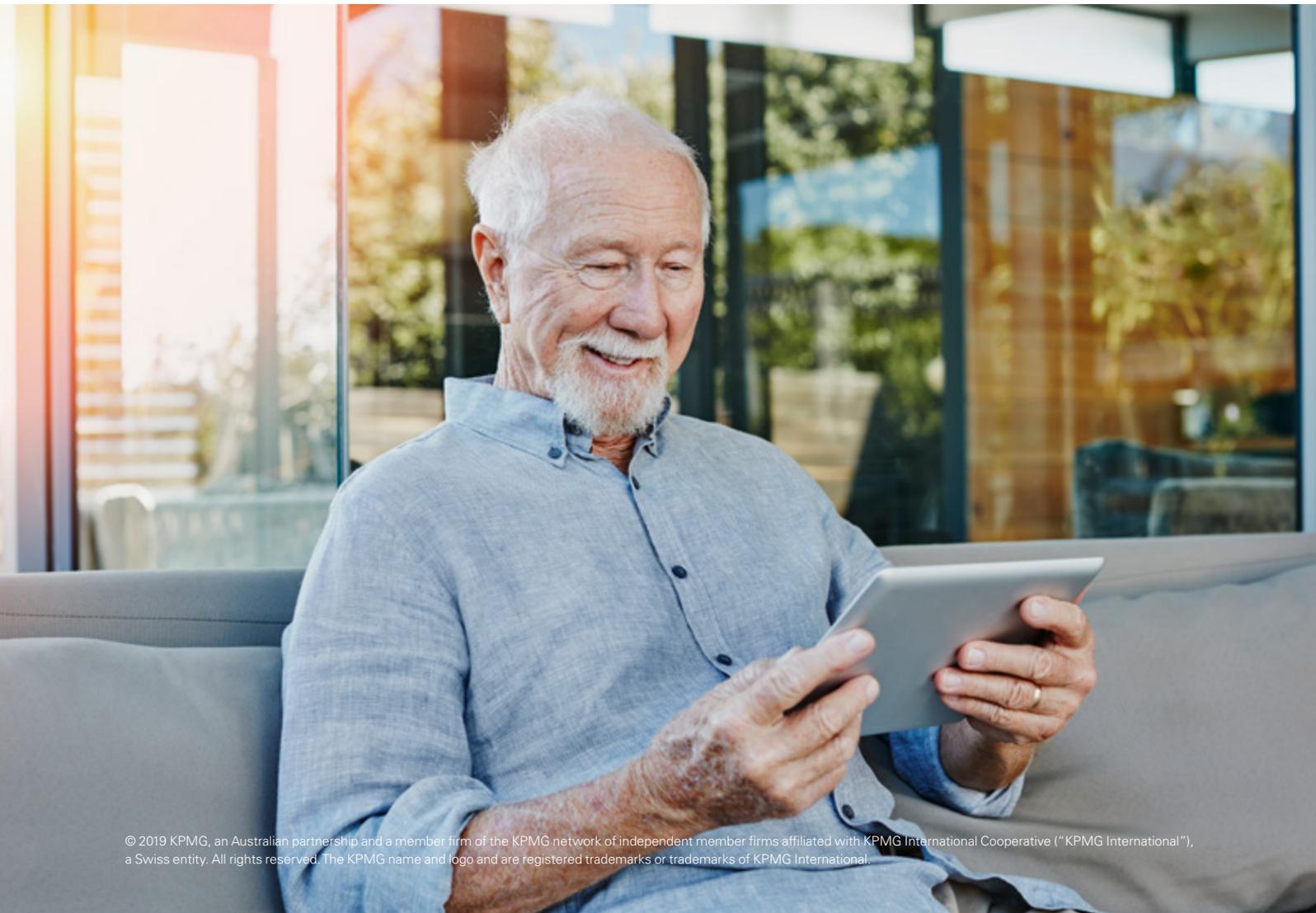
Monies are received same day meaning they start earning returns sooner.

Automated member contributions:

Make it simple for members to top-up and automate the processing/allocation.

“For proactive funds that act now, there is a real opportunity in Open Super to drive unique, value-adding customer experiences while concurrently delivering significant cost savings, allowing these funds to establish a genuine competitive advantage.”

Anesh Balgobind, Associate Director,
Wealth Advisory, KPMG



Open Super opportunities – evolution or revolution

NPP and API capabilities are opening up a world of possibilities for funds. Leveraging the capabilities depends on how far a fund wants to take things – an evolution versus revolution.

Evolution

- Taking smaller, incremental steps
- Defend current market share
- E.g. Simply making the payment step in the withdrawal process quicker

Revolution

- Making a rapid leap in capability
- Disrupt the market to grow share
- E.g. Totally transforming the way contributions are made

Potential Open Super solutions:

Simple, real time member contributions:

One-off top-up at year-end (potentially to access valuable government incentives), ongoing micro top-ups.

Streamline member withdrawals:

For all member payment types including ad-hoc, regular pensions, account closures.

Simple employer contributions:

Mapping NPP ISO20022 data fields to SuperStream.

Personal financial management:

View all superannuation and non-superannuation financial balances (bank loans, deposits) on fund website/app (for pension members who have limited needs from a bank); can also inform retirement planning.

Super debit card:

Withdraw or consume monies directly from superannuation account.

NPP for rollovers:

Implement new industry process utilising NPP to simplify and speed up rollovers (note will require regulator engagement).

Open Super solutions can be designed over multiple horizons and to take advantage of existing and emerging capabilities/technologies, particularly incoming NPP services.

This report details two potential scenarios over three horizons:

Horizon 1:	Now
Horizon 2:	In 12–24 months
Horizon 3:	In 24–36 months

SCENARIO 1

Members making personal contributions

It is well understood that typically members are not engaged, and this means many do not look to make extra personal contributions (above the employer statutory contributions). If a member did decide to make a contribution, they then need to find their fund details, and follow disengaging processes. Making it easier for a member to top-up will see the member’s balance grow faster.

Horizon 1 solution

A simple solution could see a fund enable inbound NPP payments into a unique PayID for a member.

- Particularly useful at year-end when members need to ensure contributions are made by 30 June.
- While helping the member meet deadlines, this solution does not entice a member to contribute.

Horizon 2 solution

A fund could implement a regular, ongoing micro top-up solution via the NPP network. Once the member sets up the function, no other action is needed for ongoing contributions.

Horizon 3 solution

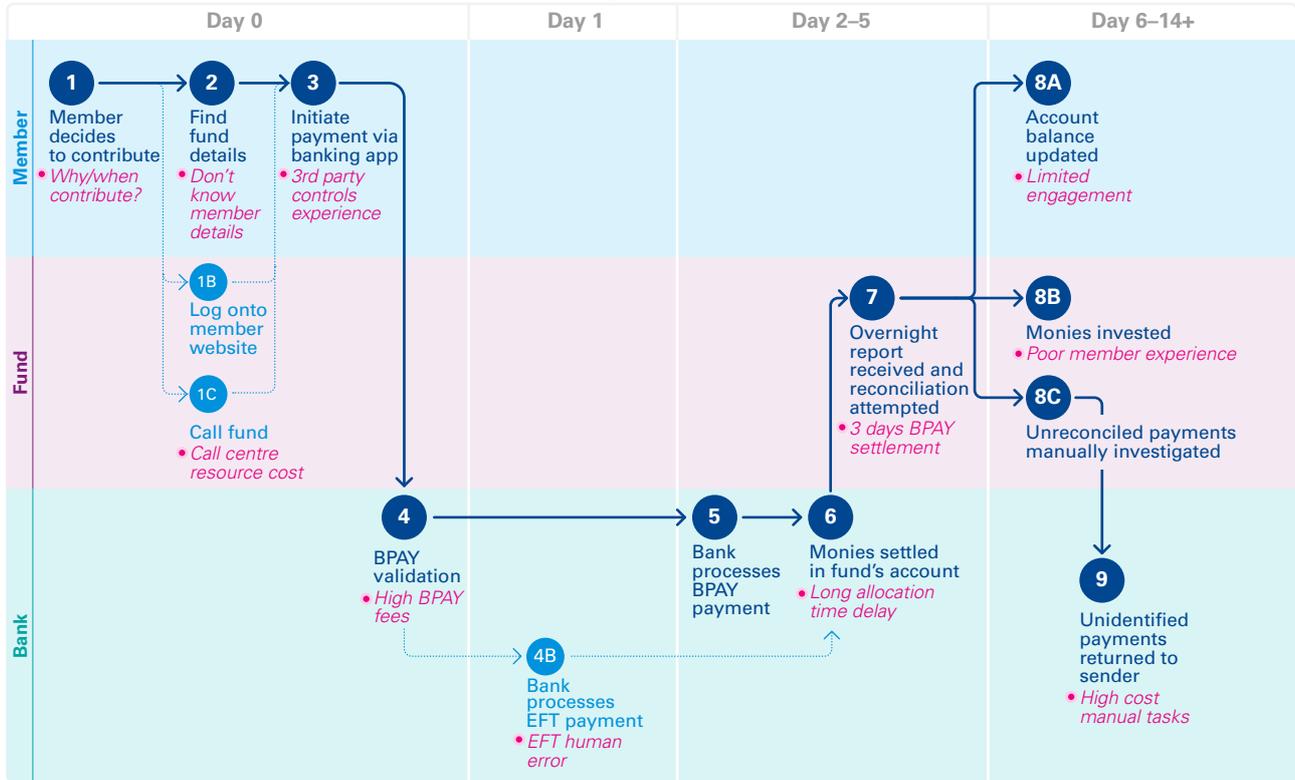
A member-centred design could see a fund encourage members to top-up by sending NPP requests. All the member would have to do is click ‘pay’ in their banking app, and the contribution would be processed — no need to fill in any forms or remember any fund details. This would be a truly simple, engaging experience for members, and highly operationally efficient for the fund.

The fund could augment this process by undertaking data analytics across its member base to identify members that may be able to take advantage of underutilised government incentives and send targeted requests (e.g. to receive spouse tax offset or co-contribution for low income earners).

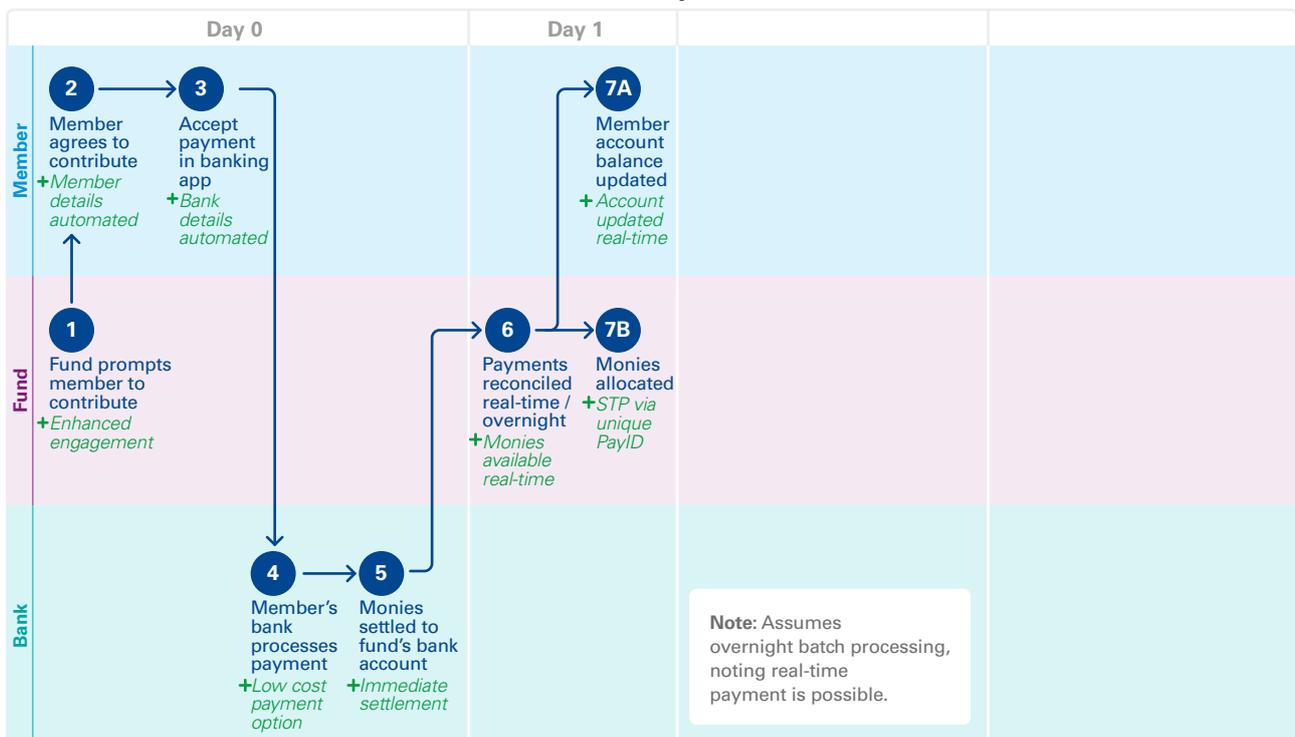


Open Super can reduce the member contribution process from 6–14 days to 1 day

Current one-off member contribution (6–14+ days)



Future one-off member contribution (real-time – 1 day)



Key event → Customer journey ⇨ Alternate journey • Pain Point + Improvement

SCENARIO 2

A pension member making ad-hoc withdrawals as and when required

The current process is typically poor, with manual forms, repetitive procedures and long lead times. It involves logging onto a website, filling in a form, proving eligibility as a pensioner, proving ID, and typically waiting a number of days to receive the monies (via EFT or cheque).

Horizon 1 solution

A simple solution could see a fund speed up the actual payment step at the end of the process. The payment could be made in real time to a member's PayID.

- This solution, while offering a payment speed benefit, will however not improve the member's poor experience.

Horizon 2 solution

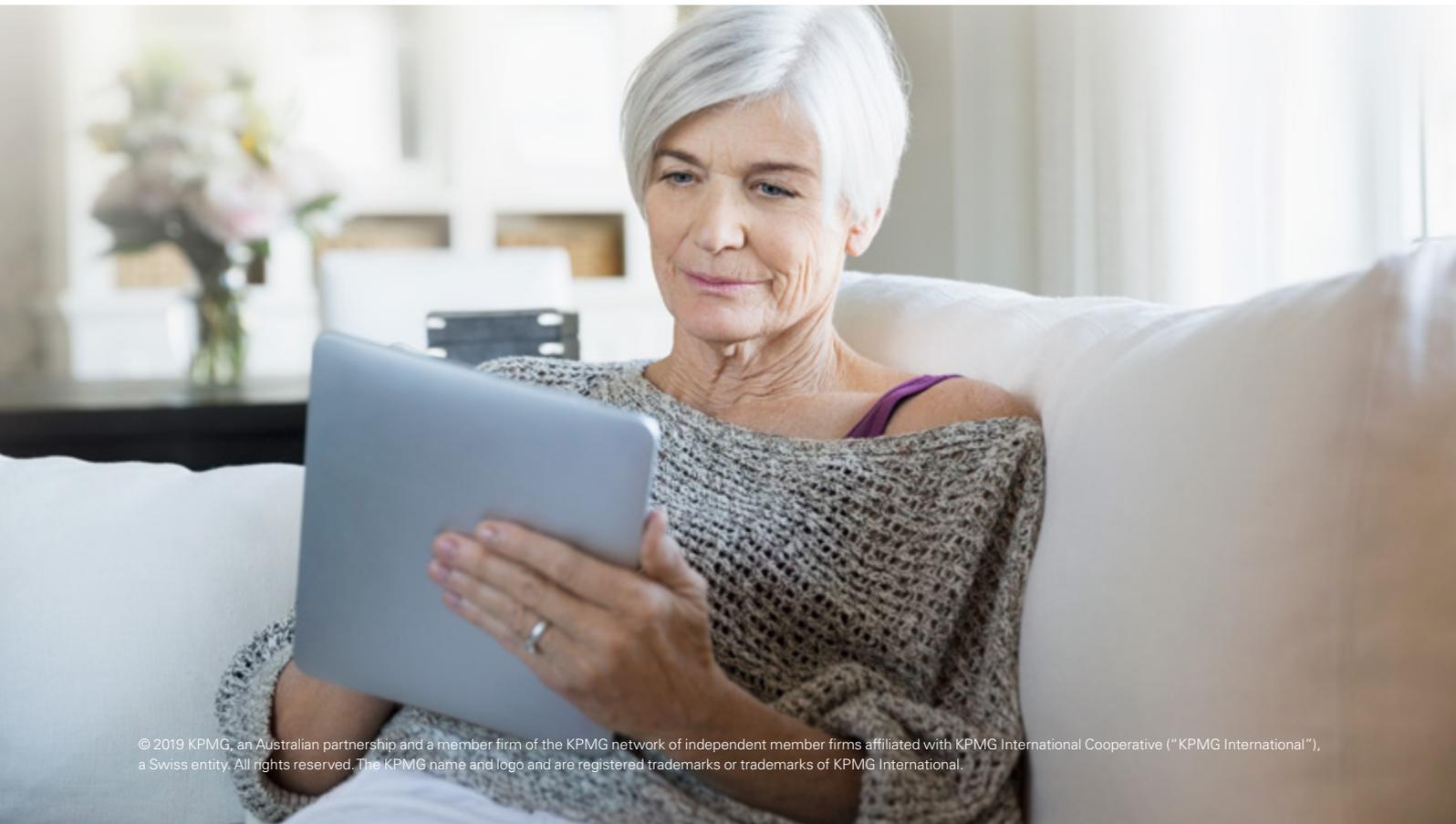
A fund with a customer-centred design could ask the pension member, "How and when would you like to withdraw your monies?"

- One response may be that a member wants to log into a fund's app, make a quick withdrawal request, have the processing/ approval largely automated, and have their monies transferred into their bank account within minutes of starting the process.
- This could be achieved using API connectivity between the fund (or its administrator) and their bank, with one-to-one payments made via NPP.

Horizon 3 solution

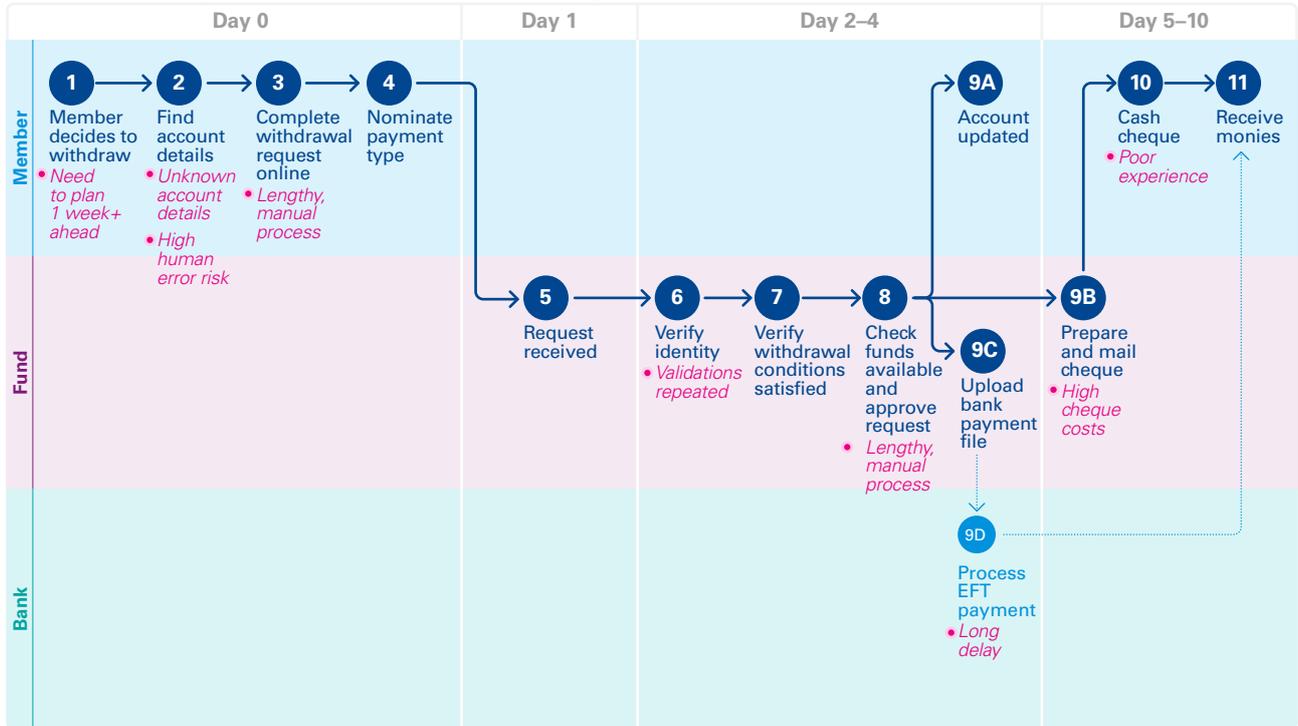
Another response may be that a member doesn't want to transfer monies from their fund to their bank account at all — the member simply wants to tap their fund-branded 'super debit card' at the local supermarket and the monies come straight out of their superannuation account.

- Here the fund is cutting out the need for the pension member to maintain a savings account with a bank at all — making the fund the primary financial service provider for the member.

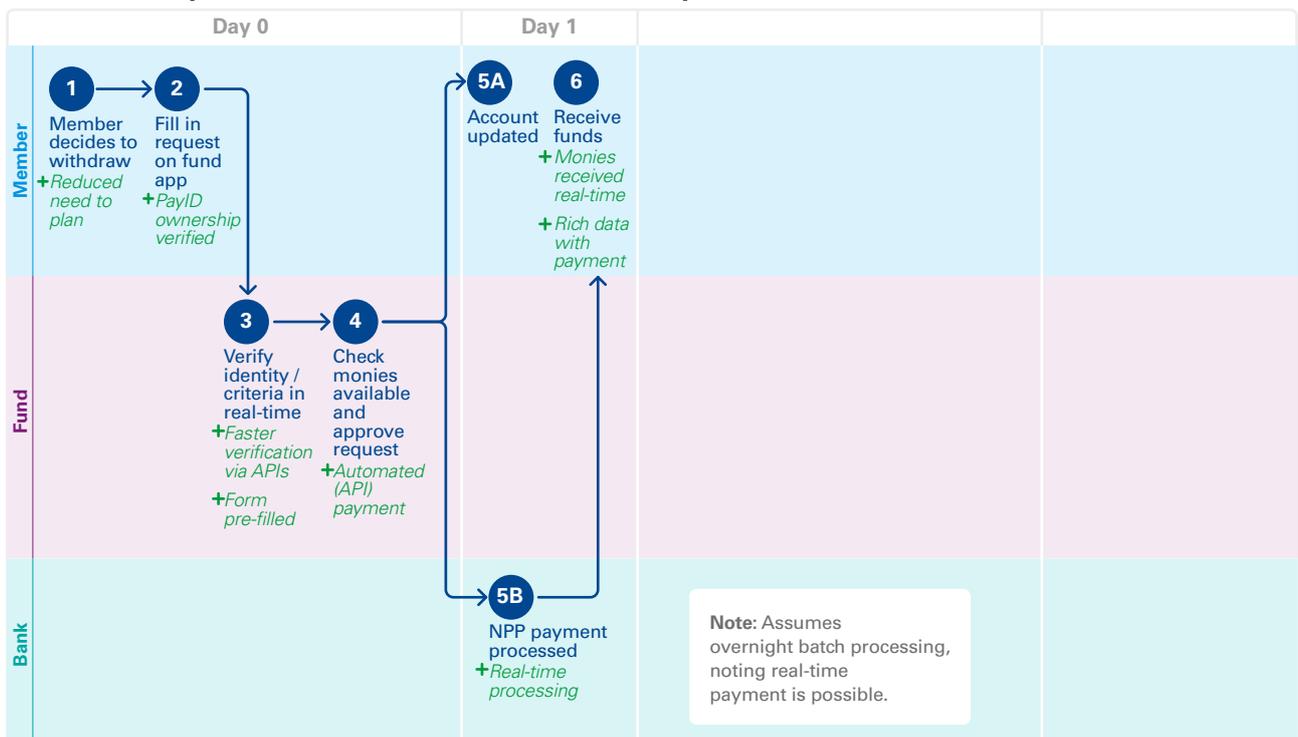


Open Super can reduce the withdrawal process from 5–10 days to 1 day

Current ad-hoc pensioner withdrawal (5–10 days)



Future ad-hoc pensioner withdrawal (real-time – 1 day)



Key event → Customer journey ⇨ Alternate journey • Pain Point + Improvement

“By taking a truly customer/member-centric approach to designing new solutions — now possible through Open Data and the NPP — funds can reimagine member interactions. By creating highly engaging experiences funds will develop meaningful, long-term member relationships that result in higher rates of member satisfaction and retention.”

David Bardsley, Partner, Wealth Advisory, KPMG

Conclusion

The superannuation industry is currently undergoing unprecedented change, with funds being asked to do more while keeping costs low. Additionally, seemingly low-cost disruptors are entering the market, with more preparing to launch solutions.

Open Super, powered by Open Data and the NPP, provides funds with the opportunity to defend against and compete with more aggressive competitors — both traditional and non-traditional — by improving the customer experience and automating processes.

For funds, an immediate task is to speak to trusted advisors, banking partners, administrators or technology providers — as well as potential fintech partners — and decide on the approach to take: evolution or revolution.

For progressive funds, there is an opportunity to leverage Open Super capabilities to revolutionise the industry and unearth the superannuation utopia: genuine member engagement.

Endnotes

- 1 ARPA Quarterly Superannuation Statistics, June 2018
- 2 ASX Market Statistics, Domestic equities market capitalisation, June 2018
- 3 Australian Bureau of Statistics, Key Economic Indicators, June 2018
- 4 This includes defining specific message elements that should be included for particular payment types and the use of category purpose codes to identify payment types. Ref: NPPA paper Development of NPP ISO 20022 message usage for Payroll, PAYG Tax and Superannuation Payments, February 2019
- 5 NPPA paper, New Payments Platform API Framework Opens Doors to Capabilities, September 2018
- 6 Recommendation 13, Productivity Commission Inquiry Report No. 91, December 2018
- 7 Recommendation 13, Productivity Commission Inquiry Report No. 91, December 2018
- 8 KPMG Super Insights Report 2019, April 2019
- 9 KPMG Super Insights Report 2019, April 2019
- 10 KPMG and CBA, The NPP and Superannuation, February 2018

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