

Meeting the regulatory challenge – superannuation

Our Investment Governance Team has compiled a timeline of regulatory developments pertaining to the superannuation industry. We also pose important questions prompting registrable superannuation entity (RSE) licensees to assess both their response to recent regulatory changes and preparedness for future developments.

April 2023



Timeline of regulatory developments



2022 year in review

- **January 2022**
 - Trustee liability amendments (effective from 1 January 2022)
 - SPS 250 Insurance amendments (effective from 1 January 2022)
- **Q2 2022**
 - APRA risk culture pilot survey (cross-industry)
- **July 2022**
 - SPS 530 Investment Governance
 - Retirement Income Covenant (effective from 1 July 2022)
 - CPS 511 Remuneration (cross-industry)
 - CPS 230 Operational Risk Management (cross-industry)
- **August 2022**
 - SPS 515 Strategic Planning and Member Outcomes
- **September 2022**
 - APRA plans to modernise prudential architecture (cross-industry)
- **November 2022**
 - Draft SPG 530 Investment Governance consultation
 - SPG 227 Successor fund transfers and exits consultation
 - SPS 114 Operational Risk and Financial Requirement discussion paper
- **December 2022**
 - SPS 310 Audit and Related Matters
 - CPS 190 Recovery and Exit Planning (cross-industry)
 - CPS 900 Resolution Planning (cross-industry)

2023 and beyond

- Effective 1 January 2023
SPS 530 Investment Governance
- H1 2023
Financial Accountability Regime (cross-industry)
SPS 515 Strategic Planning and Member Outcomes
SPG 227 Successor fund transfers and exits
- Effective 1 July 2023
YFYS performance test for trustee-directed products (effective 1 July 2023)
- H2 2023
Draft SPG 530 Investment Governance
CPS 510 Governance (cross-industry)
SPS 521 Conflicts of Interest and SPS 160 Defined Benefit Matters Groups (cross-industry)

2024 and beyond

- Proposed 2023/2024
(depending on size and complexity of entity)
CPS 511 Remuneration (cross-industry)
- Proposed 1 January 2024
CPS 230 Operational Risk Management
(cross-industry)
- Proposed 1 January 2025
CPS 190 Recovery and Exit Planning
(cross-industry)
CPS 900 Resolution Planning (cross-industry)

2022 year in review

The regulatory year that was



Retirement Income Covenant comes into effect

There are clear challenges in implementing a retirement income covenant (RIC), but equally, it provides an opportunity for funds to establish a competitive advantage against peers by solving this important regulatory reform.

Spotlight on performance, heat on underperformance

The results led to more than 100 underperforming products being closed or identified to close by the end of the financial year 2021/22. APRA has since deferred the update of the data in the Choice heatmap until 2023, intending to use the data collected from 'APRA Connect' for the first time.

Superannuation data transformation and transparency

APRA released its inaugural Quarterly Superannuation Industry statistical publication in October 2022 incorporating new and expanded data collected as part of APRA's recently introduced SDT reporting standards.

Technological change, digitisation and cyber security

After a pilot exercise in financial year 2020/21, APRA began a program of independent reviews of information security management – its most ambitious and comprehensive program to date.

Culture, remuneration, accountability, and member outcomes

In 2022, APRA proposed revisions to CPS 511 Remuneration focusing on new remuneration disclosure and reporting requirements for all APRA-regulated entities. Consultation concluded in October 2022 with the final review pending.

Managing climate change-related financial risks

APRA expects entities to be abreast of new and ongoing climate change initiatives and to consider the governance and risk management implications to their businesses.

2023 and beyond

Looking ahead



Strengthening investment governance

APRA's updated Prudential Standard SPS 530 Investment Governance was effective 1 January 2023. APRA has also released draft Prudential Practice Guide SPG 530 Investment Governance, to assist in the interpretation and implementation of SPS 530 and provide principles and examples of what APRA considers to be better practice. SPG 530 remains in draft subject to the consultation process and Frontier has provided a submission to APRA seeking to further improve the SPG 530.

Retirement Income Covenant – implementation review

Following the 2022 implementation of the new retirement income covenant, APRA and ASIC intend to undertake a thematic review of trustees' implementation of the new requirements. The findings and observations will be published in early 2023.

Modernising the prudential architecture

APRA plans to modernise the prudential architecture for banks, insurers and superannuation funds. Its objective is to make the design of the framework clearer, simpler and more adaptable. APRA intends to publish more detailed plans for changes to the framework in 2023.

Strategic and business planning, fund expenditure, operational risk management and unlisted asset valuations

Several consultations remain open following APRA's most recent thematic reviews into strategic and business planning, fund expenditure, operational risk management and unlisted asset valuations. APRA has flagged ongoing regulatory scrutiny in these areas.

Richer industry data and greater transparency

APRA will progress phase 2 of the Superannuation Data Transformation (SDT) project into 2023 and beyond. As APRA releases final reporting standards during Phase 2, it will allow 12 months' implementation time until the first reporting due date, as suggested by stakeholders. With APRA Connect operational, APRA also released its 'Direction for Data Collections' strategic roadmap in March 2022.

APRA's 2023 priorities

Supervision priorities for the next 12-18 months

APRA will continue its work on several important cross-industry risks in 2023 with a particular focus on heightened cyber risk. Other areas of focus are operational resilience, climate risk and governance, remuneration, risk culture and accountability.



Policy priorities for the next 12-18 months

APRA's policy priorities are fewer than in prior years, assisting APRA-regulated entities to focus on implementing prior policy reforms and managing risks and challenges in the operating environment in the period ahead. APRA is also placing a greater focus on reducing the size and complexity of the prudential framework over time.



Meet the team

How our Investment Governance Team can help

Get in touch with a member of our Investment Governance Team to discuss this paper, or any other investment governance-related questions you may have.



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