Ms Sarah O'Brien
Executive Officer

Email: █████████████████████

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Mr Mark Stockwell
Australian Taxation Office

By email: BRRSecretariat@ato.gov.au

Submission

Discussion paper: Operational Governance for trans-Tasman e-Invoicing November 2018

Introduction

The Gateway Network Governance Body Limited (GNGB) seeks to make a submission in relation to the issues raised in the Discussion Paper regarding Operational Governance for trans-Tasman e-Invoicing.

The GNGB, as the only industry-owned self-governance body in the financial sector in Australia, is in a unique position to provide a perspective on governance, given the similarities between the Superannuation Transaction Network (STN) and the proposed e-Invoicing Interoperability Framework.

Executive Summary

The governance of the Superannuation Transaction Network by the GNGB, and the identified need for governance of the proposed e-Invoicing Interoperability Framework have considerable common issues: the requirements to establish artefacts, processes and monitoring in a B2B, incorporating government interactions and transactions are the same matters for consideration that the GNGB establishment had to consider.

This submission describes the roles and structure of the GNGB for the information of the parties considering the establishment of the e-Invoicing Interoperability Framework, and responses to the specific questions raised are provided following.

The GNGB considers that the establishment and operation of the GNGB has been successful, and the Body can provide substantial input into the next processes for establishing e-Invoicing governance. The GNGB therefore offers it's support and assistance to the next phase of design. The GNGB further considers that there are possible synergies that could be created between the GNGB and an e-Invoicing governance body, and we would seek to discuss this further with you.

The Gateway Network Governance Body Limited

The Gateway Network Governance Body Limited (GNGB) was established in September 2016, as an industry-owned, not-for-profit organisation whose purpose is to manage the integrity of the Superannuation Transaction Network (STN), which is the network created by the Gateway Operators who transact superannuation data under the SuperStream Data and Payments Standards. The role of the organisation is to promote the efficiency and effectiveness of the network, monitor compliance, support change and work with the gateways and industry on initiatives that support these objectives. The GNGB was established out of the SuperStream reform program, with early work by industry then the Australian Tax Office to ensure an efficient and cohesive network supporting the industry to meet its obligations.

The GNGB has support of the superannuation industry, gateways and employer representatives, and includes as its members the following Co-Sponsors:

- Association of Superannuation Finds of Australia (ASFA)
- Australian Institute of Superannuation Trustees (AIST)
- Financial Services Council (FSC)
- Australian Business Software Industry Association (ABSIA)

as well as an Associate Co-Sponsor:

- Gateway Association and Transaction Exchange (GATE).

The GNGB roles include engagement with key stakeholders, including the Australian Tax Office and the Australian Prudential Regulatory Authority to ensure that the network remain relevant, reliable, and keeps pace with changes in superannuation.

The Superannuation Transaction Network

The network created by the interoperation of the Gateway Operators in the superannuation system is known as the Superannuation Transaction Network (STN). The GNGB meets its governance responsibilities of the STN by the operation of a Memorandum of Understanding between the Gateway Operators and the GNGB, which requires compliance with Gateway Standards and associated requirements concerning information security, service level standards, amongst others. The GNGB carries out a range of activities to monitor and manage compliance and interoperability between these providers.
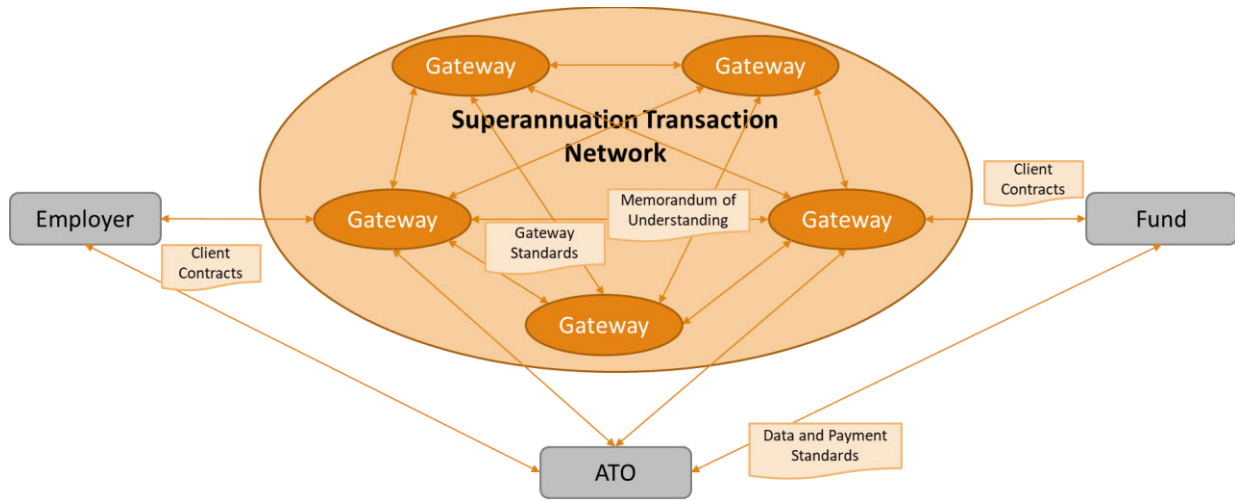
GNGB Structure and Activity

The GNGB is governed by a Board, comprising of Directors appointed by members, and an independent Chair. The ATO is included as an observer at the GNGB Board meetings, and is both a valuable relationship and source of information on relevant ATO activity.

It has two further forums: Gateway Operators Meetings that manage operational matters and implementation of change, and a Technical Working Group that considers technical interoperability and testing matters. The GNGB also has a process for managing potential disputes through a Disputes Resolution Panel.
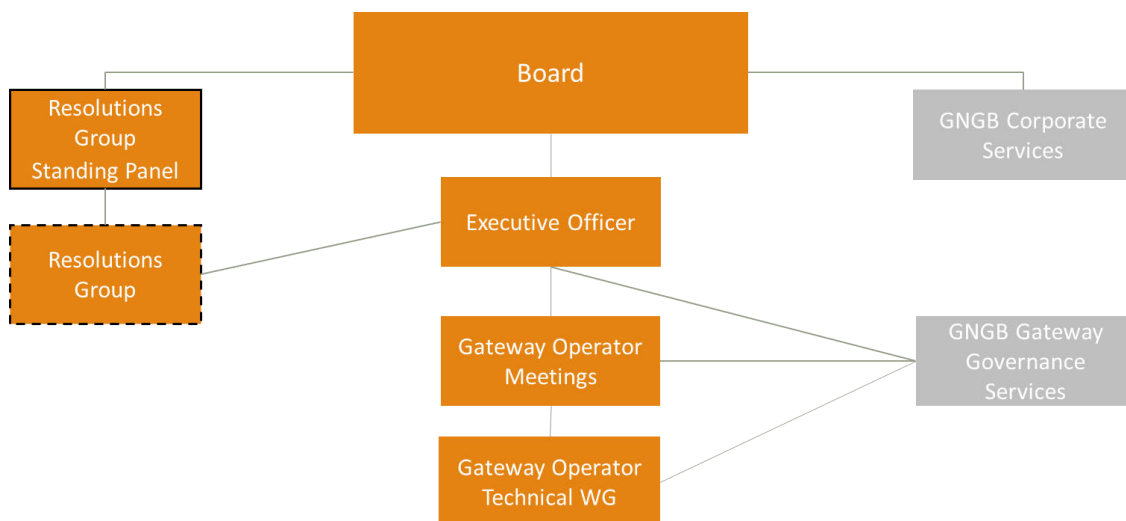
The GNGB governance activities include:

- management of the Memorandum of Understanding between the GNGB and Gateway Operators
- establishing agreed Gateway Standards that incorporate a range of expectations on participants, including security requirements, and managing annual compliance monitoring processes
- review and annual audit of information security requirements to ensure the network is robust and secure
- a process for managing a Business Continuity Plan in the event of incidents that affect the network
- management of new entrants and exit of operators from the network.

Other activities include:

- facilitation of information-sharing on operational matters, including issues resolution
- a key relationship for the Gateway Operator community, and a key contact with the ATO and other stakeholders in the industry.

The GNGB mechanisms and processes also allow for change over time in the network and to meet the changing needs of industry, regulation and emerging technology change.

The creation and first two years' operation of the GNGB was funded by a Commonwealth Grant, administered by the Australian Taxation Office, which expired in June 2018. Thereafter the Body is funded as follows:

- 85% of the operational budget from an allocation from the APRA Superannuation Industry Supervisory Levy
- 15% of the operational budget from an Annual Fee levied on the Gateway Operators, which is calculated by an agreed method to levy each Gateway Operator based on transaction volume
- All funding is calculated and levied annually at the beginning of the financial year.

Gateway Operators and Services Provided

As a result of the implementation of SuperStream mandatory Data and Payment Standards across employers and the superannuation industry, most entities engaged providers, known as Gateway Operators, to meet certain obligations under those requirements. The Gateway Operators comprise a range of different types of organisations, including clearing houses, payroll services, specialist data management providers and self-administered superannuation funds, serving a range of client types.

Gateway Operators offer clearing services, integration into registry systems, data transformation into a standards-compliant format, data integrity screening services, integration into payroll systems, reconciliation services and transaction reporting and monitoring, to meet their various client needs.

As providers offering data services to various clients, several of the Gateway Operators are involved in both the STN and e-Invoicing, and the GNGB has noted a risk to the ability of providers offering these services, and their clients to achieve a consistent experience. If the requirements to participate in the

STN, SBR2 and e-Invoicing are not aligned across all networks, the result in increased cost, complexity and a poor consumer experience.

As an example of this addressing risk, the GNGB identified recently the need to align the GNGB Information Security Requirements with the ATO's Operational Framework that imposes requirements on Digital Service Providers (DSPs) accessing ATO digital services. The differing requirement would have imposed cost and inefficiencies on the Gateway Operators. Therefore, the GNGB has undertaken considerable work recently to align these requirements, working with the ATO on both the technical requirements and monitoring processes.

The GNGB strongly recommends that this risk be considered in the design and implementation of the e-Invoicing governance arrangements, and that there is a commitment to ensuring that, where possible, requirements and monitoring arrangements are aligned to minimise this risk.

Responses to question raised in the discussion paper

Question 1: What do you consider to be significant policy or legal barriers to the implementation of e-Invoicing in Australia and/or New Zealand (including NIL confirmation)?

The GNGB has not identified any significant policy or legal barriers to implementation. The question of governance should be considered with regards to cross-border corporate obligations. That is, noting the preferred option, including a Board with members across Australia and New Zealand, legal advice should be sought on the legal jurisdiction of the incorporated entity, and what effect different Director obligations may have on the final structure of the entity.

Question 2: What do you think would be the best legal structure for the operational governance body? Please explain your answer.

Based on the GNGB experience, an incorporated entity, with a Board of Directors from stakeholder representatives is an effective model. This model provides for a legal status that means the Body is able to enter into agreements with the companies governed by the relevant artefact as established, and allows for the Body to manage funding, strategic decision-making and resourcing.

A challenge in any self-governance arrangement is the management of conflicts of interest, and the experience of the GNGB is that expectations and processes should be established early in regards to the possible conflicts that arise in a self-governance environment. The GNGB has found Director education on this specific matter to be a valuable exercise.

Question 3

a) ***Beyond the initial establishment phase, who do you think should lead the operational governance of trans-Tasman e-Invoicing; and what functions and roles should the operational governance arrangement include? Please explain your answer.***

Detailed above (*GNGB Structure and Activity*) is the governance activity undertaken by the GNGB. The functions and roles of the governance arrangement are similar. The key difference noted is the management of the Digital Capability Locator (DCL) service, for which the GNGB has no real equivalent, though a similar service would be the ATO-operated Fund Validation Service (FVS) for superannuation.

This is an operational requirement on a governance arrangement for e-Invoicing that will require sufficient resourcing and technical expertise, beyond governance expertise, to manage. The design of the functions and roles should therefore take this into account, as should the funding design due to the impost this function will carry.

b) **Do you see sufficient incentive in our proposal for you to consider participating in the operational governance body?**

The GNGB is interested in further considering participation in the operational governance body. The GNGB has experience and expertise in the governance of a business-to-business digital network that is valuable to the next steps that Government is proposing. Furthermore, the GNGB Board considers that there are opportunities for a greater involvement by the GNGB as the e-Invoicing governance framework develops.

Question 4

a) **How do you think the long-term sustainability of the operational governance of trans-Tasman e-Invoicing, with appropriate cost allocations, can best be assured; and what funding models do you suggest? Please explain your answer.**

The experience of the GNGB is that once the governance frameworks, artefacts and processes are established, that the operational governance can be effected with reasonably efficient resourcing, supported by stakeholder working groups.

A notable difference between the GNGB model and what appears required for the e-Invoicing model is the funding model. The GNGB arrangements include guaranteed support from the superannuation industry via the APRA Levy, as a result of the regulatory obligations that Gateway Operators assist the industry to meet, and this provides considerable stability year-on-year. This sets the STN apart from the eInvoicing Operational Framework. It would appear that a licensing or transactional model is appropriate given the volume and number of participants.

Conclusion

The GNGB is pleased to see the progress of the discussions regarding the design of the e-Invoicing operational governance arrangements, and seeks to be further involved in the next steps in that design.

Yours Sincerely,

Sarah O'Brien
Executive Officer
Phone: ████████████████
Email: ████████████