

## **Gateway Network Governance Body Ltd – Chair’s Report, October 2019**

On behalf of the Board of Directors of the Gateway Network Governance Body Ltd (GNGB), I am pleased to present the 2018-2019 Annual Report.

It has been my pleasure to see the development of the GNGB in its third year as a mature governance body which is recognised and valued by key stakeholders in government, the superannuation industry and gateway community for its role and effectiveness in managing the integrity of the Superannuation Transaction Network (STN).

### **Managing the Integrity of the Superannuation Transaction Network (STN)**

As the governance body for the Superannuation Transaction Network (STN) through which over nine million superannuation data contribution and rollover transactions are routed every month, managed by nine Gateway Operators, the GNGB takes very seriously its role in managing the security and integrity of the STN. The GNGB achieves this through:

- agreed Superannuation Transaction Network Information Security Requirements (STN ISR) that Gateway Operators adhere to and that represent industry best practice;
- annual verification of compliance with the STN ISR through an annual independent audit;
- regular meetings with Gateway Operators;
- business continuity planning, including an annual business continuity planning exercise involving Gateway Operators and the ATO; and
- coordinating communications and responses to incidents that impact on the STN.

During 2018/2019 the GNGB Board oversaw the second annual audit of the security of the STN and implementation of audit recommendations. The results of the 2018 annual audit of Gateway Operator policies, systems, processes and practices against the minimum requirements set out in the Memorandum of Understanding for Participants in the Superannuation Transaction Network (MOU) and Gateway Standards provided the Board with evidence of the extent of compliance by Gateway Operators with the Gateway Standards.

The Board determined that two Gateway Operators were in breach of the MOU for failure to complete the annual audit by 31 December 2018, resulting in the GNGB notifying the ATO and APRA as required when a Gateway Operator is in breach of the MOU. The Board determined to place one Gateway Operator on probation until the Gateway Operator was able to provide evidence of compliance with the MOU. Following a decision by that Gateway Operator to cease operations as a Gateway Operator, the GNGB worked with the Gateway Operator and other Gateway Operators to facilitate the exit of the Gateway Operator from the STN.

In 2018, the GNGB received expressions of interest from two organisations seeking to become Gateway Operators. Following confirmation that one applicant had met all requirements as set out in the MOU to be approved as a Gateway Operator, the Board approved of the applicant becoming a Gateway Operator in October 2018. The new Gateway Operator commenced transacting in February 2019 after successful interoperability testing with other Gateway Operators and the ATO. The second applicant made formal application to join the STN in July 2019 and, on demonstrating that it had met all requirements of the MOU, was approved by the Board as an accredited Gateway Operator in September 2019. The Gateway Operator plans to commence transactions in early November 2019.

The lessons learned from the experiences of onboarding and exiting Gateway Operators to and from the STN have assisted the Board in identifying opportunities to strengthen the Board's monitoring and oversight processes, including the need to clarify provisions in the MOU. A review of the MOU has commenced as a priority project for 2019/2020.

### **Strategy and risk management**

A key role of the GNGB Board is to shape the strategic directions and priorities of the GNGB in meeting its objects and roles as set out in the Constitution and MOU. The GNGB's 2017-2020 Strategic Plan identified five strategic pillars:

- reliability, security and integrity of the STN;
- stakeholder engagement and advocacy;
- information and communications;
- innovation and continuous improvement; and
- emerging issues and opportunities.

Each year the Board monitors the implementation of the GNGB's 2017 Three Year Strategic Plan to ensure that priorities of the GNGB remain relevant and effective in the context of a rapidly changing policy, regulatory, and technology environment. The Board also closely monitors risks to ensure the GNGB is positioned to prevent and minimise the impact of identified risks on the integrity and security of the STN.

The Board held a planning day in February 2019 and considered:

- the external environment including developments in relation to other related networks, changes in technology, government policy changes and industry developments that might impact on the role and responsibilities of the GNGB;
- the current and future scope of the GNGB taking into account the external environment and implications for the Constitution, MOU, funding model and Board composition;
- the strategic priorities in the 2017-2020 Strategic Plan and the need for any new strategic priorities;
- key stakeholders and how best to communicate and engage with stakeholders; and
- the GNGB's annual budget to ensure alignment with identified priorities, operational imperatives and new projects and initiatives.

The Board confirmed the relevance of the five pillars of the 2017-2020 Strategic Plan and identified priorities and initiatives for 2019/2020 including:

- implementation of a comprehensive stakeholder engagement plan;
- review of the MOU;
- SBR2/STP IT governance by the ATO and interactions with GNGB STN governance;
- engagement with Government regarding e-invoicing governance;
- advocacy with Government on New Payments Platform (NPP) developments and potential impacts on the STN;
- implementation of cyber-security initiatives;
- monitoring policy and regulatory changes that may affect the STN and GNGB; and
- sustainability and ongoing funding arrangements for the GNGB.

Board members have been assigned responsibility for leading and driving implementation of nominated priorities.

### **Cyber-security**

In 2018 the Board established a Cyber-Security Committee focused on advising the GNGB Board on information and cyber-security matters affecting the network and providing a focal point for data security and cyber activities impacting the STN. The Board has approved a program of activities and initiatives to assist the GNGB in:

- supporting Gateway Operators and the superannuation industry to be aware of cyber-security issues;
- applying a range of practical technology and process controls to address cyber risk to the network; and
- fostering open discussions about cyber threats and solutions.

In January 2019, the GNGB Board engaged Deloitte to develop a Cyber-Incident Response Plan. The plan provides a framework to assist the GNGB and Gateway Operators manage a network-wide response to a range of cyber-security incidents. The plan covers areas such as roles and responsibilities, communications, decision making, managing an incident, identifying the causes of an incident, and recovery to full operation.

On 6 June 2019, Deloitte facilitated a Cyber-Incident Response Exercise for the GNGB, Gateway Operators and the ATO to:

- test the implementation of the Cyber-Incident Response Plan by providing an opportunity for participants to apply their knowledge and understanding of the Cyber-Incident Response Plan to different desktop scenarios, including testing the actions taken by and the interactions between Gateway Operators, the GNGB and the ATO;
- provide an opportunity to improve and refine the Cyber-Incident Response Plan; and
- provide an opportunity for stakeholders, including Co-Sponsors of the GNGB and APRA, to participate, observe and give feedback on the Cyber-Incident Response Plan and the Cyber Incident Response Exercise.

The Exercise demonstrated that the GNGB has a vital and significant role in relation to sharing of information, coordination of responses and communications, and provision of support to the industry in planning for and managing incidents. Informed by lessons learned from the Cyber-Incident Response Exercise, the Board approved the Cyber Incident Response Plan on 15 July 2019.

Planned initiatives for the 2019/2020 financial year include:

- communication to key stakeholders about the GNGB's work in cyber-security and lessons learned;
- an independent review of the STN ISR to ensure it is consistent with cyber-security best practice;
- development of a quarterly discussion group focussed on learning from known incidents and threats, and providing opportunity to continuously improve the security of the STN; and
- an annual Cyber-Incident Response Exercise to build familiarity and confidence and identify opportunities for continuous improvement.

## **Stakeholder engagement**

The GNGB has an important role in engagement with industry and government bodies in respect of any emerging legislative, policy or technological changes that may impact the STN. The Executive Officer and Chair of the Board meet regularly with the ATO and engage actively with key stakeholders through meetings, attendance at conferences and communications.

The Board has approved a comprehensive stakeholder engagement strategy which will extend the scope and reach of the GNGB's stakeholder engagement and communications. An objective of the strategy is to position the GNGB to be able to shape and influence the future of superannuation transactions and payments to benefit stakeholders, and to provide thought leadership drawing on the GNGB's experience of a shared journey and established governance capability.

In November 2018, the GNGB made a submission to the ATO in response to *Discussion paper: Operational Governance for trans-Tasman e-Invoicing – November 2018*. The submission described the roles and structure of the GNGB, noted possible synergies between the GNGB and e-invoicing governance and commented on how the GNGB can inform processes for establishing e-invoicing governance arrangements.

In November 2018, the GNGB, jointly with ASFA, AIST and the ATO, wrote to the Chief Executive Officer of the New Payments Platform Australia (NPPA):

- expressing concern about the impact of NPP on Superstream;
- proposing principles to mitigate unnecessary disruption to automated straight-through-processing that has been achieved through universal adoption of mandatory SuperStream data and payment Standards across the Superannuation Industry; and
- proposing a roundtable discussion with NPPA to better understand the infrastructure and messaging protocol of the NPP and to investigate the payment and data interfaces available to Superstream Participants to utilise the NPP.

The GNGB will continue to work closely with the ATO, ASFA, AIST and NPPA in shaping future policies, standards and practices in relation to the use of NPP for superannuation payments to ensure consistency of standards and integrity of processes via the STN or NPP.

## **Board governance**

The composition of the GNGB, comprising representatives of Association of Superannuation Funds of Australia (ASFA), Association of Industry Superannuation Trustees (AIST), Australian Business Software Industry Association (ABSIA), Financial Services Council (FSC), employers and Gateway Operators, provides for a diversity of backgrounds, skills and expertise on the Board and contributes to informed and robust discussion and deliberation of matters by the Board. Board members actively contribute to Board and committee meetings.

As provided in the GNGB's Constitution, the Board has established committees to assist it in carrying out its role. The Board has established a Remuneration Committee, which provides independent oversight of Chair and Executive Officer Remuneration, and a Cyber Security Committee, which provides leadership and oversight of the GNGB's strategies to protect the STN from the impact of cyber-security attacks on the STN. The Board has also established a sub-committee to oversee the review of the MOU.

The Board conducts an annual assessment of its performance to drive continuous improvement of its governance framework. The Board also periodically reviews its skills matrix to ensure relevance and currency of skills on the Board and to assist in identifying suitable candidates to fill vacancies on the Board as they arise from time to time.

### **Financial management**

2018-2019 was the first year of a new funding model for the GNGB, with 85% of funding for the GNGB provided by the Australian Government from the APRA Superannuation Supervisory Levy and 15% of funding from Gateway Operator annual fees. The new model was introduced following enactment of the *Treasury Laws Amendment (2018 Measures No.1) Act 2018*, which amended the *Australian Prudential Regulation Authority Act 1998* to allow the Treasurer to consider the ongoing cost of governing and maintaining the STN in determining the share of the APRA Superannuation Supervisory Levy that is payable to the Commonwealth. The ATO administers the funding to the GNGB via a Grant Agreement.

The Board was pleased to receive the annual audit of the GNGB's Annual Financial Statements which identified no qualification or area of concern. The audit demonstrated that the GNGB's financial management of funds from the APRA levy and Gateway fees has been prudent and that reporting has been clear and effective. The Board has had good visibility and control of all financial activity.

### **Acknowledgements**

I would like to acknowledge the commitment and diligence of the Directors of the GNGB in exercising their duties and responsibilities and to thank them for their support and significant contribution to the governance of the GNGB.

I would like to thank Karen Volpato, who was AIST's nominee on the GNGB Board, for her contribution to the work of the Board, Remuneration Committee and MOU Sub-Committee. On behalf of the Board, I wish Karen all the very best for the future.

At the same time, I welcome Melissa Birks as the AIST's nominee. Melissa brings extensive experience in superannuation policy and operations and I look forward to Melissa's important contribution to the work of the GNGB Board.

I would also like to acknowledge and thank the outgoing Executive Officer, Sarah O'Brien, for her significant contribution, as the inaugural Executive Officer of the GNGB, in progressing the objects and roles of the GNGB, including establishing the framework to ensure the reliability and security of the STN and engaging with the gateway community and superannuation industry to shape the future of superannuation transaction payments and related processes.

At the same time, I welcome Michelle Bower as Executive Officer of the GNGB. Michelle brings many years of experience in superannuation and financial services and will no doubt make a significant contribution to the future directions and achievements of the GNGB.

**Jan McClelland, AM**  
**Chair**