

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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41 | How Data Feeds Work

How data feeds work – did you ever wonder that? Data feeds are a cornerstone of any cloud based accounting software. They save us time and hence money. But how do they actually work?

How Data Feeds Work

Data feeds give us automated data entries. Completely changing the way we work. In the SMSF world TBAR will make daily feeds an absolute must. But data feeds are a mystery to many, at least to us. How do they actually work?

To find an answer, we met with Tom Sargent, the Feeds Operations Manager of Class, and Kevin Bungard, Class' CEO. Here is just a short summary we used to prepare for our talk. Please listen to the interview to get the real 'behind the scene' insights.

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Direct-connect data feeds v Email-based solutions

There are two common types of data feeds – direct-connect and email-based solutions – which differ greatly.

Direct-connect data feeds come directly from a financial institution into the software. At Class this happens, usually daily, via a secure, authenticated and end-to-end encrypted link over a point-to-point connection. So nobody can intercept, alter or divert them. Class pioneered direct-connect feeds in the SMSF market.

Email-based solutions are a less reliable alternative to direct-connect data feeds. A broker or fund manager sends an email with data and/or PDF attachments to a third-party intermediary. This intermediary uses software to 'scrape' the data from emails and PDFs. This means the overall process is less safe than direct-connect data feeds. Some have password protection. But not end-to-end encryption. They are not necessarily free from transcription errors. And there is no guaranteed delivery.

Not Data Feeds

Manual file imports from financial institutions are not data feeds. They require manual intervention. The person with the appropriate access has to obtain the file. And then another person has to upload the file into the target system. This file handling is not secure. It is possible to tamper the files.

SMSF auditors

Historically, auditors referred to source documents for their audit. They looked at bank statements for transactions and balances. They checked registry websites like Computershare for share investments holdings. Auditors are able to rely on confirmation data from other sources, but only if that data comes with an appropriate certification e.g. ASAE 3402.

What an auditor cannot do is rely on second-hand information unless it is certified. This is where ASAE 3402 certified data feeds come into the game and allow real efficiencies.

What is ASAE 3402 and why is it important?

ASAE 3402 is an Auditing and Assurance Standards Board standard that provides auditors with the assurance that the necessary controls are in place within a secure and reliable system.

Class has ASAE 3402 Type I and Type II certification for its data feeds system.

How does ASAE 3402 allow auditors to rely on data feeds?

While direct-connect data feeds are more secure, there can still of course be intermittent errors with the data itself. However, having the right controls and processes in place means that those errors can be identified promptly and resolved.

ASAE 3402 provides the auditor with assurance that despite any intermittent errors, and the rectification steps that have been taken, the final data has within reason been sourced correctly, been processed correctly and hasn't been tampered with.

Getting data from Brokers vs Share Registries – what's the difference?

All ASX trading is transacted online using the ASX Clearing House Electronic Subregister System (CHES). The ASX processes nearly a million transactions a day. All participants (brokers and registries in particular) rely on CHES to transact. The ASX could not meet their T+2 obligations and achieve a 99.93% settlement success rate without this.

It is actually the brokers who generate the legal records – contract notes – of these transactions. Not the registries. Which is why Class obtains this information directly from the brokers.

So Class' data feeds connect to brokers' back-office systems and get balances and CHES adjustments data directly from these systems.

So these were some of our notes we prepared for our talk with Class. But we covered a lot more questions during the interview:

How do you receive the feeds? Which banks don't offer a bank feed yet? When do the pushed CSV files usually come in? What means SFTP? Do the banks get paid for providing a bank feed? What is the NPP? How do you secure data security? What is open banking about? How does encryption work? And many more questions.

Please join us talking to Tom Sargent and Kevin Bungard for a great insight into how data feeds work.

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