



# Effectiveness and capability review of the Australian Prudential Regulation Authority

## Purpose of the review

The Financial Regulator Assessment Authority (FRAA) was established in response to recommendations of the Royal Commission into the Misconduct in the Banking, Superannuation and Financial Services Industry. The FRAA's statutory mandate under the *Financial Regulator Assessment Authority Act 2021* (FRAA Act) requires it to assess and report on the effectiveness and capability of the Australian Prudential Regulation Assessment Authority (APRA), and the Australian Securities and Investments Commission on a biennial basis, with reports to be delivered to the Minister and subsequently tabled in Parliament.

Each FRAA review will assess a specific set of functions and operations of a regulator, with the breadth of the regulators' activity to be assessed across a number of consecutive reviews. This approach will enable the FRAA to undertake meaningful assessments of each regulatory function and provide sufficient opportunities for the regulators to take action to address findings from the FRAA reviews.

## Focus and scope of the review

The first review of APRA will be a targeted assessment of the effectiveness and capability of APRA's supervision and resolution functions, focusing on superannuation.

The scope of the review excludes matters that are under consideration in other reviews or consultations, such as the review of the Your Future, Your Super laws.

Consistent with the *FRAA Act*, the FRAA will not assess or report on single cases. The FRAA will take as given the legislation that APRA administers. It will not review APRA's prudential policy, guidance, or enforcement activity in the superannuation industry.

## Supervision

APRA's supervision involves a range of activities to identify and respond to significant prudential risks to regulated entities, industries and the financial system. Prudential risks include financial, operational and behavioural risks that could have an adverse impact on the outcomes for superannuation fund members, or for the financial system more broadly.

The review will consider the effectiveness and capability of APRA's frontline supervision, and the specialist and risk functions relevant to superannuation.

Where possible responses to the key questions below should be supported with data, examples and/or case studies from APRA's supervision activities in superannuation.



### **Assessment of the effectiveness and capability of APRA’s supervision function in superannuation**

#### *Key questions*

1. Are APRA’s supervisory priorities clearly communicated by APRA staff to the regulated population and external stakeholders?
2. Does APRA clearly communicate and implement its supervision activities, and are supervision activities appropriately targeted?
3. How effective is APRA’s supervision in achieving APRA’s objectives? Are there any gaps in APRA’s supervisory activities in superannuation?
4. To what extent does APRA have the appropriate organisational capabilities (including, people, data, technology, and systems) for detecting prudential risks, prioritising issues, and conducting its supervisory activities to achieve the right outcomes?
5. What steps has APRA taken to effectively reduce the regulatory impost of its supervisory activities? How could APRA improve?
6. How has APRA’s supervisory activities and the nature of its relationship with stakeholders changed following recent independent inquiries and reviews?

### **Resolution**

APRA’s resolution function plans and implements responses to the failure of a regulated institution, or a crisis in the financial system.

The review will consider the effectiveness and capability of APRA’s resolution function focusing on superannuation.

The review will also include APRA’s use of data, data analytics, and the supporting technology used in its supervisory and resolution activities.

Where possible responses to the key questions below should be supported with data, examples and/or case studies from APRA’s resolution activities in superannuation.

### **Assessment of the effectiveness and capability of APRA’s resolution function in superannuation**

#### *Key questions*

1. How well is APRA’s resolution function communicated to and understood by the regulated population?
2. How well has APRA prepared industry for the introduction of APRA’s resolution framework?
3. How effective is APRA’s resolution function in promoting appropriate outcomes for members?
4. To what extent does APRA have the appropriate organisational capabilities (including, people, data, technology, and systems) for achieving the right outcomes?



**Australian Government**

**Financial Regulator  
Assessment Authority**

## Call for submissions

You can submit responses to this consultation up until 15 December 2022. Interested stakeholders are invited to provide written submissions in response to this consultation. Stakeholders are encouraged to provide responses not only to the key questions, but also comment on their broader experiences engaging with APRA. Responses are not required to address all key questions.

Submissions may be informed by direct experience but should reflect APRA's effectiveness and capability, rather than the outcomes of individual matters. Where possible, please support submissions with evidence such as data or case studies. The FRAA does not have a role in considering complaints, nor does its role involve assessing or reporting on single cases.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

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