



Effectiveness and Capability Review of APRA

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Response to Effectiveness and Capability Review of APRA

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To: Financial Regulator Assessment Authority
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From: BUSS (Queensland) Pty Ltd



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BUSS (Queensland) Pty Ltd and BUSSQ Overview

BUSS (Queensland) Pty Ltd is the trustee of the Building Unions Superannuation Scheme Queensland ('BUSSQ'). BUSSQ is an industry superannuation fund that has \$5.9 billion of funds under management. It has approximately 69,000 members, drawn from more than 20,000 employers who range from very large organisations to sole trader businesses.

BUSSQ has 39 permanent employees.

Executive Summary

The purpose of this review is to provide feedback on the effectiveness and capabilities on APRA from BUSSQ's direct experience and interaction with the regulator.

The responses provided in this review reflect the opinions and thoughts of how the regulator effect BUSSQ and our members. In our response we will cover two elements.

- Supervision; and
- Resolution

Supervision

Overall, the regulator does communicate clearly through updates and the guidance provided through the APRA website. However, their key objectives are not always clearly articulated during site visits or correspondence. The regulator can also focus to heavily on areas that would not appear to be high operational risk concerns, more best practice recommendations which may not be appropriate or suitable for different size organisations. The volume of correspondence and updates to supervisory reforms and practices is also a concern with continual changes required which tends to overlap and cause confusion.

Resolution

The regulator has provided information and guidance through their website and updates and consultation papers. However, this is limited and the overall concept would need to be clearly defined when face to face meetings or on-site visits are conducted with the individual funds.

BUSSQ has provided further commentary on the review's specific questions in our submission below.

Supervision

While we will not comment on all the questions raised, we will comment on ones relevant to BUSSQ.

Are APRA's supervisory priorities clearly communicated by APRA staff to the regulated population and external stakeholders?

APRA's priorities are communicated to industry regularly through emails and then posted to their website, however the communication of such priorities is not always documented or provided in essence during face-to-face meetings or correspondence received from the regulator. The number and frequency of communications has certainly increased materially over the past years across a range of topics for industry to address but the risk is that they create too much change at once which can confuse what should be prioritised over others.

Does APRA clearly communicate and implement its supervision activities, and are supervision activities appropriated targeted?

Interactions with APRA to date have been well communicated with clear messages of the supervision action they are completing or taking. However recent interaction would indicate that the regulator may become over focused on an incident and actions reflected may not be appropriated targeted or necessary.

How effective is APRA's supervision in achieving APRA's objectives? Are there any gaps in APRA's supervisory activities in superannuation?

The supervision currently undertaken appears to reflect the APRA overall objectives through the checking, adherence, and verification of prudential standards in APRA supervisory visitations.

To what extent does APRA have the appropriate organisational capabilities (including, people, data, technology, and systems) for detecting prudential risks, prioritizing issues, and conducting its supervisory activities to achieve the right outcomes?

There is limited information available or ability to accurately respond to this question.

What steps has APRA taken to effectively reduce the regulatory impost of its supervisory activities? How could APRA improve?

There appears to be no steps visible to reduce regulatory impost and it would appear through updates provided that further regulatory restrictions are being imposed. The regulator appears to utilise information and best practice operations from other regulated entities with the thought process of recommending or requiring other entities to implement them. This is considered restrictive and inappropriate with smaller superannuation entities who do not have the financial reserves or size to warrant the practices recommended. It appears to be a one size fits all approach which does not work in the industry.

How has APRA's supervisory activities and the nature of its relationship with stakeholders changed following recent independent inquiries and reviews?

Activities appear to be increasingly targeting all funds with further oversight in response to a limited number of funds who may have been identified in reviews or inquiries. This creates greater

stress on the industry needing to meet requirements that are not necessarily common or frequent issues.

Resolution

How well is APRA's resolution function communicated to and understood by the regulated population?

APRA provides guidance on its resolution function on its website and through reinforcement of prudential standards to provide understanding of the reasoning behind critical planning and contingency plans.

How well has APRA prepared industry for the introduction of APRA's resolution framework?

Consultation papers on CPG 190 and CPG 900 have provided some guidance, however further clarity will only come from discussions on an entity-to-entity basis.

How effective is APRA's resolution function in promoting appropriate outcomes from members?

APRA guidance indicates that true planning must be implemented by funds which in turn will benefit members if managed correctly, however it is difficult to determine how effective this would be.

To what extent does APRA have the appropriate organizational capabilities (including, people, data, technology, and systems) for achieving the right outcomes?

There is limited information available or ability to accurately respond to this question.

For further information or clarification please contact

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