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Review of the Australian Prudential Regulation Authority Annual Report 2014 (First Report)

House of Representatives
Standing Committee on Economics

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Canberra

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Chair's foreword

The House of Representatives Standing Committee on Economics is continuing its important inquiry into Australia's prudential standards for the banking, insurance and superannuation sectors by reviewing the 2014 Annual Report of the Australian Prudential Regulation Authority (APRA).

It was pleasing to learn from the last public hearing with APRA in November 2014 that the Australian financial sector is demonstrating stability. APRA reports that the authorised deposit-taking institutions (ADIs) are largely in good health and remain profitable. Residential property lending has steadily increased and APRA has informed the committee that it is monitoring lending standards to ensure residential mortgages remain a source of growth and profitability for ADIs.

The Committee notes APRA's view that the superannuation industry has made reasonable progress implementing the new prudential standards through the Stronger Super reforms. APRA states that it has focussed particularly on reviewing the efforts of this sector to strengthen governance and risk management frameworks and practices. This is appropriate and should continue to be a priority for APRA.

APRA has also commented that further improvements to the management of conflicts of interest in the superannuation industry are required to meet the heightened expectations of the new prudential standards. Such improvements are to be welcomed and should remain an important part of APRA's future oversight of this industry. APRA also commented that progress is being made to improve the disclosure of information around investment risks for superannuation fund members.

The committee understands that much of APRA's policy agenda in 2015 will be significantly influenced by the government's response to the Financial System Inquiry (FSI) final report. The committee looks forward to exploring the potential impact of FSI suggested reforms on APRA's future activities.

On behalf of the committee I would like to thank the Chairman of APRA, Mr Wayne Byres, and his colleagues for appearing at the public hearing on

28 November 2014. The committee looks forward to further discussions on the issues raised in this report at the next hearing with APRA on Friday 20 March 2015 in Canberra.

John Alexander OAM MP

Chair



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Membership of the Committee

Chair	Ms Kelly O’Dwyer MP (to 12 February 2015) Mr John Alexander OAM MP (from 12 February 2015)
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Terms of reference

The House of Representatives Standing Committee on Economics is empowered to inquire into, and report on, the annual reports of government departments and authorities tabled in the House that stand referred to the committee for any inquiry the committee may wish to make. The reports stand referred in accordance with the schedule tabled by the Speaker to record the areas of responsibility of the committee.



List of abbreviations

ACCC	Australian Competition and Consumer Commission
ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investment Commission
ATO	Australian Taxation Office
ECB	European Central Bank
FSI	Financial System Inquiry
GDP	Gross Domestic Product
GFC	Global Financial Crisis
IRB	Internal Ratings-Based
LVR	Loan to valuation ratio
MOU	Memorandum of Understanding
RBA	Reserve Bank of Australia
RSE	Registrable Superannuation Entity
SPG	Superannuation Prudential Practice Guide
SPS	Superannuation Prudential Standard

