

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY ANNUAL REPORT 2016

**2QON:** Commonwealth Bank CPS 220 review

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Mr THISTLETHWAITE: APRA undertakes prudential standard CPS 220 risk management reviews with respect to Australian banks. Is that correct?

Mr Byres: Yes. CPS 220 is a standard on risk management and it sets out requirements for banks—what we expect in terms of good risk management in banks—and requires banks to give us declarations on an annual basis that they are adhering to those principles.

Mr THISTLETHWAITE: And those reviews delve into risk management and risk culture, and they're conducted by independent experts. Is that correct?

Mr Byres: We would do some work ourselves, but banks are required periodically to have an external party come in and do a review for them and then report the results of that to us, yes.

Mr THISTLETHWAITE: Can you tell us when the Commonwealth Bank last had its CPS 220 review?

Mr Byres: The exact date I can take on notice, but it would have been in the last year or so.

Mr THISTLETHWAITE: You said earlier, I think, that they were conducted annually. Is that correct?

Mr Byres: No. The board has to give us a declaration annually, but the independent reviews I think are required on a three-yearly basis.

Mr THISTLETHWAITE: And you say it was conducted in the last year, you believe?

Mr Byres: I will take it on notice, but it is more recent than not, yes.

Mr THISTLETHWAITE: Which firm conducted the review of the Commonwealth Bank?

Mr Byres: I'd have to take that on notice.

#### **Answer:**

The last review of the Commonwealth Bank's risk management practices under *Prudential Standard CPS 220 Risk Management* was conducted in July 2017. This review was conducted by Ernst and Young.