

Opening Statement; Senate Economics Legislation Committee

October 2023

Thank you for the opportunity to appear here today.

Since we were last before this Committee in May, APRA has completed several important initiatives that highlight our work as Australia's prudential regulator responsible for the safety and soundness of the financial system.

The Australian financial system has been tested a number of times in recent years – most recently with global banking stresses in March – and it has remained sound after years of continuous work to build up resilience and manage current and emerging risks.

In August, APRA released its latest [Corporate Plan](#), which outlined our priorities for the coming four years in response to new and developing risks impacting the global financial system.

The external considerations shaping APRA's updated strategy include rising interest rates and high inflation, geopolitical instability, the growing threat of cyber-attacks and scams, and the increased frequency of natural disasters including those linked to climate change.

APRA's initiatives in response will include:

- addressing system wide risks by enhancing cross-industry stress-testing;
- a heightened focus on operational resilience, including cyber resilience, crisis management and operational risk management, to maintain the continuity of critical financial services;
- taking lessons from the overseas experience in March to strengthen the banking system further, with a focus on targeted improvements to ensure that our banks' liquidity and capital buffers work as intended and that stress at one entity doesn't have an outsized impact on the system;
- climate-related financial risks, including a Climate Vulnerability Assessment for general insurers and embedding climate risk in APRA's approach to supervision; and
- improving superannuation transparency to provide members with enhanced insights about investment performance and increasing APRA's focus on retirement outcomes.

Additionally, APRA will progress plans to modernise the prudential architecture, transform its use of technology and data to sharpen industry supervision and increase transparency. Internally, we are investing in our people – cultivating an agile, engaged workforce that is equipped to respond to new and emerging issues.

We recently tabled our [2022-23 Annual Report](#) in Parliament – reporting on activities and performance delivering on our mandate to protect the financial wellbeing of the Australian community. This report is one of many important accountability mechanisms for APRA to detail the work we do supervising financial institutions for the benefit of the Australian community.

The Financial Regulators Assessment Authority report

As the committee is aware, this year APRA was subject to its first review by the Financial Regulators Assessment Authority (FRAA). The review, which was released in July, focused on the effectiveness and capability of APRA's supervision and resolution work in superannuation.

The review recognised that APRA had successfully regulated the banking, insurance and superannuation industries. In relation to superannuation, the review found the supervision function was effective and capable, while its resolution function was less developed, which accorded with APRA's self-assessment. APRA supports the five recommendations made by the FRAA to build on APRA's progress to further improve superannuation trustees' delivery of beneficial outcomes for fund members.

Striking the right regulatory balance

Australia has a strong, well-regulated and secure banking system. In doing its work, APRA considers regulatory burden very carefully and will seek to apply proportionality, consider different business models, and take a principles-based approach. Recently we have done this in the introduction of the new capital framework, our new operational risk standard (CPS 230) and our standard on recovery and exit planning (CPS 190).

Our efforts to modernise the prudential architecture, plus cooperation with peer regulators such as with ASIC on how we administer the inbound Financial Accountability Regime (FAR), are examples of where we are considering how to build efficiency in regulatory operations.

Some risks, however, require mitigation to the same minimum standard and this needs to be reflected in the prudential framework and in strong supervisory practices. Alongside safety and stability, promoting cyber resilience and sound credit risk management are other areas where a uniformly high bar of risk management is required.

As ever, protecting the financial interests of Australians in such ways remains our purpose at APRA.

On that note, my colleagues and I welcome your questions.