Senate Estimates Opening Statement

3 December 2025

Thank you for the opportunity to appear before you again today.

I would like to begin by confirming to the Committee that Australia's financial system remains strong and stable with robust levels of financial and operational resilience. This resilience has been built up over many years through APRA's prudential policy settings and supervision of banks, superannuation trustees and insurers.

While Australians can have confidence in the safety of their financial institutions, we cannot afford to be complacent, especially at a time of heightened global uncertainty. In addition to supervising individual banks, insurers and super funds, APRA is constantly scanning the horizon to identify trends and emerging risks in the domestic and international operating environments.

While we often provide insights into what we are seeing at a system level in speeches or appearances at forums such as this one, we recently launched a report that delivers a new level of transparency around our perspectives.

The new System Risk Outlook report describes what APRA sees as the main risks and vulnerabilities facing the Australian financial system. The risks and vulnerabilities outlined in this first report can be divided into three broad groups.

Geopolitical risk is the first concern, which has potential to transmit through the financial system via many channels and trigger multiple disruptive risk events at the same time. To address this, APRA and the other agencies on the Council of Financial Regulators are strengthening the system's resilience through a dedicated geopolitical risk work program.

The second main theme is **housing risks**, with high household debt identified as a key financial system vulnerability. With interest rates having fallen, the labour market strong and house prices growing robustly, we believe this marks a turning point in the financial cycle that could result in a build-up of housing-related vulnerabilities. These include high debt-to-income and loan-to-valuation ratio borrowing, as well as a pick-up in lending to investors.

Last week, we took pre-emptive action to guard against this build-up of housing-related risks by announcing plans to activate limits on high debt-to-income home lending from next February. These limits won't be immediately binding at a system level, however we are not prepared to wait for risks to continue building before putting appropriate guardrails in place.

The third key theme identified by our System Risk Outlook concerns risks associated with **interconnectivity and the growing systemic importance of superannuation**. To that point, our report included a summary of the key findings from Phase 1 of our inaugural system risk stress test, which is exploring how key risks to the financial system could transmit across industries, particularly between banking and superannuation.

The findings indicated that superannuation can act as a stabilising force for the financial system, providing capital support to the banking system, but in some circumstances can amplify vulnerabilities. We will shortly embark on the second phase of the system risk stress test, which will test our initial findings and deliver further insights.

The superannuation sector isn't just important for financial system stability. Its purpose is so Australians can save for retirement and live with dignity once they've stopped working. For that reason, APRA closely supervises the industry to ensure trustees are making decisions in the best financial interests of their members.

Last week, we jointly released with ASIC the 2025 Retirement Income Covenant (RIC) Pulse Check report, which assesses the progress trustees have made in developing retirement income strategies. Unfortunately, the report finds a growing gap between the trustees actively promoting better retirement outcomes for their members and those that are not. We have joined ASIC in calling on trustees to improve and will be engaging directly with those trustees that are laggards in this area.

Like many others, we have also been concerned at the impact the collapse of managed investment schemes First Guardian and Shield has had on thousands of Australians. Although APRA doesn't regulate these types of investment schemes, we do supervise the superannuation trustees that made them available through their online platform products.

Over the past several years, APRA has undertaken significant work to strengthen investment governance practices in superannuation. This includes a review into platform trustees' onboarding, ongoing due diligence and monitoring of investment options offered to members on their platforms. Our work on this is ongoing.

Last month, we wrote to trustees calling on them to accelerate and escalate efforts to safeguard members' investments held in platforms. We are continuing to take direct supervisory action with the entities concerned with that work, as well as supporting ASIC's enforcement work in relation to Shield and First Guardian. For those trustees where we have elevated prudential concerns, APRA will engage with the trustees to address these shortcomings, using enforcement tools as appropriate.

Finally, I want to touch briefly on the work APRA has been undertaking to ensure we are getting the balance right balance between financial safety and considerations such as competition, efficiency and productivity.

Last month, we delivered an update on our eight proposed measures to modernise the prudential framework on governance. After listening carefully to industry feedback, we wrote to industry advising we will modify three of those proposals to ensure they don’t impose undue regulatory constraint on boards. This includes extending a tenure limit for non-executive directors from 10 to 12 years and scrapping a proposed requirement for significant financial institutions to engage early with APRA on responsible person appointments and succession planning.

In banking, we have commenced consultation on a more accessible pathway for banks to use the internal ratings-based (IRB) approach to calculating credit risk-weighted assets; and in coming days we will begin formal consultation on creating a third tier to our prudential framework for banking to embed additional proportionality and drive competition in the industry.

This work on getting the balance right is also ongoing in insurance where we have proposed updates to the reinsurance framework for general insurers to facilitate easier access to different forms of reinsurance. And in life insurance, we are consulting on changes to the capital framework for longevity products, such as annuities, to increase the availability of retirement products.

On that note, my fellow APRA Members and I look forward to answering your questions.