ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023 [Provisions] and a related bill [Provisions]

Department:	Department of the Treasury
Topic:	FRAA Review
Reference:	Written
Senator:	Andrew Bragg

Question:

1. Multiple submitters, including the FSC, Governance Institute and academic Andy Schmulow said there is no case to reduce the FRAA review frequency to a five yearly basis.
a. What is the estimated cost savings from reducing the review frequency?
b. Did APRA and ASIC ask for this change?
c. Did you consult with industry or consumer groups on this change?
d. Is this not a watering down of the Royal Commission's recommendations?

2. When will new FRAA members be appointed?

3. When will the FRAA be commencing its next review?

4. If the claimed reason for this change is to allow for a more thorough review process, what will the FRAA be doing over the next few years in the meantime, prior to the next review commencing?

Answer:

1. The creation of the Financial Regulator Assessment Authority (FRAA) implemented Royal Commission recommendations 6.13 (for quadrennial capability reviews) and 6.14 (for biennial reports on regulator effectiveness by an independent oversight authority supported by a permanent secretariat). Experience following the first two capability and effectiveness reviews of each regulator, informed by consultation with the regulators, suggests that a less frequent review cycle will better meet the Royal Commissioner's objective of regular review of the regulators' operational abilities and requirements, allowing time to implement recommendations and gather data by which to assess their effect. The change in the review frequency will result in savings in non-review years, totalling $5.6 million over five years from 2023-24 and in every five-yearly cycle from 2028-29. Consistent with recommendation 6.14, maintaining a permanent FRAA secretariat within Treasury will ensure there is ongoing oversight on the implementation of the FRAA's recommendations and that a consistent methodology is applied to future reviews.

2. The timing of appointments of new FRAA members can be expected closer to the commencement of the next review.

3. The Bill would require the next review of each regulator to be undertaken by 30 June 2028. The timing of the reviews, within that period, is a matter for Government.

4. The FRAA is taken to be part of Treasury for certain governance purposes, and the Treasury Secretary is the FRAA's accountable authority. Treasury has retained some departmental funding in non-review years to monitor the implementation of previous FRAA recommendations, consider and refine if required the FRAA's methodology to ensure it keeps pace with international best practice, and make necessary preparations in the lead up to future reviews.