Mr David Hawker  
Chairman  
House of Representatives Standing Committee on  
Economics, Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Mr Hawker,

GOVERNMENT RESPONSE TO ‘APRA: WHO WILL GUARD THE GUARDIANS?’

The Government will table in Parliament shortly its response to the recommendations of the report ‘Review of the Australian Prudential Regulation Authority: Who will guard the guardians?’ which was released by the House of Representatives Standing Committee on Economics, Finance and Public Administration in October 2000. I am pleased to present to you the attached copy of the Government’s response.

I would also note that the Financial Sector (Collection of Data) Act 2001 and the Financial Sector (Collection of Data – Consequential and Transitional Provisions) Act 2001 that give effect to the harmonisation and streamlining of the collection of statistical information across the financial sector were passed by the Parliament in September 2001.

Yours sincerely,

Helen Coonan
COMMONWEALTH GOVERNMENT RESPONSE TO THE
RECOMMENDATIONS OF THE HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
REVIEW OF THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY:
WHO WILL GUARD THE GUARDIANS?

The Committee made two recommendations:

SUPERANNUATION FOR WORKING PEOPLE OVER THE AGE OF 65

Recommendation 1

That the Government review Regulation 6.21(3A) of the Superannuation Industry
(Supervision) Act 1993 to make it less onerous for working people over the age of 65 to
continue to contribute to a superannuation fund.

The regulation places the onus on trustees to make reasonable efforts to keep informed about the
ongoing employment status of members aged 65 or over. If, after making reasonable efforts, the
trustee cannot ascertain the member’s ongoing employment status, the member is presumed not to
be gainfully employed and the member’s benefits must be paid out of the superannuation fund.

The regulation is designed to ensure that benefits are only retained in the superannuation system by
persons beyond retirement age who remain in gainful employment on a full or part-time basis. The
regulation reflects superannuation’s core purpose in providing retirement income and prevents
superannuation being used for taxation or estate planning purposes.

While the Government considers the policy rationale for the regulation is sound, it supports the
recommendation. Accordingly, Treasury has been asked to review the regulation to determine
whether APRA can provide trustees with more flexibility in the monitoring of the employment
status of members aged 65 or over.

COLLECTION OF STATISTICS

Recommendation 2

That APRA provide yearly statistics which include the location and level of face to face
banking in Australia.

The Committee noted the Government’s response to Recommendation 2 of its Regional Banking
Services: Money too far away inquiry. The Government indicated in its response that it had advised
APRA to take into account Recommendation 2 of that report which dealt with the collection of
comprehensive data on the access communities have to financial services, as part of APRA’s review
of statistics collection.

APRA has been in the process of modernising prudential reporting for deposit-takers (including
banks) since mid-1999. This process has culminated in the Parliament passing the Financial Sector
(Collection of Data) Act 2001 and the Financial Sector (Collection of Data – Consequential and
Transitional Provisions) Act 2001 in September 2001 which enables APRA to require data from
financial sector institutions. In developing the Financial Sector (Collection of Data) Acts, APRA
undertook extensive consultation with the financial industry, including authorised deposit-taking
institutions, and the Australian Bureau of Statistics and the Reserve Bank of Australia. The start
date for institutions to provide data to APRA is likely to differ across the financial industry, but it is expected that banks will be required to provide data in mid-2002.

The Hawker recommendation that APRA acquire better information about rural and regional access to banking services has been the subject of part of these returns. APRA now acquires information annually about face to face and electronic services on a locality basis (town/suburb, postcode, state), with full and open disclosure for every detail. APRA has already collected data for June 2001 which became available on 27 March 2002 on an institution by institution basis.