

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

Review of the Australian Prudential Regulation Authority Annual Report 2015 (Second Report)

House of Representatives Standing Committee on Economics

November 2016
CANBERRA

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Chair's foreword

At the public hearing in October 2016 APRA explained its regulatory agenda over the course of the year, in particular its activities to improve the resilience of banking institutions.

APRA discussed with the committee its measures to strengthen bank capital and bolster the stability of bank funding. In particular, APRA noted the importance of developing a loss-absorption framework to reduce the need for taxpayer support in the event where an institution is affected by a financial or economic crisis.

APRA has continued to prioritise the supervision of housing lending standards of all ADIs, which appears to have improved lending standards in the industry. The committee will monitor APRA's progress to embed the raised standards into industry practice.

Executive accountability and risk culture within APRA-regulated institutions was a major discussion topic at the hearing. The committee and APRA share the view that having a sound culture within regulated institutions in relation to risk management and compliance issues was important in order to both maintain the viability of institutions and to ensure fair outcomes for customers and investors. The committee notes APRA's recent report on industry practice in risk culture and is particularly interested in the industry's response to the requirements that boards address the issue of risk culture within their organisations.

On behalf of the committee I would like to thank the Chairman of APRA, Mr Wayne Byres, and his colleagues for appearing at the public hearing on 14 October 2016.

David Coleman MP

Chair

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Membership of the Committee

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Terms of Reference

The House of Representatives Standing Committee on Economics is empowered to inquire into, and report on, the annual reports of government departments and authorities tabled in the House that stand referred to the committee for any inquiry the committee may wish to make. The reports stand referred in accordance with the schedule tabled by the Speaker to record the areas of responsibility of the committee.

Abbreviations

ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investment Commission
BBSW	Bank Bill Swap Rate
CMLA	Colonial Mutual Life Assurance Society Limited
FSI	Financial Services Inquiry
GDP	Gross Domestic Product
IRB	Internal ratings-based model
RBA	Reserve Bank of Australia

