

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY ANNUAL REPORT 2018

1: Enforcement Activity

Hansard page 6-7

Dr LEIGH: Mr Lonsdale, I want to continue on the theme of transparency, which the chair has been focusing on. One of the issues the capability review raised is inaction in superannuation. It gave the example that, until the Hayne royal commission, APRA had only applied to disqualify one person since 2008, had only entered into enforceable undertakings with respect to one matter and had not commenced any court proceeding relating to superannuation in the last 10 years. Are you aware of what those statistics look like now? If you don't have those figures at your fingertips, could you undertake to provide them to the committee?

Mrs Rowell: Dr Leigh, I'd go back to some of the comments that were made in the earlier statement, and John's earlier comments around enforcement action. In particular, we have commenced disqualification proceedings against IOOF, and that's currently in train. We have issued directions and imposed licence conditions on both IOOF and AMP, and that's public. We have a number of other enforcement type activities in train. In particular, the royal commission referrals are being closely examined, and we are well progressed in doing that. Most of those are in the superannuation space. I can't give you the precise numbers of those different categories of enforcement type activities, but certainly over the last 12 to 18 months there has been a significant increase. We can provide further information on notice.

Dr LEIGH: Thank you, Mrs Rowell. If you could provide the statistics, that would be valuable—particularly on disqualifications, enforceable undertakings and court proceedings.

Answer:

Superannuation industry

Over the last 18 months APRA has engaged in the following enforcement type activities in respect of superannuation entities and, where appropriate, issued media releases:

- commenced court proceedings in the Federal Court of Australia seeking the disqualification of five individuals and declarations that RSE licensees in the IOOF Group breached the *Superannuation Industry (Supervision) Act 1993 (Cth) (SIS Act)*;
- commenced two formal investigations under the SIS Act;
- commenced investigations into the 12 matters directly and indirectly referred to APRA by the Financial Services Royal Commission, 11 of which relate to RSE licensees;
- imposed additional conditions on the RSE licence of two entities in the IOOF Group and two entities in the AMP Group; and
- issued directions to two RSE licensees in the IOOF Group and two RSE licensees in the AMP Group.

There has also been an increase in the number of RSE licensees in Mandated Improvement in the last 6 months, with the number rising from 4 to 9.

Other APRA-regulated industries

In addition, over the last 18 months APRA has engaged in the following enforcement type activities in respect of other entities regulated by APRA and, where appropriate, issued media releases:

- commenced one formal investigation under the *Life Insurance Act 1995* (Cth);
- accepted an enforceable undertaking from the Commonwealth Bank of Australia;
- imposed additional conditions on the registration of an entity in the IOOF Group;
- issued infringement notices to three entities in the Westpac Group for breaches of the *Financial Sector (Collection of Data) Act 2001* (Cth);
- required Macquarie Bank Limited, Rabobank Australia Limited and HSBC Bank Australia Limited to tighten intra-group agreements and restate their past funding and liquidity ratios; and
- applied additional capital requirements to ANZ, National Australia Bank, Westpac and Allianz Australia Limited to reflect higher operational risk identified in their risk governance self-assessments.

The introduction of APRA's new Enforcement Approach in April 2019 has had an immediate impact on the approach taken by supervisors to issues at their entities. APRA's Legal group have experienced a noticeable increase both in requests from supervisors for advice regarding the new approach and in matters escalated for enforcement support.