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The Parliament of the Commonwealth of Australia

# **Review of the Australian Prudential Regulation Authority Annual Report 2019**

House of Representatives  
Standing Committee on Economics

February 2020  
Canberra

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## Chair's foreword

The Royal Commission found that Australia's financial sector suffered from a lack of moral leadership and a corporate culture motivated by greed. Evidence provided to the Royal Commission exposed shocking and widespread examples of misconduct and highlighted systemic failings throughout the banking and financial services sector. Revelations of further misconduct have continued to come to light, following the conclusion of the Royal Commission.

The public expects and deserves better than a financial sector lacking in moral leadership and motivated by greed. The community expects the big banks and other financial institutions to be held to account and to fear their regulator.

It is essential that we restore trust, eliminate conflicts of interest, and raise standards of professionalism in Australia's financial services industry. Governance, culture, remuneration, and accountability risks are core to prudential supervision. As demonstrated by the findings of the Royal Commission and noted by the Capability Review, these risks must be supervised and monitored as rigorously as traditional financial risks. This will require not only the efforts of Government and regulators but the efforts and actions of leaders and individuals within the sector.

The committee notes that the Government has been working to implement the Royal Commission's recommendations and strengthen financial regulators. In particular, the Government's ongoing work regarding the extension of the Banking Executive Accountability Regime and its investment in improving APRA's capabilities and resources in superannuation.

The committee notes APRA's progress regarding the implementation of both the Royal Commission recommendations and the APRA Capability Review recommendations. This important work will continue to strengthen APRA as a regulator and enable it continue to ensure the raising of standards of governance, culture, remuneration, and accountability across the financial services sector.

The committee notes APRA's new enforcement approach and its commitment to increasing transparency in its supervision and enforcement work. This will assist in both the raising of standards of governance, culture, remuneration, and accountability as well as rebuilding the Australian people's trust in the financial services sector.

The committee will continue to scrutinise APRA's performance, particularly its ongoing implementation of the Royal Commission recommendations and the Capability Reviews recommendations as well the ongoing strengthening of APRA's capability.

**Tim Wilson MP**  
**Chair**



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## **Membership of the Committee**

<b>Chair</b>	Mr Tim Wilson MP
<b>Deputy Chair</b>	Hon Dr Andrew Leigh MP
<b>Members</b>	Mrs Bridget Archer MP Dr Anne Aly MP Mr Adam Bandt MP Mr Jason Falinski MP Mr Craig Kelly MP Mr Andrew Laming MP Dr Daniel Mulino MP Mr Ted O'Brien MP

## **Committee Secretariat**

<b>Secretary</b>	Mr Stephen Boyd
<b>Inquiry Secretaries</b>	Ms Casey Mazzarella Dr John White
<b>Office Manager</b>	Ms Jazmine Rakic



## **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

ACCC	Australian Competition and Consumer Commission
ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
AUSTRAC	Australian Transaction Reports and Analysis Centre
Banking Act	<i>Banking Act 1959 (Cth)</i>
BEAR	Banking Executive Accountability Regime
Capability Review	Australian Prudential Regulation Authority Capability Review
GCA	governance, culture and accountability
GCRA	governance, culture, remuneration and accountability
MoU	Memorandum of Understanding
ORFR	Operational Risk Financial Requirement
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
SFTs	successor fund transfers
SI(S) Act and SIS Act	<i>Superannuation Industry (Supervision) Act 1993 (Cth)</i>

