

Answer to question on notice and in writing:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**AUSTRALIA'S FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS:
SUPERANNUATION SECTOR**

APRA-S12QW:

APRA has argued that the costs of trustee insolvency are substantial or very material. Does this mean that APRA is taking similarly substantial steps to ensure that trustees are at minimal risk of insolvency? What are those steps? Outline the supervisory steps that APRA has taken, is taking, and plans to take to address this risk, given the substantial costs APRA envisages from trustee insolvency.

Answer:

The costs of disorderly failure of a trustee are significant.

RSE licensees are responsible for ensuring they have access to adequate financial resources to sustainably operate their business.

Where APRA has concerns that an RSE licensee may not be adhering to these responsibilities, we undertake further inquiries and action if appropriate. It would not be appropriate to comment on entity-specific matters.

As outlined in the *Strengthening financial resilience in superannuation* discussion paper, it is the responsibility of trustees to improve their compliance controls and embed improved governance practices to minimise the risk of insolvency.

APRA has also released for consultation a discussion paper and two draft prudential standards to strengthen crisis preparedness across banks, insurers and superannuation trustees. These proposed requirements are aimed at RSE licensees ensuring they hold sufficient financial resources to undertake an orderly transfer of members in the event of a trustee insolvency.