

**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-S13QW:**

Given the importance of this issue, why did APRA only release a discussion paper on this issue recently, with any change to prudential standards some way off into the future? As APRA considers the costs of trustee insolvency are high, why isn't APRA acting to reduce this risk now?

**Answer:**

APRA is focused on system wide risk for the superannuation industry. Recent legislative changes have extended the range of penalties to which trustees are susceptible, heightening insolvency risk.

APRA does not have a 'zero failure' tolerance. It is not APRA's position that it should protect trustees in all circumstances but disorderly failure is not consistent with APRA's mandate in order to protect beneficiaries and financial system stability.

It is up to individual trustees to review their business operations and implement better practices where necessary. Importantly, all trustee actions must be undertaken consistent with the obligation to act in the best financial interests of beneficiaries and in compliance with the sole purpose test.

Changes to the prudential framework cannot be determined or implemented prior to industry responses being sought and considered. The recently released discussion paper is looking at financial resilience more broadly to ensure financial resilience is considered holistically.

APRA is required to undertake changes to the prudential framework in a manner consistent with the Australian Government's Impact Analysis Framework.