

Senate Estimates February 2024: Opening Statement

Thank you for the opportunity to appear before the Committee to outline our work protecting the financial wellbeing of the Australian community.

I will start by reiterating that Australia's financial system remains strong and stable. As the Committee would be aware, having a sound financial system is critical to the functioning of the Australian economy and cannot be taken for granted.

There are several factors in the operating environment which APRA is monitoring for impacts as we fulfil our mandate to maintain the stability and resilience of the financial sector.

We know that many Australians are feeling cost-of-living pressures which is weighing on real household disposable incomes and household spending. We are seeing credit continuing to flow both for commercial and residential lending. Although the level of non-performing loans is creeping up, it remains significantly lower than prior to the pandemic, and we remain satisfied with the overall quality of bank lending.

The severe storms over the summer have underscored the role of insurance in helping Australians in their times of need. It also highlighted the importance of addressing pressures on the affordability and accessibility of insurance – something that requires collaboration between insurers, policy holders, governments at all levels and regulators to address.

Unfortunately, cyber-attacks and scams continue to increase in number. Geopolitically, there remains a lot of volatility and risks are escalating.

With these risks in mind, we recently released our latest [Policy and Supervision Priorities](#), which provides a six-month view on APRA's key focus areas for banking, insurance and superannuation. It emphasises:

- operational and cyber resilience, reflecting the growing reliance on digital technologies by entities and the community;
- embedding lessons learned from last year's global banking turmoil through targeted changes to the prudential framework for authorised deposit-taking institutions;
- lifting superannuation trustees' practices on retirement incomes, implementing recommendations from the Financial Regulator Assessment Authority (FRAA) review, enhancing transparency and aligning APRA's heatmaps with the performance test; and
- across insurance, continuing to balance financial sustainability with the need to enhance affordability and availability.

In undertaking this work, APRA will continue to leverage its whole-of-system perspective and to work collaboratively with the Council of Financial Regulators.

In addition to informing the industries of our priorities for 2024, we have undertaken several key work programs since we last appeared before this committee.

In November, we launched the second phase of our Superannuation Data Transformation, which proposes to boost our data collection in areas including trustee board governance and investment liquidity and valuations. Noting the significant impact that increased transparency has had on addressing underperformance and bringing down fees, we expect this work to further improve the outcomes trustees are delivering to their members.

In December, we announced our annual update on macroprudential policy settings, confirming the mortgage serviceability buffer would remain at 3 percentage points and that the countercyclical capital buffer will remain at 1.0 percent of risk weighted assets – so that banks have an additional capital buffer for stress situations. Macroprudential policy is an important part of APRA's toolkit and by keeping settings steady, APRA aims to keep Australia's banks resilient while continuing to enforce high lending standards.

APRA has also recently undertaken several enforcement actions, including two relating to poor risk governance and one relating to weak cyber-controls.

Finally, APRA's success is dependent upon the capability and drive of its people, and we are strongly committed to maintaining an agile and engaged workforce. Results last month from APRA's annual engagement survey showed a strong engagement score of 80 percent favourable. This is consistent with the previous results from December 2022.

With these remarks, my colleagues and I are happy to take your questions.