

## **OPENING STATEMENT**

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**Chairman**  
**Australian Prudential Regulation Authority**

*Senate Economics Legislation Committee*  
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Thank you for the opportunity to appear before this committee today. Our last appearance before this committee was in February, where we gave a detailed update on important reforms and initiatives completed over 2021.

We noted at that hearing, as we are pleased to do again today, that the Australian financial system remains fundamentally sound and stable. This financial strength means financial institutions continued to actively support their customers throughout the pandemic and other recent events, such as the devastating floods in Queensland and NSW. Nonetheless, as recent geopolitical events have highlighted, our operating environment remains uncertain and somewhat volatile.

As part of its current Corporate Plan, APRA has emphasised its role in regulating not just for today, but also for the future. In support of that, in February, APRA advised its regulated industries of its priorities in policy and supervision for the year ahead. While continuing to promote safety and stability, APRA's latest priorities have an increased emphasis on being ready for new and emerging financial risks, practices and business models that are testing traditional regulatory boundaries and supervisory practices.

The importance of preparing for the future has been emphasised over the past fortnight in speeches by my colleagues. APRA Executive Director, Policy and Advice, Renée Roberts, addressed the issue of crisis readiness most directly in a speech focused on APRA's development of two new prudential standards focused on recovery and resolution planning. Ms Roberts' key message was that industry leaders cannot just improvise when faced with a sudden shock; they need to have already thought seriously about possible crisis scenarios, come up with a credible plan and tested their ability to execute it. Crucially, they should understand that relying on APRA or taxpayers to step in to solve the problem is not an acceptable strategy.

Resilience was also a theme of Executive Board Member Margaret Cole's recent speech reminding superannuation fund trustees that how funds are placed to perform into the future is just as important as how they are performing today. Releasing new analysis that showed half of small funds faced significant and immediate sustainability challenges due to declining net cash flows and member accounts, Ms Cole urged trustees in this situation to strongly consider mergers or product simplification programs to maximise their members' long-term financial interests.

Deputy Chair John Lonsdale had a similar message to the mutual bank sector. At a time when the financial sector is rapidly evolving and becoming more digitised, Mr Lonsdale emphasised the importance of mutual banks having the right mix of skills and experience on their boards to guide them successfully into a new era. Being prepared for technological challenge will also be the focus of a speech I am scheduled to deliver tomorrow, where I will discuss how APRA and peer regulators are stepping up their response to new financial products, companies and

technologies in a way that addresses risks while not unnecessarily stifling innovation and opportunity.

With these comments, my colleagues and I are happy to answer your questions.