



Senate Estimates opening statement, June 2024

My colleagues and I welcome the opportunity to be here today to update the committee on APRA's work to maintain safety and stability in Australia's financial system.

In opening, I would like to reassure the committee that the long period of stability in Australia's financial system continues, supported by sound regulatory settings. This should provide confidence to Australian depositors, insurance policyholders and superannuation fund members.

As 2024 progresses, APRA is monitoring several risks in the operating environment including geopolitical risks, continuing high inflation and elevated mortgage interest rates. Cost of living pressures remain a key concern.

Non-performing housing loans have increased over the past few months, albeit from a low base. Borrowers experiencing financial hardship are also increasing, however, many borrowers maintain prepayment buffers.

In this context, APRA is focused on ensuring lending practices are prudent and banks remain resilient, including through targeted changes to the prudential framework for authorised deposit-taking institutions (ADIs).

APRA is also closely monitoring pressures on access and affordability of household insurance, particularly considering the increasing losses relating to flood and other natural catastrophes.

APRA has progressed several important reforms since we last appeared before the committee in February.

The Financial Accountability Scheme (FAR) commenced for ADIs on 15 March 2024, and is due to come into effect for insurance and superannuation industries next year. The expectations of strengthened responsibility and accountability outlined in this framework, which APRA jointly administers with ASIC, is aimed at improving the risk governance cultures of APRA-regulated entities.

As the Committee would be aware, the Australian community continues to be impacted by operational outages and cyber-attacks on institutions. APRA is taking several actions to mitigate this.

APRA has largely completed a review of all regulated entities' compliance with the [CPS 234 Information Security](#) standard. Although remediation is still underway at some entities, this exercise has helped organisations to lift their cyber defences and data privacy protections for Australians.

APRA has now finalised formal guidance on [CPS230 Operational Risk Management](#), which will be published shortly and comes into effect on 1 July 2025. This standard will assist organisations to better understand their critical operations and material third party service providers and to set tolerance levels for potential business disruptions. APRA has responded to industry requests to ensure the regulation is effective and proportionate to the size and significance of the entity, including supervision intensity for certain elements of the standard.

In relation to climate-related risks, APRA is conducting a voluntary survey of its regulated entities, asking them to self-assess the maturity of their current practices against APRA's guidance on managing the [financial risks of climate change](#). The initiative will provide insight into the progress that entities have made in identifying, assessing and managing climate-related financial risks since the release of APRA's practice guide in 2021.

In the superannuation industry, we are further progressing work to improve transparency and to ensure that trustees are always acting in the best interests of fund members.

In that regard, APRA will publish the results of the 2024 annual performance test in late August. The test assesses the long-term performance of superannuation products against tailored benchmarks, with consequences for those that fail. Shortly afterwards, APRA will publish a detailed package of performance metrics, investment returns, and fees, to provide further transparency to super product performance. In addition, APRA will soon begin publishing new and more granular data on how members' funds are being spent and invested by trustees. Amongst other information, it will include expenses data across several categories and payments to certain categories of third parties at both a fund and industry level.

Finally, the committee will be aware the Government has announced its intention to publish a regulatory initiatives grid. APRA supports this and will contribute to the grid's development. In addition and as part of our commitment to transparency, we will continue efforts to assist entities to better understand and efficiently manage their obligations. APRA will launch a pilot version of our new digital Prudential Handbook later this month, which organises more than 140 Prudential Standards, Guidance and associated information into an easy-to-use and search format. In July, we will publish our latest Corporate Plan which will include an update on our policy and supervision priorities.

APRA would like to acknowledge the additional funding allocated by the Government to invest in APRA's technology, data, security and supervision capabilities.

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