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note should consider
to favor R that
this should be in
meeting papers

MINISTER FOR REVENUE AND
ASSISTANT TREASURER
Senator the Hon Helen Coonan

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29 APR 2002
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Mr David Hawker
Chairman
House of Representatives Standing Committee on
Economics, Finance and Public Administration
Parliament House
CANBERRA ACT 2600

23 APR 2002

Dear Mr Hawker *David*

GOVERNMENT RESPONSE TO 'APRA: WHO WILL GUARD THE GUARDIANS?'

The Government will table in Parliament shortly its response to the recommendations of the report 'Review of the Australian Prudential Regulation Authority: *Who will guard the guardians?*' which was released by the House of Representatives Standing Committee on Economics, Finance and Public Administration in October 2000. I am pleased to present to you the attached copy of the Government's response.

I would also note that the *Financial Sector (Collection of Data) Act 2001* and the *Financial Sector (Collection of Data - Consequential and Transitional Provisions) Act 2001* that give effect to the harmonisation and streamlining of the collection of statistical information across the financial sector were passed by the Parliament in September 2001.

Yours sincerely

Helen Coonan

**COMMONWEALTH GOVERNMENT RESPONSE TO THE
RECOMMENDATIONS OF THE HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON ECONOMICS, FINANCE AND PUBLIC ADMINISTRATION
REVIEW OF THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY:
*WHO WILL GUARD THE GUARDIANS?***

The Committee made two recommendations:

SUPERANNUATION FOR WORKING PEOPLE OVER THE AGE OF 65

Recommendation 1

That the Government review Regulation 6.21(3A) of the Superannuation Industry (Supervision) Act 1993 to make it less onerous for working people over the age of 65 to continue to contribute to a superannuation fund.

The regulation places the onus on trustees to make reasonable efforts to keep informed about the ongoing employment status of members aged 65 or over. If, after making reasonable efforts, the trustee cannot ascertain the member's ongoing employment status, the member is presumed not to be gainfully employed and the member's benefits must be paid out of the superannuation fund.

The regulation is designed to ensure that benefits are only retained in the superannuation system by persons beyond retirement age who remain in gainful employment on a full or part-time basis. The regulation reflects superannuation's core purpose in providing retirement income and prevents superannuation being used for taxation or estate planning purposes.

While the Government considers the policy rationale for the regulation is sound, it supports the recommendation. Accordingly, Treasury has been asked to review the regulation to determine whether APRA can provide trustees with more flexibility in the monitoring of the employment status of members aged 65 or over.

COLLECTION OF STATISTICS

Recommendation 2

That APRA provide yearly statistics which include the location and level of face to face banking in Australia.

The Committee noted the Government's response to Recommendation 2 of its *Regional Banking Services: Money too far away* inquiry. The Government indicated in its response that it had advised APRA to take into account Recommendation 2 of that report which dealt with the collection of comprehensive data on the access communities have to financial services, as part of APRA's review of statistics collection.

APRA has been in the process of modernising prudential reporting for deposit-takers (including banks) since mid-1999. This process has culminated in the Parliament passing the *Financial Sector (Collection of Data) Act 2001* and the *Financial Sector (Collection of Data – Consequential and Transitional Provisions) Act 2001* in September 2001 which enables APRA to require data from financial sector institutions. In developing the Financial Sector (Collection of Data) Acts, APRA undertook extensive consultation with the financial industry, including authorised deposit-taking institutions, and the Australian Bureau of Statistics and the Reserve Bank of Australia. The start

date for institutions to provide data to APRA is likely to differ across the financial industry, but it is expected that banks will be required to provide data in mid-2002.

The Hawker recommendation that APRA acquire better information about rural and regional access to banking services has been the subject of part of these returns. APRA now acquires information annually about face to face and electronic services on a locality basis (town/suburb, postcode, state), with full and open disclosure for every detail. APRA has already collected data for June 2001 which became available on 27 March 2002 on an institution by institution basis.
