
Parliament of the Commonwealth of Australia

Review of the Australian Prudential Regulation Authority:

Who will guard the guardians?

House of Representatives
Standing Committee on Economics Finance and Public Administration

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Canberra

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Foreword

This is the House Economics Committee's first report on the Australian Prudential Regulation Authority's (APRA) supervision and prudential regulation of those areas of the financial services sector for which it has responsibility.

APRA is a new regulator. It was created as a result of a change in the focus of financial regulation from sector based regulation to risk based regulation following the Wallis Report. APRA was created by merging 11 regulatory organisations, including those parts of the Reserve Bank of Australia responsible for banking regulation and the Insurance and Superannuation Commission supervision department.

The Committee has been given a standing reference by the Minister for Financial Regulation, the Hon Joe Hockey MP to inquire into APRA's activities, and expects to deliver a similar report annually. The regular review of APRA's activities will dovetail with its biannual review of the Reserve Bank to form a comprehensive accountability mechanism for those organisations that safeguard Australia's financial system.

This report focuses on issues discussed in the September 2000 public hearing with APRA, and incorporates information derived from APRA's *Annual Report 2000*, and from the comprehensive documentation produced by APRA as it has been updating Australia's prudential regulations.

As APRA is a new organisation, this report deals extensively with APRA's administrative arrangements in addition to APRA's regulatory activities and the state of Australia's financial institutions. I expect that future reports will reflect a greater concentration on regulation and the regulated industries.

In a benevolent economic environment, APRA appears to have managed the transition to the new regulatory framework well, and is progressing regulatory reform in most regulated industries. Nevertheless, the Committee has made two

recommendations and has indicated it will monitor APRA's progress in a number of areas.

In undertaking this review, the Committee appreciates the excellent assistance and cooperation given by APRA's staff, especially the CEO Mr Graeme Thompson and the Secretary Ms Thea Rosenbaum. The Committee has been impressed with the level of professionalism demonstrated in APRA's approach to the inquiry.

I thank all of the members of the Economics, Finance and Public Administration Committee for their contributions to the public hearing and to this report.

David Hawker MP
Chair



Membership of the Committee

Chair Mr D P M Hawker MP

Deputy Chair Ms A E Burke MP

Members Mr A N Albanese MP

Ms T Gambaro MP

Mrs K E Hull MP

Mr M W Latham MP

Ms T Plibersek MP

Mr C M Pyne MP

Hon A M Somlyay MP

Dr A J Southcott MP

Committee Secretariat

Secretary Ms B Forbes

Inquiry Secretary Mr K Bodel

Administrative Officers Ms B Zolotto

Ms S Jurcevic



Terms of reference

On 29 March 1999 the Minister for Financial Services and Regulation, the Hon. J Hockey MP, provided the Economics Committee with a standing reference to review and report on the Australian Prudential Regulation Authority's supervision and prudential regulation of those areas of the financial services sector for which it has responsibility.



List of abbreviations

ACCC	Australian Competition and Consumer Commission
ADI	Authorised Deposit-taking Institution
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
CPA	Certified Practising Accountants Australia
IMF	International Monetary Fund
ISC	Insurance and Superannuation Commission
OECD	Organisation for Economic Cooperation and Development
RBA	Reserve Bank of Australia
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>



List of recommendations

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. (para 3.42)

Recommendation 2

That APRA provide yearly statistics which include the location and level of face to face banking in Australia. (para 3.58)

