

# Statement of Intent: Australian Prudential Regulation Authority – March 2023

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1. This Statement of Intent outlines the response of the Australian Prudential Regulation Authority (APRA) to the Government's Statement of Expectations (SoE).

## APRA's role

2. APRA protects the Australian community by establishing and enforcing prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions it supervises are met within a stable, efficient and competitive financial system.
  - a. APRA's supervision seeks to identify and respond to significant risks in financial institutions and the financial system in a timely and effective manner, while recognising that management and boards are ultimately accountable for the prudent operation of their institutions;
  - b. APRA's policy and supervisory approaches are risk-based and proportionate to the size, complexity and business model of supervised institutions, while implementing international standards in a manner that is appropriate for Australian circumstances;
  - c. APRA as resolution authority and administrator of the Financial Claims Scheme requires supervised institutions to be well-positioned to recover from events that may impact their financial viability. While APRA seeks to reduce the likelihood of a financial institution failing, it does not seek to guarantee a zero-failure rate;
  - d. APRA collects, analyses and publishes data for the Australian financial sector. APRA's strategic initiative to enable data-driven decision-making will support enhanced insights, improved data sharing and reduced reporting burden over the long-term; and
  - e. APRA uses formal enforcement powers where appropriate to achieve prudential outcomes and deter unacceptable practices.
3. In exercising its functions, APRA is required to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, and in doing so, APRA is to promote financial system stability in Australia.
4. APRA will continue to strive to be a high-performing and responsive prudential regulator for the ultimate benefit of the Australian community. As the prudential regulator for the Australian financial system, APRA has a key role enabling Australia to achieve and maintain:
  - a. a strong and stable banking system able to facilitate the flow of finance to support sustainable economic growth;

- b. a viable, competitive and innovative insurance industry that sustainably assists individuals and businesses to manage risks; and
- c. an efficient and transparent superannuation system in which trustees are held to account for performance outcomes for members.

## The Government's policy priorities

- 5. APRA notes the Government's goal for a stable and robust financial system, capable of adjusting to evolving economic conditions, withstanding global volatility and other external shocks, and supporting sustainable economic growth, while facilitating innovation, competition and ensuring consumer needs are met. APRA will continue to provide expert advice and work collaboratively with the Government, Treasury and other stakeholders to identify opportunities within APRA's role as prudential regulator to contribute to this goal.
  - a. APRA will maintain a core focus on the ongoing resilience of the banking, insurance and superannuation industries for the benefit of depositors, policyholders and superannuation fund members;
  - b. APRA will continue to promote prudent practices and transparency in relation to climate-related risks in the Australian financial system, consistent with the Government's sustainable finance reforms;
  - c. APRA will continue to bring to bear expertise on insurance availability and affordability, including collection of data to support data-informed decisions;
  - d. APRA will require continued improvement in superannuation transparency and efficiency, and seek to reduce the level of exposure of superannuation members to underperforming funds and funds with sub-standard practices including in relation to expenditure;
  - e. APRA will through its cyber security strategy – and working collaboratively with government agencies, industry and international counterparts – take steps to improve the resilience of the financial system to cyber threats, to seek to safeguard Australians' money and data; and
  - f. APRA is committed to understanding and responding to the impact of new financial activities and participants on the Australian financial system. APRA will continue to engage with the Government, Treasury and other members of the Council of Financial Regulators (CFR) on reforms to modernise the payments regulatory framework.

## Relationships with external stakeholders

- 6. Consistent with the SoE, APRA will act independently in its supervisory and regulatory functions. In doing so, APRA will work closely with the Government, Treasury and other stakeholders. APRA will provide information to Ministers in accordance with subsection 10(2) of the *Australian Prudential Regulation Authority Act 1998*. APRA will also provide visibility to the Government and Treasury on the exercise of APRA's policy-related functions.

7. APRA will maintain its close working relationships with CFR members and other stakeholders including other agencies to coordinate regulatory activities and minimise undue costs and regulatory burden. APRA will continue to engage closely with CFR members in connection with macroprudential policy measures designed to anticipate and respond to financial stability risks.
8. APRA will continue to provide clarity to supervised institutions regarding APRA's principles-based prudential requirements and approach to exercising its powers, and consult with industry and broader stakeholders on proposed changes to APRA's prudential framework. Through its Modernising the Prudential Architecture strategic initiative, APRA will take steps to make it easier for supervised institutions to understand and comply with APRA's prudential framework.
9. APRA will work with international standard setting bodies and regulatory counterparts with a view to promoting financial stability in Australia.

## **Organisational matters**

10. APRA will meet the Government's expectations on organisational matters as set out in the SoE.