COOPERATION AND LIAISON

AUSTRALIA
INTERNATIONAL
TECHNICAL ASSISTANCE
Cooperation and liaison with other agencies, both domestic and international, are essential components of APRA’s supervisory and policy work. This cooperation and liaison takes the form of:

- engagement with other domestic financial regulatory agencies in pursuit of a resilient and stable financial system;
- liaison with other Australian agencies, industry bodies and overseas regulators as part of APRA’s intelligence-gathering on the institutions and industries it regulates; and
- participation in global standard-setting bodies for prudential regulation, which gives Australia an active voice in global reform initiatives. This latter activity is essential for ensuring that characteristics of the Australian financial markets are recognised, as necessary, when global standards are developed, and that APRA can weigh up the suitability of new global standards for the Australian prudential framework.

AUSTRALIA

One of the major strengths of Australia’s financial regulation has been the effective working relationships between APRA and the other key Australian financial regulatory agencies – the RBA and ASIC. APRA also maintains a close and cooperative working relationship with the Australian Treasury, reflecting its important role advising the Government on policy and possible legislative reforms that are necessary to promote a sound financial system and architecture.

APRA has bilateral relationships with each of these agencies, built on frequent dialogue at multiple levels within each organisation. These relationships have proved invaluable in ensuring that each agency is aware of significant issues and developments faced by the others and, where relevant, to coordinate activities and exchange relevant information.

The four agencies also cooperate on a multilateral basis through their shared membership of the Council of Financial Regulators. The Council, chaired by the Governor of the RBA, works as a forum for coordination and information exchange between members on financial policy and regulatory issues. Its objectives are to contribute to the efficiency and effectiveness of regulation and promote stability of the Australian financial system.
Over 2013/14, the Council’s work on crisis management continued to explore resolution options in the event of a distressed ADI, including how the FCS would be implemented and how other potential crisis management actions may be deployed in a resolution scenario. APRA participates in two Council working groups on crisis management arrangements, and the Council also works with the New Zealand Treasury and the Reserve Bank of New Zealand (RBNZ) on trans-Tasman crisis management arrangements.

APRA also participated in the Council’s work on financial market infrastructures. One key component of this work has been the reform of the over-the-counter (OTC) derivatives market; in particular, the G20 commitment to see all OTC derivatives reported to trade repositories and all standardised OTC derivatives centrally cleared and traded on electronic platforms, where appropriate. The other has been to upgrade the regulation of financial-market infrastructures in Australia so as to improve the effectiveness of regulatory oversight and the management of risks to stability and market integrity.

APRA’s close relationship with the RBA is the foundation for the shared responsibility of the two agencies for the stability of the Australian financial system. A crucial element in the relationship is, therefore, the regular sharing of information about emerging systemic risks, from both domestic and offshore sources. Other issues discussed during the year, particularly through the formal channel of the RBA/APRA Coordination Committee, included the implementation of the RBA’s Committed Liquidity Facility in the context of the Basel III liquidity reforms, residential mortgage lending activity, stress testing, innovation in payments systems and the coordination of RBA and APRA activities on the Basel Committee on Banking Supervision.

Cooperation between APRA and ASIC is clearly important due to the number of financial institutions where both agencies have regulatory responsibilities. Regular forums exist between the two agencies to ensure there is appropriate sharing of relevant information and market intelligence. These meetings focus on a range of matters including policy, operational supervision, and issues related to enforcement. The forums also discuss the practical implications for supervision arising out of changes to legislative and administrative procedures, with a view to reducing the burden of supervision on regulated institutions.
Over 2013/14, a number of specialist groups from APRA and ASIC were formed to work on the various streams of the Stronger Super reforms that affected institutions regulated by both agencies. These groups were instrumental in ensuring coordinated implementation of the reforms.

APRA’s active engagement with Treasury in 2013/14 centred on legislative initiatives relevant to APRA’s powers and responsibilities. Close attention was given to aspects of the legislation and regulations required to implement the Stronger Super reforms, the second of which granted APRA prudential standards-making power in superannuation. Senior APRA and Treasury officials also met regularly to discuss the reform agenda of the G20 and the FSFB, the activities of global standard-setting bodies, and related domestic reform initiatives.

Beyond the members of the Council, APRA also has active engagement with a range of other domestic bodies.

APRA undertakes regular liaison with the Australian Transaction Reports and Analysis Centre (AUSTRAC) via the AUSTRAC/APRA Coordination Committee established under the Memorandum of Understanding (MoU) between the two agencies. Meetings of this Committee allow APRA and AUSTRAC to update each other on relevant regulatory and industry developments, and to share relevant findings from supervisory activities. Referrals on specific regulatory matters and exchanges of information between the agencies are based on protocols that have been developed to comply with relevant confidentiality requirements set out in legislation.

Effective from July 2014, APRA entered into an MoU with the Australian Federal Police to ensure that relevant information can be shared between the two agencies in a timely and transparent manner. APRA will continue to work to ensure it has arrangements in place with regulatory and law enforcement agencies that support the sharing of relevant information.

APRA has a long history of cooperation with the ATO on superannuation matters. These arrangements are set out in the APRA/ATO MoU, which was reviewed and updated in December 2013. Regular consultation occurs across a range of superannuation administration and policy issues, including the public register of superannuation funds, ATO rulings, determinations and interpretative decisions and APRA prudential standards and practice guides. During 2013/14, for example, there was close coordination on introduction of the Superannuation Data and Payment Standards 2012 and related issues around the implementation of SuperStream, with the Contributions Implementation Working Group and the SuperStream Reference Group proving to be valuable forums for coordination.

Regular interaction between APRA and ATO staff (including on data interchange for superannuation matters) is supported by ad hoc meetings on specific issues as required. APRA also participates in the Superannuation Industry Advisory Group (SIAG) and the Superannuation Industry Relationship Network (SIRN), both of which are coordinated by the ATO. SIAG meetings, which are attended by senior representatives from Treasury, APRA, ASIC, the ATO and a wide range of industry bodies, provide a forum for discussion of strategic and other high priority matters relevant to the superannuation industry. SIRN meetings provide a forum to discuss technical issues, to provide industry or Government updates, and to undertake more detailed work commissioned by the SIAG.
APRA and the Private Health Insurance Administration Council (PHIAC), the prudential regulator of the health insurance industry, have had a long-standing cooperative relationship governed by a MoU initially established over a decade ago. Where appropriate, APRA and PHIAC share information on approaches to prudential supervision, and APRA provides training opportunities and specialist resources as required. PHIAC also utilises APRA’s IT risk team, on a cost-recovery basis, in reviewing the IT capacity of private health insurers. As part of the 2014/15 Federal Budget, the Government announced that prudential functions of PHIAC will be transferred to APRA by 1 July 2015; inter-agency liaison has begun to afford APRA a more detailed understanding of PHIAC’s prudential functions prior to this transfer taking effect.

Under the terms of two MoUs, APRA hosts twice yearly joint liaisons with the Motor Accidents Authority of New South Wales (MAA) and the Motor Accident Insurance Commission of Queensland (MAIC). APRA is also in regular contact with the agencies on prudential matters relating to compulsory third-party (CTP) insurance. As both agencies administer CTP motor vehicle insurance schemes and maintain their own CTP insurer licensing regimes in their respective states, they share a close interest in APRA’s monitoring of the solvency of private insurers providing CTP cover in those states. The MAA and MAIC provide APRA with scheme information, while APRA shares solvency information and prudential assessments of the insurers. APRA also liaises with WorkCover State authorities on prudential matters relating to workers’ compensation insurance.

APRA monitors accounting and audit developments and from time to time engages with the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB). During 2013/14, APRA met with the AASB to discuss developments in superannuation and financial instruments accounting. It also met with the AUASB to discuss auditor guidance relating to its institutions. APRA plays a stakeholder role in monitoring financial reporting infrastructure through its involvement with the Financial Reporting Council (FRC); an APRA representative sits on the Council and represents APRA on its committees for audit quality and strategy, and on a separate taskforce on financial reporting.

APRA is a permanent member of the Banking and Finance Sector Group (BFSG), established under the Government’s Trusted Information Sharing Network to strengthen the financial system’s ability to respond to an industry-wide operational disruption by providing a framework for sharing security-related information that affects critical infrastructure. The BFSG is an important forum for strengthening the resilience of the banking and finance sector and streamlining business and government coordination in disasters. During 2013/14, an area of particular focus was developing the Group’s operational crisis simulation capabilities.
Given the key role played by the actuarial profession in financial and risk management within the general insurance, life insurance and superannuation industries, APRA has regular dialogue with the Actuaries Institute as well as its relevant committees. During 2013/14, topics discussed included implementation of APRA’s reforms to capital standards for the general and life insurance industries, impending changes to international financial reporting standards for insurance, the role and responsibilities of appointed actuaries and the recent poor results reported by life insurers particularly in the group risk area. APRA also liaises regularly with Appointed Actuaries as a group, and with groups of auditors of APRA-regulated institutions.

APRA also liaises with professional associations and institutes for each industry sector that APRA regulates, as well as those for accountants, administrators, auditors, company directors, compliance professionals, financial planners, lawyers, risk managers and trustees. APRA’s regional offices also have wide-ranging liaison programs with regional offices of ASIC, industry bodies and professional associations.

INTERNATIONAL

An important element of robust supervision for internationally-operating financial institutions is linkages between regulatory agencies in different jurisdictions. As such, APRA’s oversight of APRA-regulated institutions that also operate offshore, and of foreign financial institutions for which APRA is ‘host’ supervisor, is enhanced by direct links with various overseas regulatory agencies. The importance of supervisory cooperation and timely sharing of information in relation to large, internationally active financial institutions was highlighted by the global financial crisis. In many cases supervisory colleges, which are multilateral working groups of relevant agencies, have been formalised to strengthen supervision of each of the largest international banking and insurance groups. APRA participates in relevant colleges established by overseas agencies and has established its own colleges for a number of large, internationally active APRA-regulated institutions headquartered in Australia.

APRA now has formal bilateral information-sharing arrangements with 25 overseas regulatory agencies, following the signing in November 2013 of an MoU with the Reserve Bank of India. Additional arrangements remain under discussion. Institution-specific arrangements are in place to facilitate the activities of supervisory colleges. APRA is also one of 40 signatories to the multilateral MoU (MMoU) put in place by the International Association of Insurance Supervisors (IAIS); this MMoU now covers agencies supervising insurers writing almost 60 per cent of global insurance premiums.
One of the most important direct links for APRA is with the RBNZ as the prudential supervisor of banks and insurance companies in New Zealand. The Australian and New Zealand financial systems are highly connected and a close and cooperative relationship between the two agencies is essential. In that spirit, there is regular liaison on matters relating to, in particular, the supervision of the major Australian banks, including regular information exchange and coordination of supervisory activities as appropriate. Similarly, with the RBNZ taking on supervision of insurance companies as a result of the New Zealand Insurance (Prudential Supervision) Act 2010, the bilateral liaison and cooperation now also encompasses insurance matters as well.

Over recent years, APRA and the RBNZ, together with other members of the Trans-Tasman Council on Banking Supervision (the RBA, the Australian and New Zealand Treasuries and, most recently, ASIC and the New Zealand Financial Markets Authority), have done substantial preparatory work for the handling of any episode of financial distress involving a trans-Tasman banking group. A Memorandum of Cooperation on Trans-Tasman Bank Distress Management was agreed between the Trans-Tasman Council members in September 2010 and, since that time, work has continued on specific protocols and guidelines that will assist the Trans-Tasman Council members in responding to specific situations of stress.

At the multilateral level, APRA staff participate in relevant groups of the global standard-setting bodies for prudential regulation. This allows APRA to inject supervisory knowledge and local considerations into the global debate on regulatory reforms and ensures that APRA’s senior supervisors are well acquainted with the reforms and their context when they are being implemented.

The main standard-setting bodies are:

**Basel Committee on Banking Supervision**

APRA and the RBA have been members of the Basel Committee, the global standard-setting body for bank regulation and supervision, since 2009. In 2013/14, among other work, the Basel Committee finalised:

- an internationally-agreed framework for measuring bank leverage;
- a new system for measuring and controlling large exposures;
- new capital requirements for banks’ exposures to central counterparties; and
- revised guidance on supervisory colleges, and the role of external audit in bank supervision.

The Basel Committee also continued its consultation on the Net Stable Funding Ratio, a key component of the Basel III package that the Committee hopes to finalise by the end of 2014, as well as trading-book and securitisation capital requirements, and supervisory guidance on dealing with weak banks.
Another important priority of the Basel Committee is determining whether the Basel capital framework is delivering consistent outcomes: both in terms of the consistent implementation of Basel standards in national regulatory frameworks, and in the practices adopted within individual institutions. As noted in Chapter 3, Australia’s implementation of the Basel III capital framework has been assessed as ‘Compliant’, following a peer review in 2013/14. More problematic has been the outcome of the Basel Committee’s cross-jurisdictional review of risk-weighted asset calculations for banks using internal models. Initial analysis by the Basel Committee has identified considerable variation across global banks in the calculation of risk-weighted assets in both their trading and banking books. An APRA staff member is participating in this work, which will likely lead to more constrained use of internal models by banks in determining their capital adequacy requirements.

APRA is also represented on the Basel Committee’s main standing sub-committees: the Policy Development Group, the Supervision and Implementation Group and the Accounting Experts Group (the RBA is represented on the fourth sub-committee, the Macroprudential Supervision Group).

International Association of Insurance Supervisors

The objectives of the IAIS are to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets, for the benefit and protection of policyholders, and to contribute to global financial stability. APRA is represented on the IAIS Executive Committee, and chairs the IAIS Audit and Risk Committee. APRA is also a member of the Technical Committee and the Financial Stability Committee, which was established in response to the global financial crisis, and of a number of sub-committees most relevant to APRA’s supervisory mandate and the Australian insurance industry.

One of the IAIS’s most significant initiatives in recent years has been the development of a common framework (‘ComFrame’) for the supervision of internationally active insurance groups. APRA is in a strong position to contribute to this work as it has had a group-supervision framework for general insurance since 2009, and as a result APRA representatives have either led or participated in a number of ComFrame drafting groups.

In 2013, the IAIS announced a significant initiative that will underpin ComFrame — the development of an international risk-based capital adequacy standard. The IAIS’s objective is to have this global standard developed by the end of 2016. APRA is closely involved with this initiative, along with a number of other international insurance regulators with experience in developing capital requirements. A key consideration is the importance of any such international standard being fit-for-purpose, both internationally and within Australia.
Another important piece of work for the IAIS in recent years has been responding to the G20 and FSB requests for it to develop a framework for identifying and dealing with global systemically-important insurers. Through its involvement in the Financial Stability Committee, APRA contributed to the IAIS methodology used to determine whether an insurance group has global systemic importance, and to the development of appropriate supervisory measures to be applied to such groups.

APRA has also continued its involvement in IAIS sub-committees for Accounting and Auditing Issues, Solvency and Actuarial Issues, Insurance Groups and Cross-sectoral Issues and Supervisory Cooperation and Reinsurance.

Joint Forum

APRA and ASIC both represent Australia on the Joint Forum, a body working under the umbrella of the Basel Committee, the IAIS and the International Organization of Securities Commissions (IOSCO). The Joint Forum focusses on financial conglomerates and other issues that are common to, or have cross-sectoral implications for, the banking, insurance and securities sectors.

During 2013/14, an APRA representative chaired a sub-committee of the Joint Forum that undertook a pilot assessment of compliance by selected jurisdictions with the Principles for the Supervision of Financial Conglomerates that had been released in 2012. APRA was a participant in that pilot assessment project. The sub-committee also undertook a survey on supervisory colleges for financial conglomerates, on which the Joint Forum released a report in August 2014.

The Joint Forum also recently published reports on its work in three areas:

- mortgage insurance: market structure, underwriting cycle and policy implications;
- longevity-risk transfer markets: market structure, growth drivers and impediments, and potential risks; and
- Point-of-Sale disclosure in the insurance, banking and securities sectors.

Given the continued volume and breadth of international policy work and the constraints on its resources, APRA has indicated its intention to withdraw from future participation in the Joint Forum.

International Organisation of Pension Supervisors

The International Organisation of Pension Supervisors (IOPS) is an independent body representing agencies involved in the supervision of private pension arrangements. It seeks to be the global standard-setting body for pension supervision, to promote international cooperation on pension supervisory issues and to provide a global forum for policy dialogue and exchange of information on these matters. APRA has been on the Executive Committee of IOPS since its foundation and is a member of the Technical Committee.
Since its formation in 2004, IOPS has produced a series of principles, guidelines and research papers relevant to the prudential supervision of superannuation in Australia. During 2013/14 this work continued, with the publication of studies into costs and fees in IOPS member countries and a study into stress testing and scenario analysis among pension funds. In 2014/15, IOPS expects to undertake studies into annuities distribution, target replacement rates in defined contribution funds and the role of actuarial review in pension supervision.

**OECD Working Party on Private Pensions**

APRA is represented on the OECD Working Party on Private Pensions (WPPP), which surveys and monitors private pensions systems, analyses related policy and technical issues, and formulates policy recommendations for the regulation and supervision of such systems. During 2013/14 the WPPP continued work revising the OECD’s *Core Principles for Occupational Pension Regulation*, and extending these principles to cover private pensions. It also surveyed national markets for annuities as part of a project examining the structural guarantees embedded within annuities products, and assessed whether insurers and pension funds may be underestimating the risk of future increases in life expectancy. Work also continued on a project to assess the adequacy of retirement savings in OECD countries and revising the classification of funded-pension plans to better reflect the variety of plans currently provided to individuals in OECD and non-OECD countries.

APRA regularly attends meetings of the OECD Insurance and Private Pensions Committee (IPPC). This Committee studied policies and practices in disaster-risk financing within the APEC region as part of efforts to build financial resilience against disasters, and undertook overarching work on annuities markets in conjunction with the WPPP and IOPS. The IPPC is also a forum for discussion of developments in the insurance market.

**International Association of Deposit Insurers**

The International Association of Deposit Insurers (IADI) is responsible for promoting principles and guidance in the design and administration of deposit insurance and guarantee arrangements. APRA is a member of IADI, consistent with its responsibilities for the administration of the FCS in Australia. Membership gives APRA access to information on overseas developments on deposit insurance and resolution of banking institutions, with a view to improving practice in Australia. During 2013/14, APRA contributed to a number of IADI surveys examining these issues. APRA is also a member of the International Forum of Insurance Guarantee Schemes, which is the equivalent of IADI for insurance.
International Credit Union Regulators Network

The International Credit Union Regulators Network (ICURN) is an independent network of regulators of financial cooperatives. Its primary objective is to promote the improvement of regulation and supervision of financial cooperatives. ICURN initiates information sharing and research on financial cooperatives and their oversight, identifies best practice and issues, and provides recommendations to its members to improve regulations, safety and soundness. ICURN is governed by a steering committee of representatives from seven regions around the world and APRA is the steering committee representative for Oceania.

Other international activities

Although not a member agency of the FSB, APRA continued to contribute to its work in 2013/14. APRA represents Australia on the FSB’s Supervisory Intensity and Effectiveness Group, which seeks to promote robust supervisory practice in relation to systemically-important financial institutions. Principles developed by the Group for an effective risk appetite framework were finalised in late 2013, and a framework for assessing risk culture was finalised in mid-2014. In addition, an APRA representative is chairing an FSB review team that is undertaking peer review of the supervision of globally-systemically-important institutions. This peer review commenced in early 2014 and is expected to be completed by the end of 2014.

APRA is also a member of the FSB’s Compensation Monitoring Contact Group, which is responsible for sharing and promoting good practice in implementation of the FSB’s Principles for Sound Compensation Practices. The Group monitors and reports on national implementation of the Principles, and establishes and maintains a process to ensure consistency of their application.

Together with the RBA, APRA is a member of the Working Group on Banking Supervision of the Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP). This Working Group brings together the central banks, banking supervisors and monetary authorities of the 11 key economies within the region, and provides a forum for examining regional financial stability and prudential matters. In 2013/14, these matters included the implications for member economies of global regulatory reforms, and increased concerns regarding property prices and the level of household debt in a number of member economies. As in previous years, the Working Group also continued to work on activities and matters of regional interest.
APRA is also a member of:

- the South-East Asia, New Zealand and Australia (SEANZA) Forum of Banking Supervisors;
- the Financial Regulators Training Initiative (FRTI) of the Banking Supervisors’ Advisory Group of Asia-Pacific Economic Cooperation (APEC), coordinated through the Asian Development Bank; and
- the Asian Forum of Insurance Regulators.

APRA provides expert speakers to various international conferences, seminars and professional institutes, and values the opportunity to develop the skills of its staff as both participants and speakers at such events. Over 2013/14, APRA provided seven speakers to conferences organised by various multilateral groups including the Financial Stability Institute (often co-hosted with other regional bodies), the South East Asian Central Banks (SEACEN) Research and Training Centre, SEANZA and APEC FRTI.

As part of its international engagement, APRA also receives visits by international delegations for a wide range of core business and other purposes. With the number of delegations growing, APRA is increasingly conscious of the resources required to service such visits and has tightened its criteria for determining which visits it can accommodate. Over 2013/14, APRA hosted around 120 international delegations involving visitors from 27 countries. By country, visits were most common from the UK, US, China, Indonesia, Korea and Japan. Of the total, around 60 per cent of visits were from organisations from developed countries and a third from developing countries. The visits were from a cross-section of central banks and regulatory agencies, research groups, multilateral bodies, parliamentary delegations and private and public sector organisations.

APRA also hosted supervisory colleges for three Australian-based groups in Sydney. Apart from the many visits for core business purposes, including enquiries to discuss requirements for setting up operations in Australia, there were a number of visits to discuss Australia’s ‘twin peaks’ regulatory model, developments in pension sector regulation and implementation of the Basel III requirements.

**TECHNICAL ASSISTANCE**

APRA’s solid reputation internationally as an effective, integrated regulator makes it a natural reference point for regulatory agencies in developing countries shaping their approach to supervision and other prudential policy and practice. There is also much interest from these countries in seeking practical assistance from APRA.

Over recent times with the growth in the number and breadth of these requests, APRA has had to develop policies to be more discriminating about the resources applied to such assistance. One feature of this policy is that assistance given is increasingly focussed on development partners in the Asia-Pacific region. APRA also looks where possible to leverage the assistance it provides and so favours multilateral activities over bilateral where feasible. While APRA gains benefits engaging with counterpart regulators in the Asia-Pacific around technical assistance activities, it also appreciates the valuable role such engagement plays in staff development and retention.
APRA is funded primarily by levies on the institutions it supervises and as such it is not appropriate for other than incidental amounts of these funds to be used to undertake technical assistance. Consequently, where possible APRA looks to cover the cost of these technical assistance activities from other sources. Depending on the type of activity, this is primarily from agencies tasked with funding international aid, particularly the Department of Foreign Affairs and Trade (DFAT) as part of ‘whole-of-Government’ engagement programs.

In Asia, APRA’s technical assistance activities have been heavily focussed on engagement with Indonesian regulatory agencies. Indonesia has recently established an integrated Financial Services Authority (Otoritas Jasa Keuangan – OJK) which brings together the prudential supervision of bank and non-bank financial institutions, securities markets regulation and protection of consumers of financial services.

APRA has been assisting OJK (and its predecessor institutions including the Bank of Indonesia) during the staged transition to a single agency in a range of areas. This has focussed on risk-based prudential supervision, including development of risk-rating procedures suitable to Indonesian conditions, and practical hands-on training in on- and off-site supervisory activities, primarily through a number of six-month internships which saw OJK staff hosted in APRA frontline units. There were five internships held at different times during 2013/14. APRA also hosted a series of short visits by senior OJK staff, which have been focussed on supporting OJK’s development of functions and operations, coordination arrangements between core agencies, and policies and procedures. Major areas of interest over 2013/14 included supervisory infrastructure and risk rating, conglomerate supervision, coordination arrangements between Indonesia’s Central Bank and OJK, and APRA’s management reporting and quality assurance activities. Over 2013/14, APRA hosted a total of 35 interns and other visitors from Indonesia.

APRA’s technical assistance with Indonesia commenced in 2006 and is part of a long-term relationship that is reinforced through contact for core business purposes. Technical assistance has been on a cost-recovery basis funded by DFAT, most recently through the multi-year, whole-of-Government facility under the Government Partnership Fund II (GPF II). Subject to core business commitments, APRA also accommodates from time to time the request of multilateral agencies such as the IMF to undertake field missions to Asia-Pacific countries to undertake prudential advisory activities. Over 2013/14, APRA staff were involved with IMF missions to Cambodia and Myanmar to advise respectively on reporting arrangements and analysis for off-site bank supervision, and licensing of international banks. Involvement in these missions was also conducted on a cost-recovery basis.
In the Pacific, as elsewhere, prudential regulators have a key role in financial sector governance and it is important they receive assistance to strengthen their regulatory practices and deepen the capacity of their staff. To this end, APRA has supported two projects under the multilateral Public Sector Linkages Program — the Pacific On-Site Prudential Supervision Project (POSP) and the Pacific Prudential Regulator Internship Project.

The POSP provided for APRA supervisors to travel to Pacific countries for two weeks at a time to conduct training programs with on-site review teams comprised of local and other visiting Pacific prudential regulators. An integral part of the Project was a ‘train-the-trainer’ program to develop the presentation skills of Pacific nation participants. After completing five on-site activities during calendar year 2013, APRA was granted an extension for two additional on-site training visits in 2014. Over the past year, the on-site training programs ranged across banking and other credit providers, insurance and provident funds respectively.

While the PSLP facility has now been closed, a Government Partnerships for Development facility has been set up and a proposal to extend APRA’s assistance to Pacific supervisory agencies is among those short-listed for consideration for funding from 2014/15 and beyond.

APRA is also Australia’s representative as an observer on the Association of Financial Supervisors of Pacific Countries, the regional association of regulatory agencies facilitating supervisory cooperation in the Pacific through meetings of heads of supervision. The annual meeting coordinates discussion of cross-border regulatory issues and developments, including emerging areas of financial sector risk, and training priorities. It develops recommendations for consideration by the annual meeting of the South Pacific Central Bank Governors.
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