



8 July 2011

The Editor, *Australian Financial Review*

The article 'APRA's not so super policing' (7 July) suggests a misunderstanding of the role of enforcement in prudential supervision.

In its enforcement role, APRA primarily seeks to intervene in the activities of a regulated institution in an attempt to contain the magnitude of actual or potential losses to beneficiaries. This containment function often requires APRA to seek to ensure that its enforcement activities remain confidential so that potential rescue measures are not compromised. Neither APRA nor the regulated institution has an interest in publicising the successful enforcement activity - and there have been a number of successes - and risking further destabilisation.

APRA's enforcement activities sometimes include a deterrence function, of which aspects may be made public at certain times. For example, specific deterrence via disqualification is designed to remove industry personnel who have shown themselves to be unfit to hold senior roles in the financial sector. There is a benefit in making deterrence actions public as it sends a broad reaching message about minimum standards of conduct expected of key industry personnel. Deterrence is usually less urgent than containment.

APRA is a prudential regulator, not an enforcement agency. As such, and as the article notes, it does prefer to work constructively with boards and management to resolve prudential issues. In this regard, within the superannuation industry APRA relies on the integrity of trustees. In most circumstances this reliance is well founded and APRA's supervision and enforcement action can lead to outcomes in the best interests of fund members. In those fortunately rare circumstances where trustees have not acted in members' interests APRA has taken enforcement action. The fact that APRA does not always comment on media speculation about what it might or might not be doing in relation to particular funds does not support the claim in the article that APRA's enforcement culture is poor or that enforcement is a low priority.

Regards,

A handwritten signature in black ink, appearing to read 'R. Jones'.

Ross Jones
Deputy Chairman