

Friday 7 October 2022

General Manager, Policy
Policy and Advice Division
Australian Prudential Regulation Authority

Dear Sir / Madam,

RE: Remuneration disclosure and reporting requirements

This document sets out MUFG Bank, Ltd.'s (MUFG) response to APRA's consultation on an amended CPS 511 published on 6 July 2022.

MUFG welcomes the opportunity to comment on APRA's proposed amendments to CPS 511 which aims to introduce Remuneration disclosure and reporting requirements for APRA-regulated entities.

At an industry level, MUFG supports APRA's proposals to amend CPS 511, noting that transparency around ADI remuneration practices will assist APRA in its supervisory activities, increases accountability and can facilitate consistent comparison across regulated entities.

After our review and analysis of the Discussion Paper, amended CPS 511 and reporting requirements, we have set out the below comments which we wish to highlight rather than responding directly to the consultation questions posed within Table 6 of the Discussion Paper:

- We acknowledge the simplified approach to disclosure for non-SFIs, but submit that the self-publication of qualitative remuneration information by non-SFIs does not contribute greatly to the stated outcomes of the reforms, and may impose an additional regulatory burden for minimal return.
- It is our view that for the non-SFI group of regulated entities, and in particular non-SFIs which are branches of foreign banks not incorporated in Australia (Such as MUFG), the objectives of the proposed reform would still be met by direct disclosure of the qualitative information directly and solely to APRA, and not by a requirement to publish the information annually.
- Given the small cohort of ADIs within which we are located, comparisons with SFIs and other banks, especially those in the retail space may be limited utility to the market. Additionally, it is difficult to make a comparison on the basis of qualitative information. For example, MUFG variable remuneration is discretionary, rather than tied to performance, which therefore makes comparison with other approaches of peer banks difficult to evaluate.
- MUFG's present general public disclosure requirements are also minimal, and accordingly disclosing the qualitative information regarding the remuneration framework presents a situation where the information would be an incongruous standalone publication on our website.
- It is understood that there is a generous lead time (1 January 2024 for any other APRA-regulated entity) before the implementation of these requirements in their proposed form. As such, MUFG is diligently preparing for the introduction of both CPS 511 and the Financial Accountability Regime (FAR), and accordingly will have a functional and compliant framework from which to derive the necessary disclosure information. It may be that once the framework is operational, the creation of an additional overview document for publication will become trivial. Nonetheless, it will require review and sign-off by MUFG personnel and committees both on shore and overseas, which creates time pressures and dedicated compliance resources and additional costs.
- This component may not be onerous, but the overall burden imposed by CPS 511, FAR and CPS 511 disclosure requirements will not



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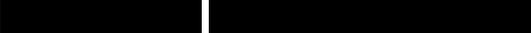
be insignificant. Therefore, MUFG submits that there may be alternate approaches to disclosure that are better suited but will at all costs comply with the requirements that are implemented by APRA.

To conclude, MUFG is overall supportive of APRA's amendments to CPS 511, as the proposed disclosures provide information to support greater transparency and market discipline. Whilst MUFG will ensure there is compliance with CPS 511 by the implementation date, we hope the above comments have provided transparency around the current implementation challenges of APRA's proposed disclosure and also suggested areas for improvement. MUFG would be happy to continue consultation with APRA in respect of these suggestions.

Additionally, we would also like to thank Nicole and Francis from the Remuneration team for taking the time to meet with us on 1 September 2022, to provide us with further context on CPS 511 and allow us to provide background on the structure of MUFG and how the standard is intended to apply to MUFG as a foreign bank not incorporated in Australia.

Please let us know if you have any questions in regards to our response.

Kind Regards,


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