



APRA



ASIC

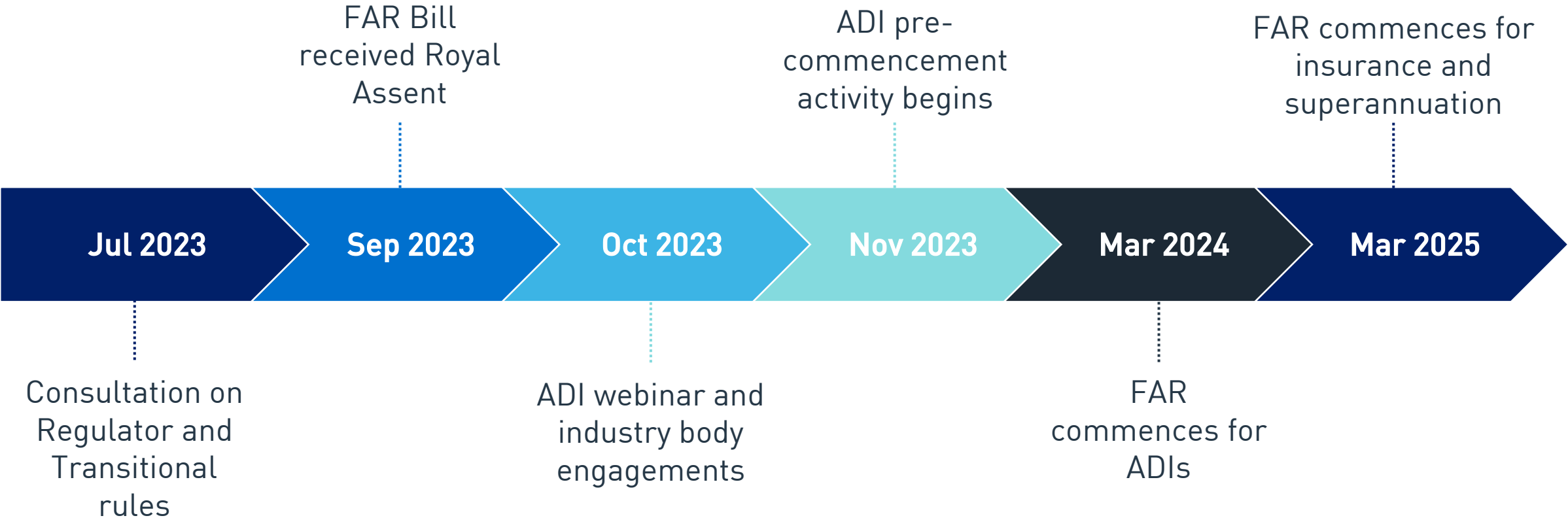
Financial Accountability Regime: ADI Industry Briefing

October 2023

Agenda

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- 2 FAR essentials
- 3 ADI path to FAR commencement
- 4 Transitioning from the BEAR to the FAR
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1. Journey of the FAR



2. FAR essentials

The key pillars of the FAR

1.

Four core sets of obligations – accountability obligations, key personnel obligations, deferred remuneration obligations and notification obligations

2.

Administration – joint administration by APRA and ASIC with ongoing supervisory and surveillance activities

3.

Regulatory powers and enforcement – range of powers for APRA and ASIC to deal with non-compliance of the FAR

2. FAR essentials

Accountable entity obligations

1. Accountability obligations

Accountable entities and their accountable persons to conduct their business and duties in a certain manner.

2. Key personnel obligations

Accountable entities to ensure all areas of their operations, and those of their groups, are attributed to directors and most senior and influential executives that are regulated by the FAR.

3. Notification obligations

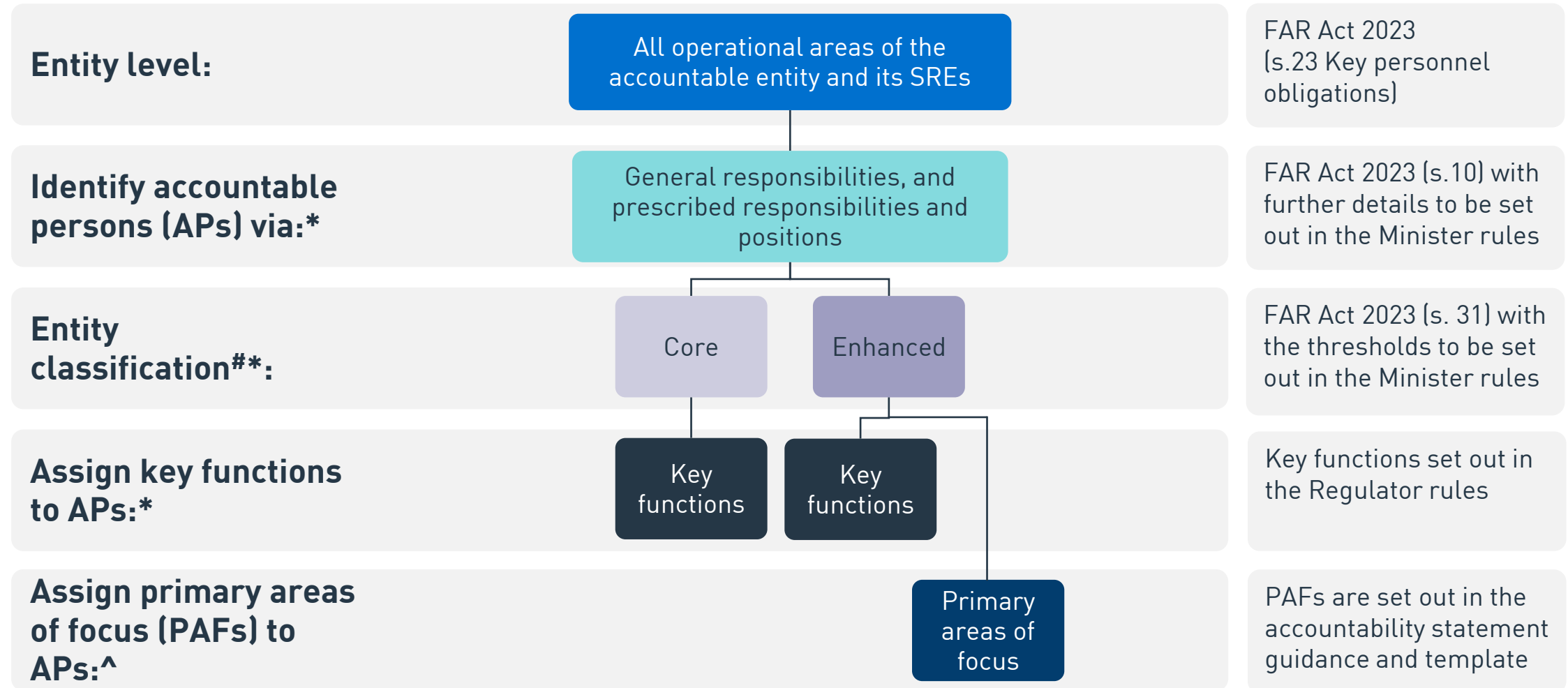
Provide the Regulators with certain information about the accountable entity and its directors and most senior and influential executives.

4. Deferred remuneration obligations

- Minimum 40% of variable remuneration to be deferred for a minimum of 4 years.
- Compliant remuneration policy.
- Reduction of variable remuneration of an accountable person for non-compliance with their obligations.

2. FAR essentials

Assigning accountability across an accountable entity and its SREs



Core entities do not have to submit accountability statements and maps

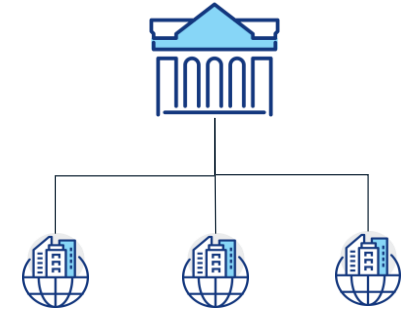
* Data submitted via forms within APRA Connect

^ For inclusion in accountability statements (enhanced entities)

2. FAR essentials

Significant Related Entities

The FAR imposes certain obligations on an accountable entity in relation to its significant related entities (SREs).



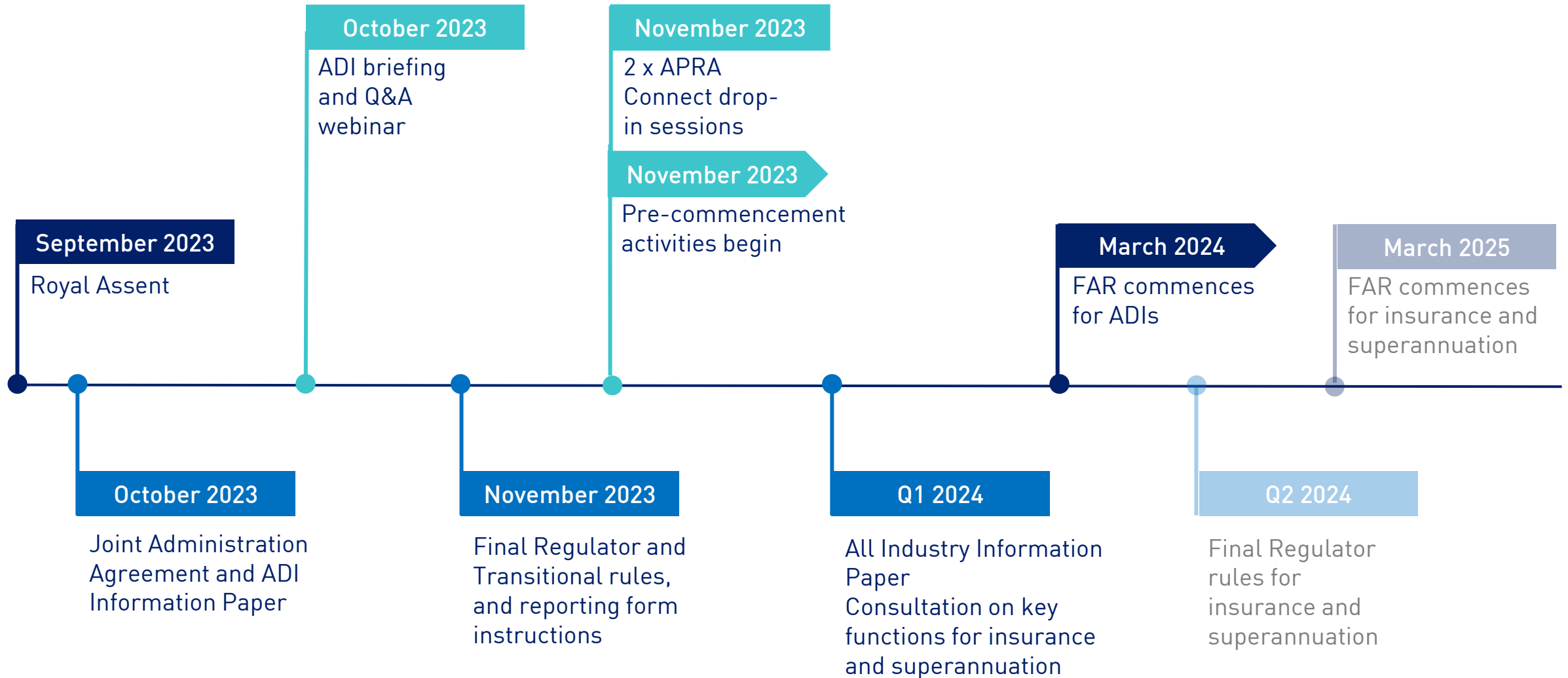
An SRE:

- is a subsidiary of an ADI or insurer, or a connected entity of an RSE licensee;
- is not an accountable entity itself; and
- has material or substantial effect on the accountable entity or its business - should be considered from both a financial and non-financial lens.



- It is the obligation of an accountable entity to identify all of its SREs.
- Insurance and superannuation subsidiaries of an ADI can potentially be SREs of the ADI prior to them becoming accountable entities.

3. ADI path to FAR commencement



Disclaimer: The dates in the above timeline are indicative and subject to change due to the timing of the publication of the Minister rules, among other variables.

4. Transitioning from the BEAR to the FAR

Accountable persons – new and transitioning

> APs registered under the BEAR who are transitioning to APs under the FAR, for the same entity, will be considered **notifications**.



Example: If an individual registered as an AP under the BEAR transitions as an AP (for the same entity) to the FAR, with the addition of a conduct-related prescribed responsibility – this is considered a **notifiable event** under the FAR.

> An individual who is not an AP under the BEAR, but is being nominated as an AP under the FAR, will be a new **registration**.



Example: The prescribed responsibility for management of the accountable entity's dispute resolution function (internal and external) sits with a senior executive who is not an AP under the BEAR. This will be a **new registration** under the FAR.

Example: An AP under the BEAR for one entity, who assumes a new responsibility for a different accountable entity under the FAR, will be a **new FAR registration** for the different accountable entity.

4. Transitioning from the BEAR to the FAR

What are entities required to do?

Core Small / Simple ADIs

- ✓ Determine entity profile
- ✓ Allocate additional prescribed responsibilities to existing or new APs
- ✓ Allocate applicable key functions to relevant APs
- ✓ Update internal accountability documentation (not submitted to regulators)

Enhanced Large / Complex ADIs

- ✓ Determine entity profile
- ✓ Identify which subsidiaries will become SREs
- ✓ Allocate additional prescribed responsibilities to existing or new APs
- ✓ Allocate applicable key functions to relevant APs
- ✓ Update / prepare accountability statements of existing or new APs
- ✓ Update accountability map



What are the pre-commencement activities? Pre-commencement activities consist of the submission of draft data and information to the Regulators, followed by the formal submission of registrations and notifications.

4. Transitioning from the BEAR to the FAR

Activities and timeframes

| | |
|--|--|
| <p>Entity profile</p> <p>The APRA Connect FAR entity profile consists of:</p> <ul style="list-style-type: none">• classification status i.e. core or enhanced based on threshold calculation;• sole or dual regulated; and• any SREs of the accountable entity. | <p>Entity submission of data in APRA Connect</p> <ul style="list-style-type: none">• Week commencing 13 November 2023 <p>Regulator review</p> <ul style="list-style-type: none">• Week commencing 20 November 2023 |
| <p>AP data, statements and maps</p> <p>Submissions to include:</p> <ul style="list-style-type: none">• additional information for transitioning APs;• new AP information; and• for enhanced entities, updated statements and map. | <p>Entity submission of data in APRA Connect</p> <ul style="list-style-type: none">• New ADI NOHCs and new APs for transitioning ADIs only - early to late December 2023• Transitioning ADIs (excluding new APs) - early December 2023 to late January 2024 <p>Regulator review and feedback</p> <ul style="list-style-type: none">• New ADI NOHCs and new APs for transitioning ADIs only - early to late January 2024• Transitioning ADIs (excluding new APs) - early February to mid March 2024 |
| <p>Formal submissions</p> <ul style="list-style-type: none">• ADIs submit AP data; enhanced entities' submit FAR statements and map. | <p>Entity submission of data in APRA Connect</p> <ul style="list-style-type: none">• Registrations of new APs - 14 February to 22 February 2024• Notifiable events and maps - 15 March to 15 April 2024 |

Disclaimer: The dates in the above table are indicative and subject to change due to the timing of the publication of the Minister rules, among other variables.

5. Joint administration



Joint Administration Agreement

Publicly available on the APRA and ASIC websites. The Regulators will collaborate and coordinate all activities including processing registrations, supervision, enforcement, and exercising powers.



Single point of contact

Single point of contact mailbox FAR@apra.gov.au for general and technical FAR queries and requests. Will be jointly triaged as appropriate.

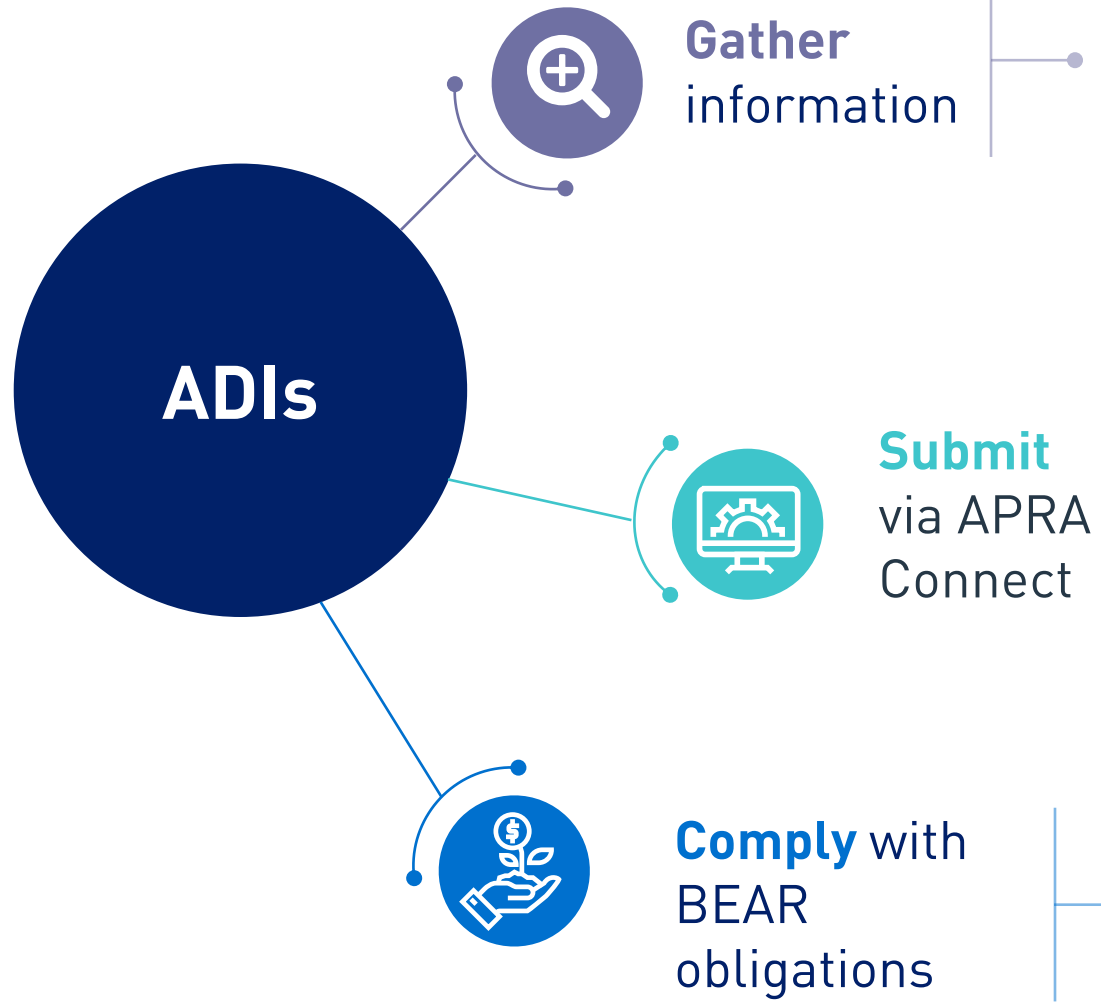


Single system

APRA Connect is the centralised system for data collection. Information submitted by dual-regulated entities will be shared with APRA and ASIC.

APRA and ASIC: joint administration

6. ADI checklist



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|---|--|
| ✓ | Determine entity classifications – e.g. core or enhanced |
| ✓ | Identify SREs |
| ✓ | Gather additional information for transitioning APs |
| ✓ | Identify any new APs to be registered |
| ✓ | For enhanced entities, update statements and maps |

| | |
|---|---|
| ✓ | Entity profile data |
| ✓ | Draft AP data, statements and maps |
| ✓ | Formal submission of AP data, statements and maps |

| | |
|---|--|
| ✓ | Continue to comply with BEAR obligations |
| ✓ | For ADIs subject to deferred remuneration obligations under the BEAR – continue to comply until six months post FAR commencement |

Questions?

Thank you