



APRA

# APRA REGULATOR PERFORMANCE FRAMEWORK

1 JULY 2016 – 30 JUNE 2017  
SELF-ASSESSMENT



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# INTRODUCTION

This report sets out APRA's 2016/17 self-assessment against the Australian Government's Regulator Performance Framework (Framework).

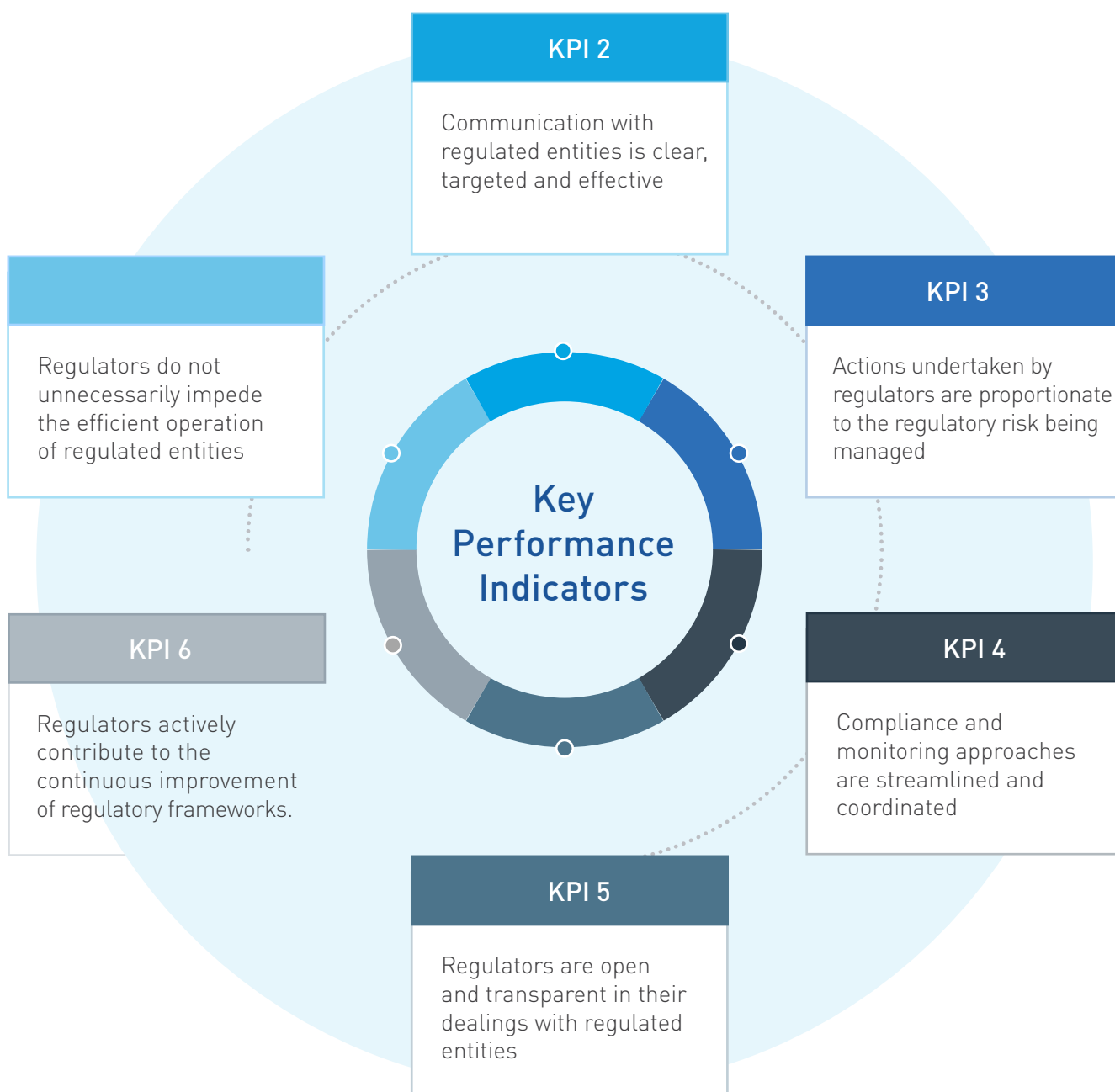
## About the Framework

The Australian Government established the Framework to assess regulators' performance when interacting with business, the community and individuals while carrying out their functions. The Framework principally relates to the regulatory burden arising from the administration of regulation, rather than the process for, and outcomes of, regulatory policy making.

The Framework seeks to improve the way regulators operate, reduce the costs incurred by business, individuals and the community from the administration of regulation, and increase the public accountability and transparency of regulators. The Framework establishes six outcome-based Key Performance Indicators (KPIs) of performance and administration that apply to all regulators.

Regulators were required to develop and consult on a range of evidence metrics to be used to conduct an annual self-assessment of performance and to identify areas for improvement. APRA established a set of metrics to support assessment against the above KPIs and after consultation with approved stakeholders, APRA published its [Regulator Performance Framework Metrics](#) in July 2015.

More information about the Framework can be found at [www.cuttingredtape.gov.au/resources/rpf](http://www.cuttingredtape.gov.au/resources/rpf).



## Evaluating APRA's performance

The Framework is intended to evaluate how regulators administer regulation, with the aim of encouraging regulators to undertake their functions with the minimum impact necessary to achieve regulatory objectives.

The Framework is one component of a broader suite of accountability mechanisms established for APRA. To this end, the Framework complements a range of other performance reporting mechanisms in place. It is also explicitly not intended to capture the process for, and outcomes of, regulatory policy making.

In accordance with the Framework, all regulators are to undertake an annual self-assessment of their performance against each of the KPIs. The Framework requires that the self-assessment report is externally validated through an approved stakeholder mechanism prior to its release to the regulator's Minister, and publication.

### Self-assessment

APRA's self-assessment includes quantified evidence complemented with qualitative information that outlines specific actions taken during the period which relate to APRA's performance. Case studies or examples of specific activities have been included in the self-assessment to illustrate how APRA's activities have demonstrated the KPIs. One key source of evidence is the findings from the biennial APRA Stakeholder Survey, from which APRA gains insight from regulated entities and knowledgeable observers on a broad range of its activities.

### External validation

APRA's self-assessment was externally validated in November 2017 through the approved stakeholder consultation mechanism.<sup>1</sup>

The validation process provides an avenue for stakeholders to provide feedback on whether the self-assessment accords with their views of APRA's performance against the KPIs over the assessment period. Stakeholders are to consider if:

- APRA's conclusions are reasonable and objective; and
- If the areas identified for further improvement are appropriate or justified.

The validation is not intended to be an audit of APRA's self-assessment or an opportunity for stakeholders to deal with specific individual experiences or interactions with a regulator.

1. APRA's approved consultation mechanism is the following industry associations: Australian Bankers' Association (ABA), Association of Superannuation Funds Australia (ASFA), Community Owned Banking Association (COBA), Insurance Council of Australia (ICA), Financial Services Council (FSC), Members Health Fund Alliance and Private Healthcare Australia (PHA).

# KEY PERFORMANCE INDICATOR 1



Regulators do not unnecessarily impede the efficient operation of regulated entities

## Performance metrics

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- 1.1** APRA publications address current and emerging issues or developments in the financial sector.

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- 1.2** Development of standards includes a consultation process consistent with the Office of Best Practice principles (OBPR) including preparing Regulation Impact Statements (RIS), public release of stakeholder submissions and a response to submissions.

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- 1.3** Publicly reported peer assessments against relevant international practices and standards and demonstrated engagement with relevant international bodies and offshore regulators.

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- 1.4** Feedback collected and publicly reported from biennial stakeholder survey.

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## APRA's assessment

APRA is an independent statutory authority established for the purposes of prudential supervision of financial institutions and for promoting financial stability in Australia. In meeting this purpose, APRA is to balance financial safety with efficiency, competition, contestability and competitive neutrality and, in doing so, promote financial stability.

In this regard, the efficient operation of regulated entities is a direct consideration for APRA in undertaking its mission. APRA seeks to maintain an appropriate balance between the objectives of financial safety, financial stability and the efficient operation of regulated entities in undertaking all of its activities.

APRA's assessment of Key Performance Indicator (KPI) 1 is based on an assessment of whether APRA demonstrates understanding of its stakeholders, whether APRA allows sufficient time and listens to stakeholders when making changes to its regulatory framework, benchmarking of APRA's practices against international practices and standards and the views of APRA's stakeholders on its activities and modes of operation. APRA demonstrates this KPI through its understanding of current and emerging issues and developments in the financial sector and that the prudential framework and practices are in line with international best practice.

Where APRA has a strong understanding of current and emerging issues or developments in the financial sector, it is more likely to make decisions that do not unnecessarily impede the efficient operation of regulated entities. APRA demonstrates its understanding of current and emerging risks by actively delivering speeches, engaging with industry and publishing material on current and emerging issues or developments in the financial sector.

The Framework assesses the administration of regulation, rather than the policy development process. Nevertheless, a comprehensive industry consultation process is more likely to result in a framework that is administered in a manner that does not unnecessarily impede the efficient operation of regulated entities. APRA has a comprehensive consultation process and is committed to maintaining wide engagement with stakeholders; robust cost/benefit assessments; and providing clear responses to stakeholder submissions by releasing response papers or letters to industry. A response paper acknowledges feedback from the consultation process and explains APRA's final decisions and the reasoning for the final requirements, and improves the transparency of APRA's policy making processes.

A great deal of APRA's policy development work is directed towards establishing an appropriate balance between financial safety and other considerations, including regulatory costs and APRA seeks to demonstrate these considerations in its policy material. APRA formally reviews policy priorities for ongoing development of the prudential framework on a biannual basis. This prioritisation process includes considering the need to address existing and emerging risks, looking at both individual regulated institutions and industries as well as the financial system as a whole.

APRA's 2017 stakeholder survey<sup>2</sup> indicated

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2. APRA 2017 Stakeholder Survey Report, August 2017



that APRA's broad industry and public communications are effective. Most stakeholders reported APRA as consultative and collaborative. Some feedback indicated that APRA could do more to consider the costs of change to industry including providing longer timeframes when consulting with industry on major changes.

There are significant benefits to the Australian financial sector in APRA maintaining practices founded on international standards, and in APRA engaging with international bodies and offshore regulators to seek consistent and coordinated supervisory approaches, learn from peer experiences and share better practices. APRA's international activities take two main forms: liaison with overseas home and host supervisory agencies on the activities of internationally active institutions that form part of a Group, including through participation in supervisory colleges; and participation in global standard-setting bodies to

ensure relevant characteristics of the Australian financial system are taken into account in how international standards evolve. International bodies such as the International Monetary Fund (IMF), Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) set internationally-agreed minimum standards and provide a forum for discussion which promotes coordinated and consistent approaches. International standard setting bodies are increasingly scrutinising national regulatory arrangements for adherence to internationally-agreed minimum standards. Many of these reports are published and include benchmarking against overseas regulators. The Australian prudential framework and APRA's practices benchmark well, being founded on international standards with adaptations to suit Australian conditions as appropriate.

## Supporting evidence



### APRA publications

APRA Insight contains editorial articles on key industry and topical issues. APRA Insight is a quarterly publication available on APRA's website. During 2016/17 *APRA Insight* included articles on:

- cyber security survey;
- new financial sector statistics;
- pricing of commercial property insurance;
- APRA's corporate plan 2016-2020;
- liquidity stress testing in super;
- life insurance industry stress test;
- prudential policy roadmap for Private Health Insurers (PHIs);
- 2017 policy outlook;
- planning for member outcomes in superannuation; and
- climate change and prudential risks.

In 2016/17 APRA presented at 73 formal speaking engagements and published 18 of these speeches which are available on APRA's website at:

<http://www.apra.gov.au/Speeches/Pages/speeches.aspx?ys=2017&ye=2017&pg=1>



### Consultation activities

#### During 2016/17 APRA:

- conducted 22 policy consultations, involving 14 policy papers;
- was fully compliant with the Office of Best Practice (OBPR) principles in its policy development activities;
- maintained full compliance with the OBPR requirements;
- published all non-confidential submissions received on consultation papers; and
- responded to stakeholder submissions on proposed policy reforms by releasing response papers or letters to industry. Depending on the complexity and impact on the industry, each round of public consultation for a policy development initiative will normally range from six to 12 weeks. For 2016/17, APRA's consultations were open for a period of nine weeks on average.



### International activities

#### Details on APRA's engagement with international agencies and standard setting bodies is outlined in its Annual Report. For 2016/17, APRA:

- Participated in institution-specific multilateral arrangements to support the sharing of confidential information in seven supervisory colleges involving internationally-active financial institutions, including those headquartered in Australia.
- Increased its membership with international organisations to 11 and liaised with or assisted 9 international organisations.
- Received visits from 40 international delegations across 15 countries to share information on supervisory practices and other core business activities.
- Signed two new Memorandums of Understanding (MoUs) with international agencies taking the number of overseas regulatory agencies that APRA has established formal bilateral information sharing arrangements with to 32.
- Is one of 63 signatories to the International Association of Insurance Supervisors (IAIS) Multilateral MoU arrangements that now cover agencies supervising insurers which write over 70 per cent of global premiums.
- Participated in over 17 international benchmarking or thematic reviews largely from the FSB, BCBS, IAIS, World Bank and the Organisation for Economic Co-operation and Development (OECD). Many of these reports are published by these bodies and are available on the respective websites.



## Stakeholder feedback

APRA's 2017 Stakeholder Survey asked stakeholders to rate their level of agreement with the following statements that are relevant to KPI 1.

### APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material.

67% of respondents agreed or strongly agreed, 23% were neutral and 9% disagreed or strongly disagreed. The result was less positive compared to the 2015 survey (83% agreed or strongly agreed, 11% neutral and 6% disagreed or strongly disagreed).



**67%**  
agreed/strongly  
agreed



**23%**  
were neutral



**9%**  
disagreed/strongly  
disagreed

### APRA provides sufficient opportunity for consultation with industry about changes to prudential standards and guidance material.

84% of respondents agreed or strongly agreed, 12% were neutral and 3% disagreed. This result was an improvement on the 2015 survey (80% agreed or strong agreed, 14% were neutral and 6% disagreed or strongly disagreed).



**84%**  
agreed/strongly  
agreed



**12%**  
were neutral



**3%**  
disagreed/strongly  
disagreed

### Changes to APRA prudential framework considers the cost of regulation imposed on industry.

As with the 2015 survey, this was the lowest scoring item in the 2017 survey. 23% of respondents agreed or strongly agreed, 39% were neutral and 36% disagreed or strongly disagreed. While this was an improvement to the 2015 survey (17% agreed or strong agreed, 35% were neutral and 45% disagreed or strongly disagreed), APRA is assessing stakeholder feedback received as part of the 2017 survey in more detail to identify further opportunities for improvement. Open-ended responses on APRA's consultation process were generally positive. However, suggestions were offered around extending the consultation period in the policy development process for significant change and holding industry wide communication sessions during the consultation process.



**23%**  
agreed/strongly  
agreed



**39%**  
were neutral



**36%**  
disagreed/strongly  
disagreed

## External validation

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In the validation process, industry associations generally agreed with APRA's self-assessment. Specific feedback included:

- '(...) APRA has a sound understanding of the current and emerging prudential risks facing the industry and that its communication with the industry has generally been clear, targeted and effective.'
- 'Our experience with APRA is that new standards are implemented consultatively as part of a gradual, orderly and measured approach designed to avoid any unnecessary disruption, surprise or shock to the industry, thereby achieving optimal results.'
- 'APRA's consultative processes on proposed policy changes allow regulated entities sufficient opportunity to consider potential impacts and provide a response.'

One industry association expressed concern regarding the ongoing delay in finalising reporting standards (RG 97) and indicated that increased co-operation and transparency with ASIC could further enhance APRA's performance under KPI 1.

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# KEY PERFORMANCE INDICATOR 2



Communication with regulated entities is clear, targeted and effective

## Performance metrics

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- 2.1** APRA publishes up to date guidance on its framework, processes and activities on its external website.

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- 2.2** Timely communication on key developments or consultations are delivered electronically to all relevant APRA contacts and those stakeholders that register for notifications on APRA's website.

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- 2.3** Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions.

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- 2.4** Feedback is collected and publicly reported from biennial stakeholder surveys.

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## APRA's assessment

APRA's assessment of its communication with regulated entities for KPI 2 is broadly based on an assessment of the guidance provided on APRA's standard practices and procedures, the information provided when changes are proposed or developments occur, and whether APRA allows time for, and responds to, stakeholder feedback.

APRA's assessment indicates that strong foundations are in place: relevant material is available publicly and is valued by its stakeholders; mechanisms are in place to notify stakeholders of relevant changes in a timely manner; and feedback is supportive of the effectiveness of individual interactions with regulated entities. However, clear, targeted and effective communication requires ongoing attention. The refresh and review of APRA's practices demonstrate APRA's ongoing focus on holding itself to high standards in this area.

Timely communication on key developments or open consultations is important in ensuring that stakeholders are well informed and effectively able to engage on developments. Throughout the year APRA's website remained up-to-date with consultation packages, speeches and information

on other engagement with external stakeholders. Registered stakeholders were notified in a timely manner as new material was published.

In APRA's view there is ready access to clear and up-to-date information on the prudential framework and guidance on key processes and decisions available on its website.

Stakeholder feedback from the 2017 Stakeholder Survey continued to support APRA's assessment that its communication with regulated entities is generally clear, targeted and effective. Results indicated that regulated entities found interactions with APRA's supervisory teams and the guidance material, including Prudential Practice Guides (PPGs), letters to institutions and FAQs, are the most useful forms of guidance.

## Supporting evidence



### APRA publications

#### APRA's website has comprehensive information on:

- The prudential framework and guidance for all regulated industries.
- Key decisions including responses to submissions from policy consultation processes and information letters. APRA is often not able to publish decisions in relation to individual regulated entities however broad statistics are published in APRA's Annual Report and certain key decisions are made publicly available. During 2016/17 APRA issued 40 information letters to industry.
- Key activities captured in publications including *APRA Insight* and the Annual Report. Planned activities/ initiatives are published in APRA's 2017-21 Corporate Plan.



## Notification

- Industry and the public can subscribe to receive APRA's website updates including media releases, reports, speeches and other industry related information. In 2016/17 all key developments and open consultations were accompanied by notification to website subscribers on the day of release.
- APRA issued 57 media releases in 2016/17.



## Stakeholder feedback

APRA's 2017 Stakeholder Survey - asked stakeholders to rate their level of agreement with the following statements:

### APRA's communications to my entity are clear and effective.

94% of respondents agreed or strongly agreed, 5% were neutral and 1% disagreed or strongly disagreed. This is a very positive result.



**94%**  
agreed/strongly  
agreed



**5%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

### APRA's prudential standards clearly communicate requirements.

81% of respondents agreed or strongly agreed, 14% were neutral and 4% disagreed or strongly disagreed. This was an improvement to the 2015 survey (74% agreed or strongly agreed, 19% were neutral and 7% disagreed or strongly disagreed).



**81%**  
agreed/strongly  
agreed



**14%**  
were neutral



**4%**  
disagreed/strongly  
disagreed

### APRA communicates clearly during consultation with industry about proposed changes to prudential standards and guidance material

81% of respondents agreed or strongly agreed, 16% were neutral and 2% disagreed or strongly disagreed. This was an improvement to the 2015 survey (74% agreed or strongly agreed, 21% were neutral and 4% disagreed or strongly disagreed).



**81%**  
agreed/strongly  
agreed



**16%**  
were neutral



**2%**  
disagreed/strongly  
disagreed



### Stakeholder feedback

#### APRA is effective in communicating the findings of supervisory visits to your institution.

92% of respondents agreed or strongly agreed, 7% were neutral and 1% disagreed or strongly disagreed. This was slightly lower than the 2015 survey (95% agreed or strong agreed, 2% were neutral and 1% disagreed or strongly disagreed).



**92%**  
agreed/strongly  
agreed



**7%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

## External validation

In the validation process, industry associations generally agreed with APRA's self-assessment and that APRA has engaged in clear, targeted and effective communication. A specific example was provided:

- 'The transition by APRA to the new CPS 220 risk standards represents a high watermark for successful and effective consultation that all other Government agencies and departments should take note of.'
- One industry association suggested the consultation on the annual industry supervisory levy could be an area for improvement.



# KEY PERFORMANCE INDICATOR 3



Actions undertaken by regulators are proportionate to the regulatory risk being managed

## Performance metrics

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- 3.1** APRA publications address current and emerging issues or developments in the financial sector.

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- 3.2** APRA publishes its supervisory and enforcement approaches on its website.

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- 3.3** Statements of Expectations and Intent are published.

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- 3.4** Feedback is collected and publicly reported from biennial stakeholder surveys.

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## APRA's assessment

APRA's assessment of KPI 3 is broadly based on an assessment of the expectations from Government and APRA's intent in meeting those expectations, whether APRA demonstrates an understanding of the industry, and whether APRA's practices demonstrate a proportionate approach.

APRA's mission and established practices are founded on a risk-based approach, which focuses activities and actions proportionate to perceived risk. APRA is transparent about this approach and it is in line with the Government expectations.

Publishing the Statement of Expectations from the Government and APRA's responding Statement of Intent is important for transparency in relation to the expectation on, and intent of, APRA in undertaking its role. The Government's current Statement of Expectations for APRA was issued in April 2014. APRA responded with a Statement of Intent, setting out its intention to ensure the Government's broad policy framework, including its deregulation agenda, is accommodated in the course of APRA performing its role and meeting its responsibilities. These documents are available on APRA's website.

Where APRA applies a risk-based, proportionate approach to its supervisory and enforcement activities it promotes more efficient use of resources and reduces regulatory burden on regulated entities. APRA's long established risk assessment and response systems — the Probability and Impact Rating System (PAIRS) and the Supervisory Oversight and Response System (SOARS) — are critical tools for identifying institutions that have higher risk/ impact of failure and tailoring APRA's approach accordingly.

Where APRA has a strong understanding of current and emerging issues or developments

in the financial sector, it is more likely to be able to take action proportionate to the regulatory risk being managed. Monitoring the safety of entities is an important indicator of the extent to which APRA identifies material risks and achieves rectification of problem issues or, where appropriate, facilitates orderly exit from the industry. During 2016/17, APRA's specialist resources continued to support frontline supervision in the early identification of emerging risks, so as to minimise the need for more intrusive intervention at a later stage. While it is not possible to compare outcomes with what would have happened had APRA not intervened, the overall direction of movement of entities through SOARS supervisory stances, and the relatively low proportion of failures, is consistent with timely and effective intervention on APRA's part.

In APRA's view its risk-based approach provides a direct link between the identified risks and supervisory actions taken. Publication of APRA's approach to supervision and enforcement allows an external assessment of whether APRA applies a risk-based, proportionate approach.

Feedback received by stakeholders supports the effectiveness of APRA in identifying risks and meeting its stated risk based supervisory approach.

## Supporting evidence



### Supervisory and enforcement approaches

APRA publishes material on its supervisory and enforcement approaches including its Supervision Blueprint, PAIRS and SOARS methodology, licensing guidelines and Enforcement Manual.



### Statement of Expectations and Intent

APRA's Statement of Expectations and Statement of Intent are published on APRA's website.



### Stakeholder feedback

APRA's 2017 Stakeholder Survey asked stakeholders to rate their level of agreement with the following statements:

#### APRA is effective in identifying risks across your industry in general.

85% of respondents agreed or strongly agreed, 10% were neutral and 3% disagreed or strongly disagreed. This was largely in line with the 2015 survey (84% of respondents agreed or strongly agreed, 14% were neutral, 1% disagreed or strongly disagreed).



**85%**  
agreed/strongly  
agreed



**10%**  
were neutral



**3%**  
disagreed/strongly  
disagreed

#### APRA identifies emerging industry issues in a timely manner.

66% of respondents agreed or strongly agreed, 28% were neutral and 5% disagreed or strongly disagreed. This was in line with the 2015 survey (65% of respondents agreed or strongly agreed, 30% were neutral, 3% disagreed or strongly disagreed).



**66%**  
agreed/strongly  
agreed



**28%**  
were neutral



**5%**  
disagreed/strongly  
disagreed



## Stakeholder feedback

### The APRA supervisory team responsible for your organisation is experienced in your industry.

84% of respondents agreed or strongly agreed, 9% were neutral and 4% disagreed or strongly disagreed. This was in line with the 2015 survey (86% of respondents agreed or strongly agreed 8% were neutral, 4% disagreed or strongly disagreed).



**84%**  
agreed/strongly  
agreed



**9%**  
were neutral



**4%**  
disagreed/strongly  
disagreed

### APRA meets its stated approach of being primarily risk-based in its supervision.

86% of respondents agreed or strongly agreed, 12% were neutral and 1% disagreed or strongly disagreed. This was in line with the 2015 survey (86% of respondents strongly agreed or agreed, 12% were neutral and 1% disagreed or strongly disagreed).



**86%**  
agreed/strongly  
agreed



**12%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

### During supervisory visits to your institution, APRA supervisors focus on principles rather than detailed prescription.

73% of respondents agreed or strongly agreed, 19% were neutral and 7% disagreed or strongly disagreed. This was an improvement to the 2015 survey (66% of respondents strongly agreed or agreed, 25% were neutral and 8% disagreed or strongly disagreed).



**73%**  
agreed/strongly  
agreed



**19%**  
were neutral



**7%**  
disagreed/strongly  
disagreed

### During supervisory visits to your institution, APRA supervisors focus on major risks or controls.

88% of respondents agreed or strongly agreed, 9% were neutral and 3% disagreed or strongly disagreed. This was an improvement to the 2015 survey (81% of respondents agreed or strongly agreed with this statement, 15% were neutral and 3% disagreed or strongly disagreed).



**88%**  
agreed/strongly  
agreed



**9%**  
were neutral



**3%**  
disagreed/strongly  
disagreed



### Stakeholder feedback

#### The information that APRA collects in the course of supervision is adequate to assess risks in your institution.

90% of respondents agreed or strongly agreed, 8% were neutral and 1% disagreed or strongly disagreed. This was a slight improvement to the 2015 survey (87% of respondents agreed or strongly agreed, 11% were neutral and 2% disagreed or strongly disagreed).



**90%**  
agreed/strongly  
agreed



**8%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

## External validation

In the validation process, industry associations agreed with APRA's self-assessment. Specific feedback included:

'[...] APRA has adopted a sophisticated yet sensible risk based approach that both recognises the importance of retaining and enhancing competition and choice, and not unnecessarily impeded the efficient operation of regulated entities.'

# KEY PERFORMANCE INDICATOR 4



Compliance and monitoring approaches are streamlined and coordinated

## Performance metrics

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- 4.1** APRA collects and shares statistical information with other government agencies including RBA, ABS and ASIC.

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- 4.2** Development of the reporting framework includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions.

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- 4.3** APRA publishes non-confidential industry and entity level statistical information.

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- 4.4** Feedback is collected and publicly reported from biennial stakeholder surveys.

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## APRA's assessment

APRA's assessment of its performance against KPI 4 is based on whether APRA allows sufficient time and listen to stakeholders when making changes to the reporting framework and on the information APRA shares with other agencies and with the public.

APRA maintains strong working relationships across with Australia's key financial agencies to ensure coordinated and streamlined approaches. In particular, APRA plays an important role as the central repository of statistical information on the Australian financial system, by means of its ongoing collection and publication of data. APRA collects, distributes and publishes data on behalf of a number of other Government agencies and international organisations providing a streamlined and coordinated approach to reporting of statistical information for regulated entities.

APRA has strong working relationships with Australia's key financial regulatory agencies - the RBA and the Australian Securities and Investments Commission (ASIC). APRA also maintains a close and cooperative working relationship with the Australian Treasury. The four agencies cooperate on a multilateral basis through their shared membership of the Council of Financial Regulators (CFR). Beyond the members of the CFR, APRA also has active engagement with a range of other domestic bodies including the Australian Transaction Report and Analysis Centre (AUSTRAC) and Australian Competition and Consumer Commission (ACCC). These relationships seek to ensure streamlined and coordinated approaches.

Much of the data APRA collects is shared between agencies or organisations to reduce the burden of duplicative reporting for regulated entities. In particular, data collected by APRA assists the RBA, ABS, ASIC, Australian Taxation Office (ATO) and the Department of Health to fulfil their respective roles. APRA also

collects data to fulfil international reporting obligations to organisations such as the Bank for International Settlements.

Subject to confidentiality obligations, APRA publishes much of the data it collects in industry-level and individual institution-level publications. APRA also seeks to meet requests for customised statistics where this is possible under confidentiality obligations.

Collection of data has been a source of considerable feedback from regulated entities in recent years. One of the lower scoring items in APRA's 2017 Stakeholder Survey related to the amount of statistical data collected by APRA. The majority of respondents indicated that the amount of statistical data collected by APRA was about right (66%), while 34% indicated that it was too much or far too much (which was an improvement from 2015 (41%)).

APRA is cognisant of the costs to regulated entities in collecting data and undertakes regular reviews of the compliance burden associated with its current reporting requirements. As outlined in APRA's 2017-21 Corporate Plan, APRA is undertaking a multi-year program of work to transform the way it collects, stores, accesses and publishes data. The outcomes of the program will lead to improved efficiencies in end-to-end stewardship of data and advanced data analytics. In addition, APRA is also working with the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) to improve and streamline the data collection APRA administers on their behalf.

## Supporting evidence



### Consultation activities

See above.



### Sharing of statistical information

Domestically APRA collects and shares data on behalf of the RBA, ABS, ASIC, ATO and the Department of Health. It also shares data publicly in publications and customised data requests subject to confidentiality obligations.

Approximately one quarter of ADI reporting forms and all Registered Financial Corporations (RFC) reporting forms are collected by APRA primarily for use by the ABS and RBA. Much of the data is shared between agencies to reduce unnecessary reporting burden on institutions. APRA also collects some data to fulfil international reporting expectations to organisations such as the Bank for International Settlements.



### Publication of statistical information

#### In 2016/17:

- APRA released 73 statistical publications
- 100% of statistics publications were released according to a pre-disclosed timetable.
- APRA fulfilled 226 requests for customised statistics
- 100% of requests for customised statistics were fulfilled as agreed.



### Case study

#### Agricultural lending data collection

On 28 March 2017, APRA released a discussion paper for consultation on the proposed collection of agricultural lending data. Included in the discussion paper were the proposed form and reporting instructions, which had already been subject to informal discussion with representatives of the financial sector and incorporated feedback received.

APRA received a total of twelve submissions from reporting entities, industry associations and other interested parties on the proposed collection. The submissions were broadly supportive of the proposals, but some did raise concerns relating to the implementation timeline, use of 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) codes, confidentiality and specific concepts. On 16 August 2017 APRA provided a response to the issues raised in the submissions and revised the reporting standard. The revisions sought to balance the reporting burden on affected entities and the need for the data for policy-making purposes. Some of the revisions included providing entities with additional time to implement the reporting requirement and, for the first year of the collection, entities would only be required to report on a 'best endeavours' basis.





### Domestic liaison

APRA's domestic engagements are typically guided by a MoU which, while not legally binding, signifies a commitment to cooperate and share relevant information, and establishes the practical arrangements by which this will occur. 16 domestic MOUs are in place and these are all available on APRA's website. No new domestic MoUs were signed by APRA in 2016/17.



### Stakeholder feedback

APRA's Stakeholder Survey – 2017 asked stakeholders to rate their level of agreement with the following statements:

**The amount of statistical data collected by APRA in order to supervise your institution is... 'Far too little', 'Too little', 'About right', 'Too much', 'Far too much'.**

The majority of respondents indicated that the amount of statistical data collected by APRA was about right (66%), while 34% indicated that it was too much or far too much. The 2017 figure for too much or far too much was an improvement from 2015 (41%).

**Respondents were asked how APRA statistical publications are used.**

- 74% used them for benchmarking /market comparison
- 60% used them to identify industry trends
- 60% used them for keeping up to date with what is happening in the industry
- 55% used them for general reference
- Other uses included, business planning, to find out what APRA is thinking and training.

**Respondents were presented with a list of publications by sector and asked to indicate publications they used and rate them for usefulness and reliability. The most useful publication for each sector was:**

- ADI - Monthly Banking Statistics
- General insurance - Quarterly Performance Statistics
- Life insurance – Institution-level Statistics
- Superannuation – Quarterly MySuper Statistics

## External validation

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In the validation process, industry associations generally agreed with APRA's self-assessment. Specific feedback included:

- 'We also commend APRA on its consultation on streamlining the process for varying restricted access groups. This reform benefited enormously from industry consultation, with the outcome being the replacement of costly, confusing and unnecessary administrative red tape with a best practice fit-for-purpose regulatory process that is both effective and streamlined.'

One industry association indicated that APRA can further improve its performance by working closer with the industry and better coordination with other financial regulators and stakeholders to help minimise regulatory burden, particularly given the broad adaptation to more innovative and efficient technologies. An example was provided '[...] APRA should work closely with other government agencies – particularly ASIC – on its future data collection solution (APRA's D2A replacement project), to ensure that there is no regulatory overlap and, where possible, APRA's future data collection platform is also able to meet any identified data requirements of other agencies.' In this context, another industry association commended the recent establishment of the data collection roundtable by APRA.

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# KEY PERFORMANCE INDICATOR 5



Regulators are open and transparent in their dealings with regulated entities

## Performance metrics

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- 5.1** APRA publishes its supervisory and enforcement approaches on its external website.

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- 5.2** Demonstrated regular engagement with stakeholders.

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- 5.3** APRA publicly reports on its performance and provides detail on key aspects of APRA's activities.

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- 5.4** APRA's service charter is publicly available.

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- 5.5** Feedback collected and publicly reported from biennial stakeholder survey.

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## APRA's assessment

APRA's assessment of its performance against KPI 5 broadly considers the transparency of its regulatory approach and key activities, and its service charter expectations.

Open and transparent reporting of APRA's performance increases APRA's accountability to Parliament, regulated entities and the public and is likely to improve the community's confidence in APRA.

Where possible, APRA seeks to be open and transparent in the way it regulates and supervises. If regulated entities understand how and why they are being regulated, regulatory outcomes are more likely to be achieved. APRA's supervision model, which includes allocating responsible supervisors for each regulated entity, assists in direct open and transparent engagement with individual regulated entities.

APRA uses a diverse range of channels to communicate various policy, statistical and other announcements with stakeholder groups. Regular engagement on a bilateral and multilateral basis with professional and industry associations is held with each industry sector that APRA regulates. APRA also engages with other government and other regulatory agencies, media and the general public and provides access to considerable material on its website.

The *Public Governance, Accountability and Performance Act 2013* (PGPA Act) establishes uniform governance and accountability requirements and a performance framework for all Commonwealth Government entities, including APRA. Under the PGPA Act, APRA publishes accountability requirements each year in its Annual Report, including the Annual Performance Statement. APRA also publishes a Corporate Plan setting out information on APRA's key strategies and activities over a rolling four-year period. APRA's Corporate Plan

2016-2010 was published in August 2016 and is available on the APRA website.

APRA continues to develop its performance assessment and accountability framework in coordination with Government initiatives to promote improvements in regulator accountability more generally. There has also been greater international effort by prudential regulators to improve the way in which performance is measured since the global financial crisis.

The APRA service charter explains how APRA carries out its role and what those who deal with the prudential regulator can expect. Publication of the service charter forms part of APRA's ongoing commitment to enhancing transparency and accountability to its stakeholders.

## Supporting evidence



### Supervisory and enforcement approaches

See above.



### Regular engagement with stakeholders

**During 2016/17 APRA met regularly with the following domestic organisations:**

- Actuaries Institute
- Association of Superannuation Funds of Australia
- Australian Bankers' Association
- Australian Financial Markets Association
- Australian Institute of Superannuation Trustees
- Banking and Finance Sector Group
- Corporate Superannuation Association/Corporate Super Association
- Customer Owned Banking Association
- Financial Services Council
- Health Insurance Restricted Membership Association of Australia
- Industry Super Australia
- Insurance Council of Australia
- Private Healthcare Australia

**APRA demonstrated interactions with stakeholders across a broad range of matters and in a variety of forms including:**

- 22 policy consultations conducted
- 14 policy papers issued for above consultations
- 40 Information letters issued to industry
- 73 presentations at formal speaking engagements
- 57 media releases issued
- 73 statistical publications released
- 529 enquiries received by the Statistics Unit
- 8,700 Enquiries received through the APRAinfo call centre
- 9 Parliamentary hearings attended
- 4 submissions to formal inquiries



### Performance reporting

APRA's compliance with relevant requirements over the reporting period, including the PGPA Act, have been met.



### APRA's service charter

APRA service charter is available at:

<http://www.apra.gov.au/AboutAPRA/Publications/Pages/APRA-Service-Charter.aspx>



### Stakeholder survey

APRA's Stakeholder Survey – 2017 asked stakeholders to rate their level of agreement with the following statements:

#### APRA meets its stated approach of being consultative in its supervision.

87% of respondents agreed or strongly agreed, 8% were neutral and 5% disagreed or strongly disagreed. This was a slight improvement to the 2015 survey (84% of respondents agreed or strongly agreed, 12% were neutral and 3% disagreed or strongly disagreed).



**87%**

agreed/strongly agreed



**8%**

were neutral



**5%**

disagreed/strongly disagreed

#### APRA meets its stated approach of being consistent in its supervision.

72% of respondents agreed or strongly agreed, 16% were neutral and 10% disagreed or strongly disagreed. This was in line with the 2015 survey (73% of respondents agreed or strongly agreed with this statement, 13% were neutral and 9% disagreed or strongly disagreed).



**72%**

agreed/strongly agreed



**16%**

were neutral



**10%**

disagreed/strongly disagreed



## Stakeholder survey

### APRA is effective in communicating the findings of supervisory visits to your institution.

92% of respondents agreed or strongly agreed, 7% were neutral and 1% disagreed or strongly disagreed. This was slightly lower than the 2015 survey (95% of respondents agreed or strongly agreed, 2% were neutral and 1% disagreed or strongly disagreed).



**92%**  
agreed/strongly  
agreed



**7%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

### APRA's reports of prudential reviews provided to you have the appropriate level of detail.

90% of respondents agreed or strongly agreed, 8% were neutral and 2% disagreed or strongly disagreed. This was in line with the 2015 survey (91% of respondents agreed or strongly agreed, 6% were neutral and 1% disagreed or strongly disagreed).



**90%**  
agreed/strongly  
agreed



**8%**  
were neutral



**2%**  
disagreed/strongly  
disagreed

## External validation

In the validation process, industry associations generally agreed with APRA's self-assessment that it is open and transparent in its dealings with regulated entities. One industry association specifically noted that APRA has maintained open and transparent supervisory processes and another said '[...] we welcome the culture of openness and transparency under which APRA operates.'

One industry association suggested that APRA's interaction with ASIC could be more public, open and transparent including communication to stakeholders.

# KEY PERFORMANCE INDICATOR 6



Regulators actively contribute to the continuous improvement of regulatory frameworks

## Performance metrics

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- 6.1** Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions.
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- 6.2** Feedback mechanisms are available and made known to all stakeholders.
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- 6.3** Feedback is collected and publicly reported from biennial stakeholder surveys.
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## APRA's assessment

APRA's assessment of its performance against KPI 6 broadly considers an assessment of the extent to which APRA is open to taking feedback, and whether APRA allows sufficient time for, and responds to, stakeholders' views when making changes.

Feedback is a valuable tool in ensuring continuous improvement of regulatory frameworks. APRA encourages feedback and has demonstrated a commitment to being open to feedback and transparent in the responses that APRA has taken.

APRA receives feedback from stakeholders in submissions to policy consultations. Where these are non-confidential submissions, APRA publishes the submissions received in addition to APRA's response to submissions.

APRA's website provides a mechanism to provide feedback and suggestions on its processes and activities so APRA can identify what it does well and how it can improve in other areas including adjusting APRA processes or approach where needed.

As part of its published service charter, APRA is committed to surveying regulated institutions, industry bodies and other stakeholders. The information collected as part of the survey is used by APRA to inform improvements in its regulatory framework and supervisory practices. The survey report is published on APRA's website.

## Supporting evidence



### Consultation

See above.



### Feedback mechanisms

Feedback mechanisms are available at all times on APRA's website via the 'contact APRA' service at [www.apra.gov.au/pages/contact-APRA.aspx](http://www.apra.gov.au/pages/contact-APRA.aspx).

For APRA-regulated institutions, feedback can be provided directly to Responsible Supervisors.

For members of the public, feedback can be provided via the APRAinfo team on 1300 558 849, via the 'contact APRA' service on APRA's website or via any of the offices listed.



## Stakeholder feedback

Stakeholder surveys provide valuable feedback on stakeholder views of APRA's performance. APRA has conducted biennial stakeholder surveys since 2009 covering a broad range of stakeholders. The survey is undertaken by an independent party the results of which are published on APRA's website. APRA's 2017 Stakeholder Survey results were published on 10 October 2017.

Across the first four editions of APRA's biennial stakeholder survey the results have been consistently strong. Respondents generally support APRA's framework and regulatory approach of principles-based supervision. A majority of respondents agreed that APRA effectively enforced its prudential requirements and reported that APRA had a positive impact on their industry and risk management practices. This continues to be the case in 2017.

APRA's Stakeholder Survey – 2017 asked stakeholders to rate the level of impact it had on regulated entities:

### What impact has APRA's supervision activity had on your entity's risk management practices over the past few years?

94% of respondents said positive or very positive impact, 3% said no impact and 2% said negative impact. This was in line with the 2015 survey (93% of respondents said positive or very positive impact, 4% said no impact and 2% said negative impact).



**94%**  
Positive impact



**3%**  
No impact



**2%**  
Negative impact

### What impact has APRA's enforcement of its prudential requirements had on your industry?

85% of respondents said positive or very positive impact, 8% said no impact and 4% said negative impact. This was largely in line with the 2015 survey (85% of respondents said positive or very positive impact, 4% said no impact and 8% said negative impact).



**85%**  
Positive impact



**8%**  
No impact



**4%**  
Negative impact



## Stakeholder feedback

The survey also asked stakeholders to rate their level of agreement with the following statements:

### APRA's prudential standards are based on principles rather than detailed prescription.

76% of respondents agreed or strongly agreed, 18% were neutral and 7% disagreed or strongly disagreed. This was an improvement to the 2015 survey (71% of respondents agreed or strongly agreed with this statement, 19% were neutral and 9% disagreed or strongly disagreed).



**76%**  
agreed/strongly  
agreed



**18%**  
were neutral



**7%**  
disagreed/strongly  
disagreed

### APRA's supervision of the financial services sector benefits your industry in general

91% of respondents agreed or strongly agreed, 8% were neutral and 1% disagreed or strongly disagreed.



**91%**  
agreed/strongly  
agreed



**8%**  
were neutral



**1%**  
disagreed/strongly  
disagreed

Opportunities to make further gains were identified including consistency of supervision, perceptions of appropriate seniority and skills of supervision teams, being forward looking, alignment with international best practice, helping entities develop contingencies, collection and reporting of data and APRA's operational communications. APRA is in the process of assessing stakeholder feedback in more detail to assess where enhancements can be made.

## External validation

In the validation process, industry associations generally agreed with APRA's self-assessment that it actively contributes to the continuous improvement of regulatory frameworks.

One industry association encouraged APRA to further improve its performance metrics to incorporate more quantifiable measures and provide additional measures that objectively assess and benchmark performance.



 **APRA**