

APRA Stakeholder Survey - 2013

Report of overall findings

July 2013



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Australian Survey Research Group Pty Ltd is accredited under the AS ISO 20252 quality standard applying to market and social research.

This research project was carried out in compliance with the AS ISO 20252 quality standard.

Executive summary

In March and April 2013, the Australian Prudential Regulation Authority (APRA) conducted a study of its stakeholders as part of its service charter commitments. APRA engaged Australian Survey Research (ASR) to deploy and analyse a web survey of 544 regulated entities and 205 knowledgeable observers.

Data collection

The 2013 survey was based closely on a questionnaire developed by both APRA and ASR in the first round of stakeholder surveying conducted in 2009. The Australian Bureau of Statistics Statistical Clearing House approved the 2013 survey. A total of 312 regulated entities responded which is a statistically representative sample and which reflects the population profile on a number of attributes. Fifty-eight knowledgeable observers responded to a shorter version of the regulated entity survey.

The regulated entity questionnaire contained 45 rated items which used a five-point rating scale, plus a number of multiple choice and open-ended questions. Of the rated items only one scored below 3.0 (neutral) on the five-point scale and 24 of the 40 items had 75% or more positive responses.

Highest and lowest items

When compared with previous and very similar surveys conducted in 2009 and 2011, stakeholders' perceptions of APRA have changed very little in terms of item ratings.

Overall this is a positive result and ongoing validation of APRA's prudential framework, its staff and its approach to supervision.

The highest and lowest scoring items are displayed in the tables below. Note that all items but two rounded to the *agree* point of 4, so there is not a lot of variation in scores across items. Interpreting results in this survey is about identifying small and subtle changes. One example is that the cost of regulation item has decreased significantly since 2011.

The **blue items** in the tables below were asked only of group entities (n=231).

*Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree; while * items used a 5 point never-always scale*

HIGHEST SCORING ITEMS	MEAN
APRA staff demonstrate the value of integrity*	4.5
APRA staff demonstrate the value of professionalism*	4.4
A single supervisory team responsible for all group companies is an appropriate way to supervise groups	4.3
APRA's guidance material (including PPGs, letters and FAQs) is of value to your organisation	4.3
APRA is effective in communicating the findings of supervisory visits to your organisation	4.2
APRA's prudential framework is effective in achieving APRA's mission	4.2
APRA staff demonstrate the value of collaboration	4.2
APRA's enforcement of its prudential requirements has had an impact on your industry	4.2
The APRA supervisory team responsible for your organisation has a good understanding of your organisation	4.2

LOWEST SCORING ITEMS	MEAN
APRA meets its stated approach of being consistent in its supervision	3.7
APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation	3.7
APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material	3.7
The instructions to APRA's statistical forms are helpful	3.7
The effort required of your organisation during APRA's prudential reviews is appropriate	3.6
Prudential standards and guidance material clearly communicate requirements	3.6
D2A is easy to use when lodging data with APRA	3.6
During supervisory visits to your organisation, APRA supervisors focus on principles rather than detailed prescription	3.6
APRA has successfully harmonised its prudential framework across the industries it regulates	3.4
Changes to APRA's prudential framework consider the costs of regulation imposed on industry	2.6

Adherence to its values, in particular integrity and professionalism, can be considered one of APRA's strengths. These two values have consistently received high scores since 2009. Guidance material and the use of a single supervisory team are also perceived very positively. Conversely, items that received lower scores were also commented upon negatively in open-ended comments. Of particular importance is the low rating of consistency of supervision. This is highlighted in the free text comments as needing improvement and has consistently received lower ratings since 2009. Consistency is also one of the predictors of effective enforcement.

Year comparison

In comparing 2011 and 2013 survey results, where there were changes, most were small. However, 16 items (of 43 comparable items) were statistically significantly different between the two surveys. As a pattern, items that were different related to consultation, supervision, harmonisation and risk. All other rated-item results between the two years had statistically similar mean scores. The year comparison indicates a fairly stable pattern of behaviour from APRA for the items measured in this survey.

In addition to the rating changes mentioned in the previous paragraph, around 67% of entities indicated that the amount of statistical data collected by APRA was *about right*—a decline from 80% in 2011.

A sub-theme of the survey results is that the cost and/or burden of regulation is starting to hurt for both small and large entities. The amount of regulation in terms of use of resources, let alone costs, and its impact on competitiveness is becoming a notable issue. Some are openly questioning the value that a large amount of regulation or particular regulation adds to fund members, consumers or shareholders.

Introduction

As part of its published service charter, the Australian Prudential Regulation Authority (APRA) is committed to surveying regulated institutions, industry bodies and other stakeholders to understand the impact of APRA's prudential framework and the effectiveness of its supervision. Within this charter and since 2009, APRA has conducted a biennial stakeholder survey.

In late 2012, APRA engaged Australian Survey Research (ASR) to conduct the 2013 round of its stakeholder study using an identical method and very similar content to previous rounds. Two similar surveys were conducted in March/April 2013: one of regulated entities and a shorter one of industry representatives, auditors and actuaries (termed knowledgeable observers).

This report outlines the methodology used in the surveys as well as the key findings. Detailed questions appear in an attachment to the report.

Key findings are presented from an overall perspective, as well as by industry sector and size of entity. Comparative results between all the rounds of surveying (2009, 2011, and 2013) are presented and discussed. Findings from knowledgeable observers form a separate section within this report.

Methodology

This section outlines how the questionnaire was developed and tested, how survey participants were identified and how the survey was administered and analysed.

Questionnaire

For the original 2009 stakeholder study, APRA project staff prepared a preliminary set of questions that were drawn from other, similar international studies and from key aspects of APRA's Service Charter including its stated corporate values. Together, ASR and APRA further refined the questionnaire and input was sought from a range of internal stakeholders including the APRA Members. This original questionnaire has been refined slightly over successive rounds of surveying to APRA's current responsibilities and activities, meaning a small number of questions have been dropped or references to publication names have been updated. Otherwise, the original instrument has remained almost the same, word for word.

Both regulated entity and knowledgeable observer web questionnaires were loaded into ASR's proprietary web surveying tool, SurveyManager, and hosted on ASR's internet servers located in a high security data centre in Melbourne's CBD.

The questionnaire was pilot tested in 2009. For the 2011 and 2013 study, no pilot test was conducted because there were only minimal changes to the survey conduct and content.

The Australian Bureau of Statistics Statistical Clearing House approved the regulated entities survey in concept and execution, including the questionnaire, in February 2013.

Data collection

APRA provided ASR with a full listing of all regulated entities (n=544), each entity's designated APRA prudential contact, along with the contact's email address and details such as entity name, industry sub-group, size in terms of asset base and attachment (or not) to a regulated group. The survey was conducted as a census of APRA's regulated entities.

Prior to going live with the full survey, APRA chairman, Dr John Laker, sent a letter to the CEOs and all prudential contacts of all regulated entities in Australia and to all knowledgeable observers, advising them of the survey. Soon after, ASR sent an email invitation to a prudential contact within each entity and to each knowledgeable observer. The email invitation contained a unique hyperlink to access each entity's questionnaire. The email also contained instructions for the prudential contact to liaise with the APRA statistical contact within their organisation to help complete the questionnaire. In some organisations the prudential contact and the statistical contact were the same person. For the purpose of this survey, each regulated entity was considered a unit within the population.

A total of 10 prudential contacts were identified as contacts for four or more entities. One person was a prudential contact for 10 entities. These multiple entity contacts were approached individually about how they wanted to respond.

ASR tracked the response rate and sent targeted reminder emails to all non-responders. ASR also conducted telephone reminders for 230 prudential contacts.

Before an entity's response was finally submitted (completed), the CEO of each organisation was asked to complete a declaration endorsing the answers provided.

Data analysis

Results have been analysed to produce mean scores (averages) and frequency distributions. Various statistical tests including chi square, t test and ANOVA have been used to determine any statistical differences between demographic sub-groups (such as industry and size). All tests are reported at the $p < 0.05$ level (95% confidence level).

Means have been calculated using only the number of respondents who chose a rating point answer. In other words *don't know*, *not applicable* and *no answers* (blank) have been excluded from statistical calculations.

The rating scale used to assess most items is displayed in the table below. It is important to understand what the numbers represent because results later in the report are presented in numeric form only. For example, a mean (average) score of 4.0 indicates that, overall, respondents agreed that APRA was performing well on a particular item. Some items were asked using a different rating scale. Where a survey item was presented with a different scale to the one shown below, it is noted and explained in the report.

RATING SCALE DESCRIPTION	ASSIGNED NUMERIC VALUE
Strongly disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly agree	5

Response and sample profile

A total of 312 stakeholders responded to the survey yielding a **response rate of 57.4%**. The sample is statistically representative of the stakeholder population as a whole at the 95% confidence level and the $\pm 3\%$ confidence interval (see note below explaining confidence interval and level). This is higher (more rigorous) than a scientifically acceptable confidence interval which is normally $\pm 5\%$ and the market research acceptable confidence interval of $\pm 10\%$.

Representativeness of a sample is usually assessed at a 95% confidence level (accuracy) and a $\pm 5\%$ confidence interval (precision).

The **confidence level** tells you how sure you can be. It is expressed as a percentage and represents how often the true percentage of the population who would pick an answer lies within the confidence interval. The 95% confidence level means you can be 95% certain; the 99% confidence level means you can be 99% certain. Most researchers use the 95% confidence level.

The **confidence interval** is the plus-or-minus figure usually reported in newspaper or television opinion poll results. For example, if you use a confidence interval of 4 and 47% of your sample picks an answer, you can be "sure" that if you had asked the question of the entire relevant population between 43% ($47-4$) and 51% ($47+4$) would have picked that answer.

Reference: www.surveysystem.com/sscalc.htm

The population and sample profiles have been compared by industry sector, group/non-group and asset size to identify if any sub-groups were over/under-represented in the response set. In general, response profiles follow similar patterns to the population, with some slight under and over-representation within sub-groups.

The industry sector profiles (% of responses for each sector) are similar but with trustees slightly under-represented while ADIs are marginally over-represented in the sample. Note that the confidence intervals for two sectors are well over $\pm 10\%$. It means that results are not statistically representative for life insurers and friendly societies and that results for these two smaller sectors should be treated as indicative only.

Entities belonging to groups are slightly over-represented, but there are sufficient numbers of both group and non-group entities in the response sample for them to be representative of their populations.

Smaller entities are slightly under-represented, but the overall pattern is similar to the population profile, meaning that many more small entities than large entities responded.

Note that the population and sample totals vary, depending on the attribute being examined, for example, industry sector population total is 521, while group total is 544. For industry sub groups, non-operating holding groups (NOHC) were excluded from sector analysis but were included in the overall analysis. In the size analysis a number of organisations did not have size data recorded and so were excluded from size analysis.

No weighting has been applied to the sample.

The response sample and population profiles are displayed in the following tables and charts.

INDUSTRY SECTOR	POPULATION		RESPONSE SAMPLE		CONFIDENCE INTERVAL
	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>±%</i>
Trustees	192	36.9	90	30.6	7.6
ADIs	170	32.6	106	36.1	5.9
General Insurers	118	22.6	73	24.8	5.0
Life Insurers	27	5.2	16	5.4	16.0
Friendly Societies	14	2.7	9	3.1	20.3
Total	521	100.0	294	100.0	3.8

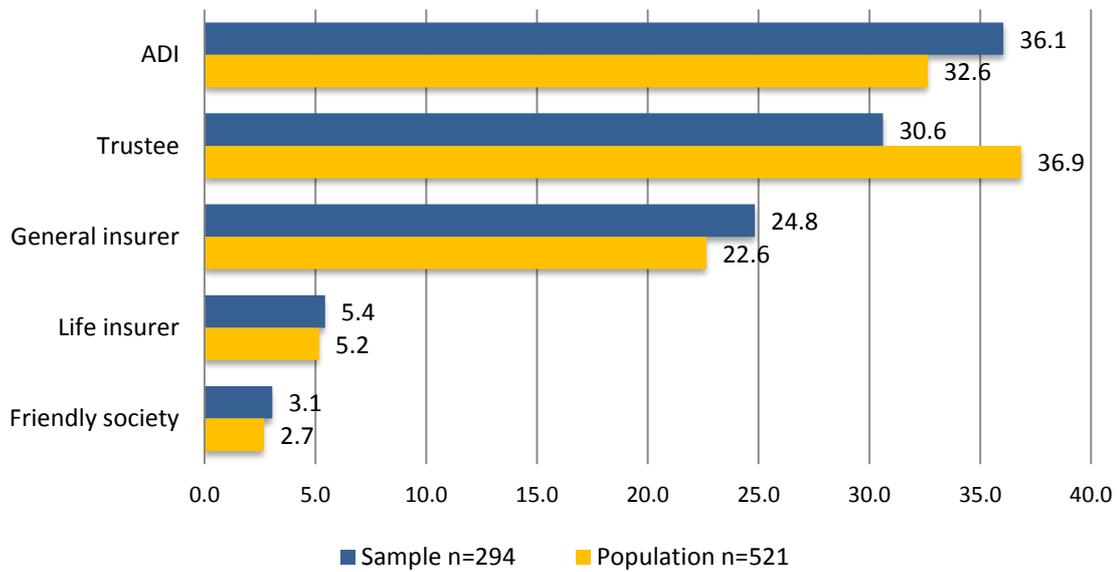
PART OF A GROUP OR NOT	POPULATION		SAMPLE		CONFIDENCE INTERVAL
	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>±%</i>
Non-group	313	57.5	152	48.7	5.7
Group	231	42.5	160	51.3	4.3
Total	544	100.0	312	100.0	3.6

ASSET SIZE IRRESPECTIVE OF INDUSTRY*	POPULATION		SAMPLE		CONFIDENCE INTERVAL
	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>±%</i>
Small	265	51.8	128	42.4	6.2
Medium	153	29.9	100	33.1	5.8
Large	94	18.4	74	24.5	5.3
Total	512	100.0	302	100.0	3.6

*See later section on size analysis to obtain a full explanation of how size was determined.

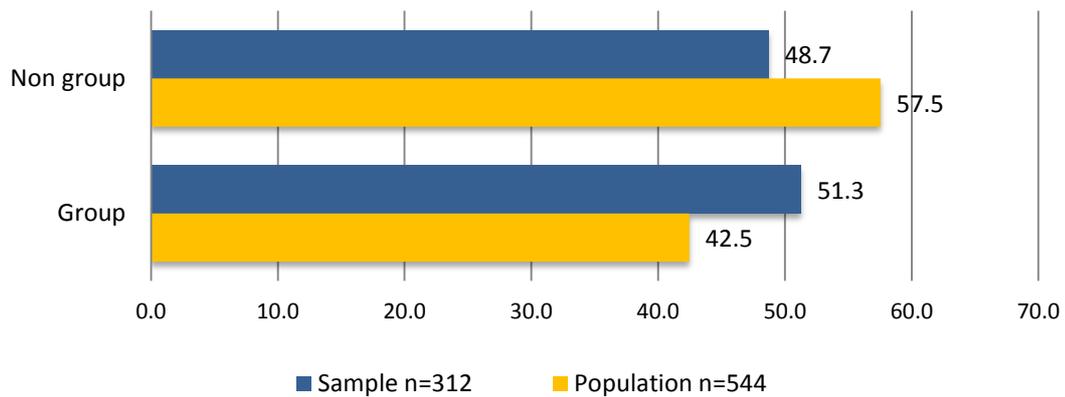
Industry profiles

% breakdown by population and sample



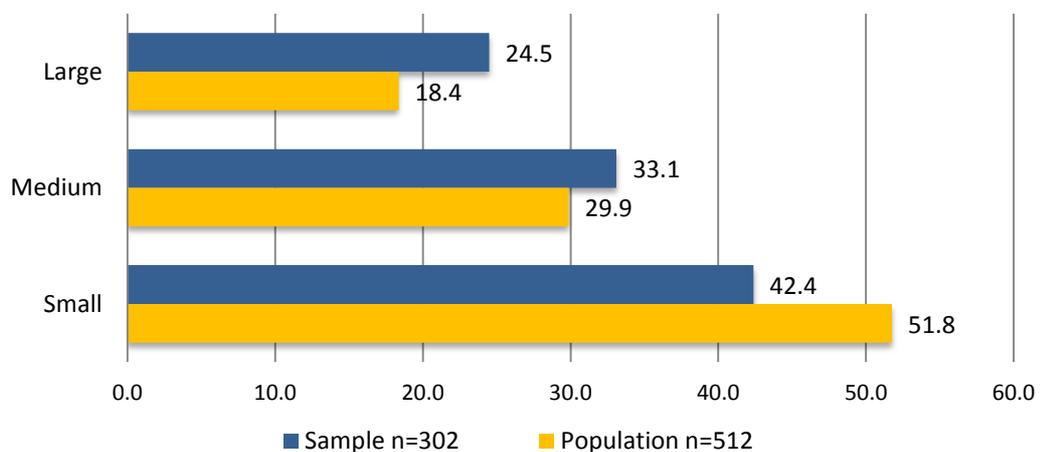
Group - non-group profiles

% breakdown by population and sample



Size profiles

% breakdown by population and sample



Key findings - regulated entities

This section outlines the key findings for regulated entities by topic. For each topic, the mean scores are presented along with the frequency distribution for each item. The most common themes within free text comments are discussed. Entity differences (industry, group affiliation and size) are covered in a later section, as are results from knowledgeable observers. In this key findings section, some references are made to changes since 2011 and 2009, but complete details of year comparisons are presented in a later section.

Overall, all topics had a majority of positive responses and 60% of rated items had 75% or more of respondents *who agreed or strongly agreed* with an item.

Prudential requirements

APRA's framework

The table below displays the mean scores for items related to prudential requirements. On average, respondents agreed with APRA's framework and its structure and implementation except for two areas: successful harmonisation and cost imposed on industry. The two lowest scoring items for this topic were also the lowest scoring items in the entire survey, as they were in 2009 and 2011.

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

FRAMEWORK ITEMS – n=312 unless otherwise stated below	MEAN
APRA's guidance material (including PPGs, letters and FAQs) is of value to your organisation	4.3
APRA's prudential framework is effective in achieving APRA's mission	4.2
It is important to your organisation that APRA closely follows international best practice in making prudential standards for your industry ^	3.9
APRA's prudential standards are based on principles rather than detailed prescription	3.8
APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation *	3.7
Prudential standards and guidance material clearly communicate requirements	3.6
APRA has successfully harmonised its prudential framework across the industries it regulates *	3.4
Changes to APRA's prudential framework consider the costs of regulation imposed on industry	2.6

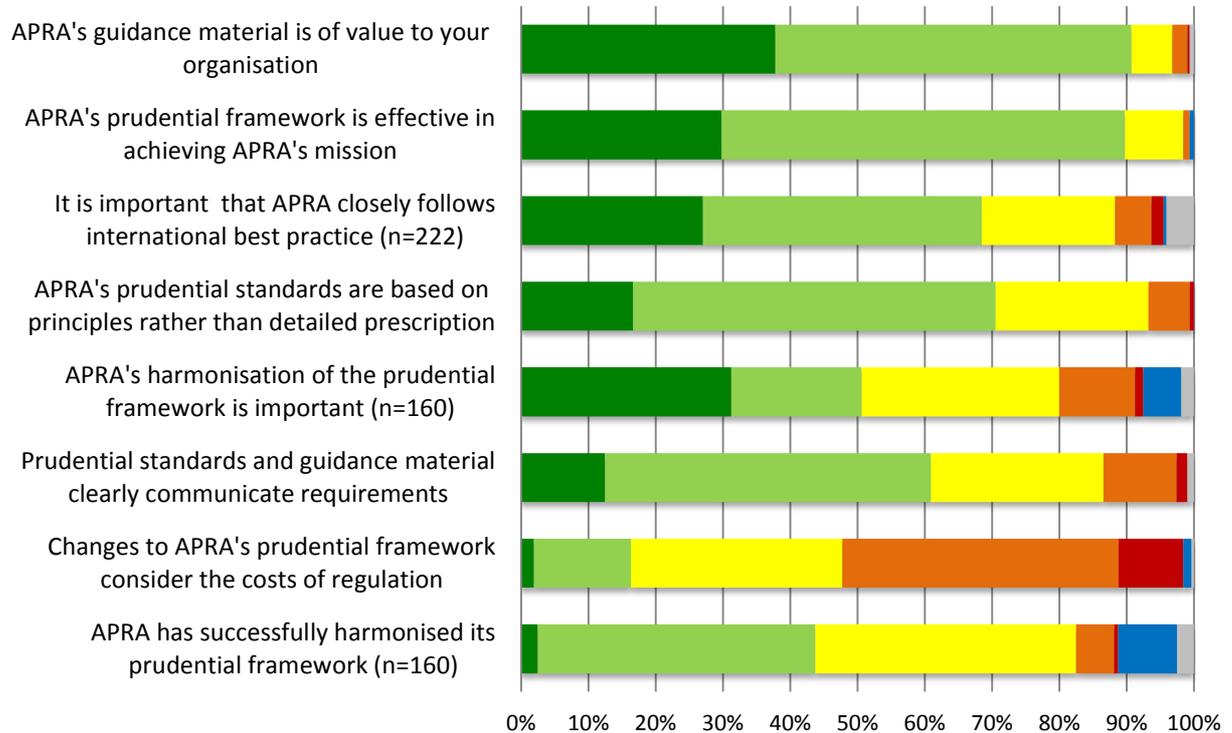
*These items were only asked of entities that are part of a group (n=160)

^This item was asked of all entities except trustees (n=222)

The chart on the following page displays the frequency distribution of ratings for each item in the topic. Most items have a majority of positive (agree) ratings. There is some variation in the spread of ratings for the two lowest scoring items: *APRA has successfully harmonised its prudential framework...* and *Changes to APRA's prudential framework consider the costs of regulation imposed on industry*. This indicates that respondents do not have unanimous views for these items. The item relating to APRA's successful harmonisation of the prudential framework item also has a relatively high proportion of *don't know* responses indicating that quite a few entities are not in a position to comment. This is a similar pattern of results to the 2011 survey.

Prudential requirements

% of responding entities choosing a rating point n=312 unless stated



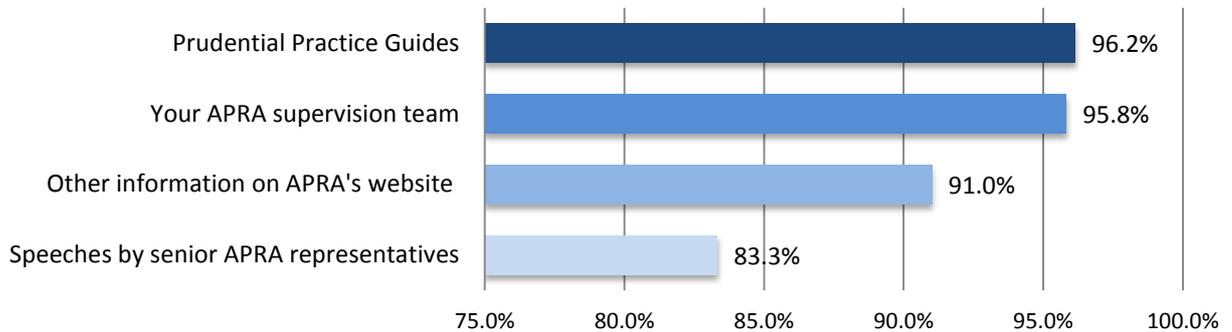
	APRA has successfully harmonised its prudential framework (n=160)	Changes to APRA's prudential framework consider the costs of regulation	Prudential standards and guidance material clearly communicate requirements	APRA's harmonisation of the prudential framework is important (n=160)	APRA's prudential standards are based on principles rather than detailed prescription	It is important that APRA closely follows international best practice (n=222)	APRA's prudential framework is effective in achieving APRA's mission	APRA's guidance material is of value to your organisation
■ Strongly agree	2.5	1.9	12.5	31.3	16.7	27.0	29.8	37.8
■ Agree	41.3	14.4	48.4	19.4	53.8	41.4	59.9	52.9
■ Neutral	38.8	31.4	25.6	29.4	22.8	19.8	8.7	6.1
■ Disagree	5.6	41.0	10.9	11.3	6.1	5.4	1.0	2.2
■ Strongly disagree	0.6	9.6	1.6	1.3	0.6	1.8	0.0	0.3
■ Don't know	8.8	1.3	0.0	5.6	0.0	0.5	0.6	0.0
■ No Answer	2.5	0.3	1.0	1.9	0.0	4.1	0.0	0.6

Sources of guidance

Regulated entities widely used all sources of guidance information. Use of all of sources have increased since the previous survey which indicates a need or desire to closely monitor APRA announcements and/or decisions. The use of APRA speeches has notably increased since 2011 (62% in 2011 to 83% in 2013). In the chart below, responding entities could choose multiple sources, so totals add to more than 100%.

Guidance sources used

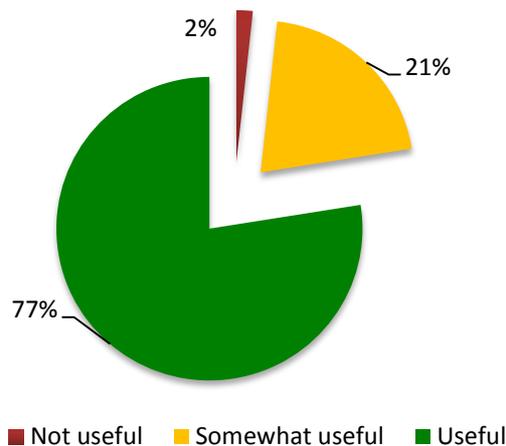
*% of entities choosing a source - multiple answers allowed
% based on n=312*



Entities that indicated using their supervisory team as a source of guidance were asked to rate the usefulness of the information provided by their APRA team. A majority of respondents indicated that the information was useful. This percentage has increased slightly since 2011 when 70% of respondents using teams as a guidance source rated teams as useful. See chart below.

Usefulness of guidance from APRA supervisory team

% of entities that used a supervisory team n=289



Consultation process

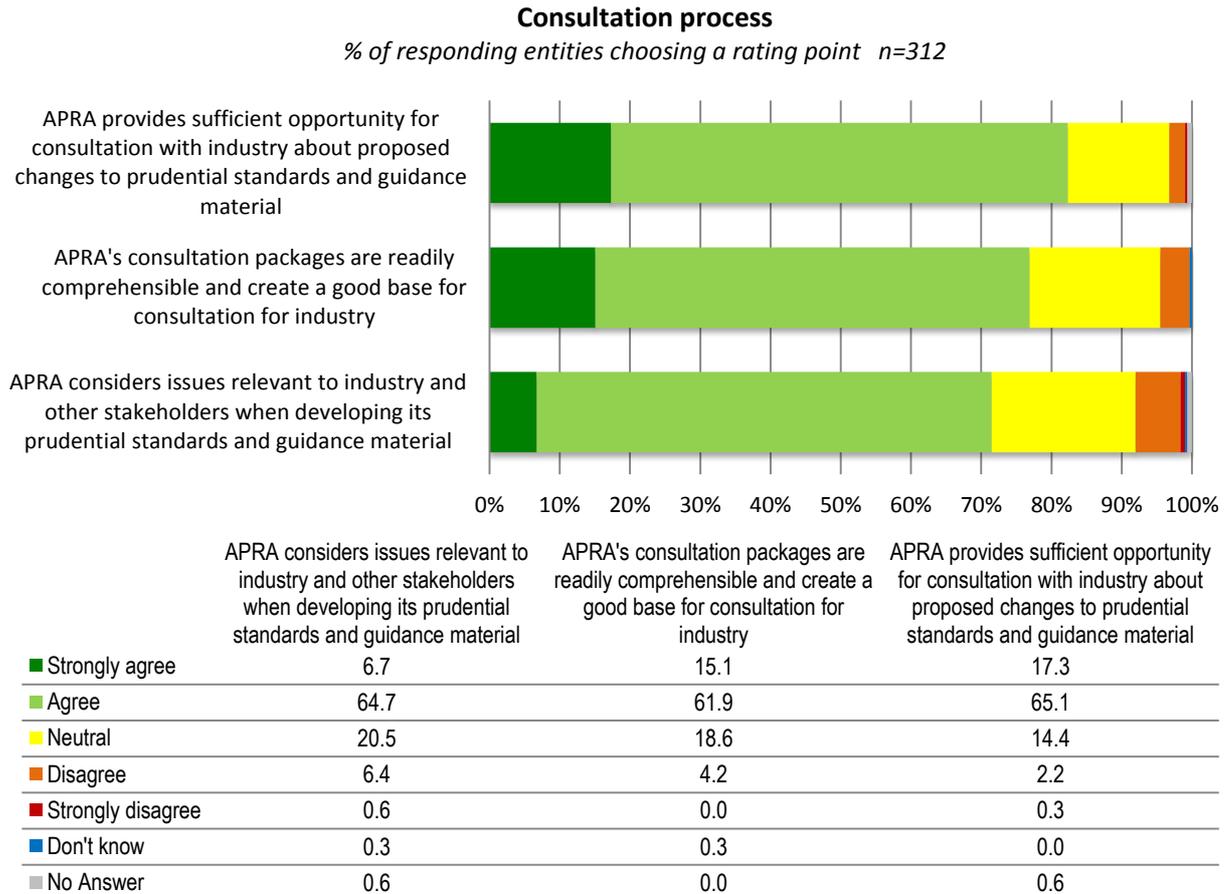
The consultation process was rated positively with few negative views about the process. While the numbers show a fairly homogenous view from entities, comments indicate that some are not so happy with aspects of APRA's consultation. The negative views follow recurring themes from previous surveys.

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

CONSULTATION ITEMS – n=312	MEAN
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APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material	4.0
APRA's consultation packages are readily comprehensible and create a good base for consultation for industry	3.9
APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material	3.7

The chart below displays the frequency distribution of ratings for items within this topic. There are relatively few negative responses about the consultation items surveyed.



Risk assessments

Nearly all mean scores for items in this topic indicated a positive attitude, ranging from 3.6 to a high of 4.1.

As seen in 2009 and 2011 the *effort required* item is the lowest rated item in the topic. Free text comments give some insight into this as the burden of compliance has been mentioned by more respondents than previously—it is not just an issue for smaller entities.

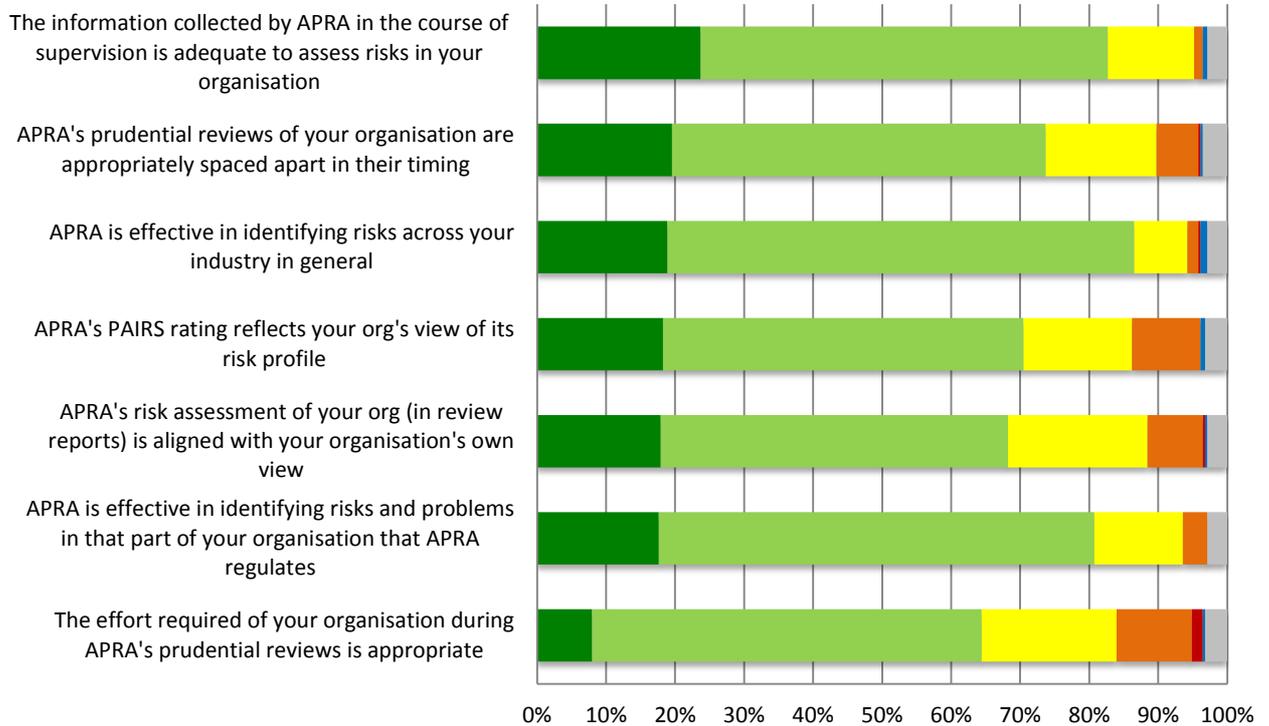
Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

RISK ASSESSMENT ITEMS – n=312	MEAN
The information collected by APRA in the course of supervision is adequate to assess risks in your organisation	4.1
APRA is effective in identifying risks across your industry in general	4.1
APRA is effective in identifying risks and problems in that part of your organisation that APRA regulates	4.0
APRA's prudential reviews of your organisation are appropriately spaced apart in their timing	3.9
APRA's PAIRS rating reflects your organisation's view of its risk profile	3.8
APRA's risk assessment of your organisation, as conveyed to you in review reports, is aligned with your organisation's own risk assessment	3.8
The effort required of your organisation during APRA's prudential reviews is appropriate	3.6

The frequency distribution chart below shows a strong positive bias on most items. APRA is very positively rated on identifying industry-wide risks. However, between 28% and 30% of respondents have mixed or negative on APRA's risk assessment compared with their own assessment and the effort required from them during reviews. The item with the most negative score relates to the effort required from organisations during reviews. The majority of negative responses come from ADIs and general insurers.

Risk assessments

% of responding entities choosing a rating point n=312



	The effort required of your organisation during APRA's prudential reviews is appropriate	APRA is effective in identifying risks and problems in that part of your organisation that APRA regulates	APRA's risk assessment of your org (in review reports) is aligned with your organisation's own view	APRA's PAIRS rating reflects your org's view of its risk profile	APRA is effective in identifying risks across your industry in general	APRA's prudential reviews of your organisation are appropriately spaced apart in their timing	The information collected by APRA in the course of supervision is adequate to assess risks in your organisation
Strongly agree	8.0	17.6	17.9	18.3	18.9	19.6	23.7
Agree	56.4	63.1	50.3	52.2	67.6	54.2	59.0
Neutral	19.6	12.8	20.2	15.7	7.7	16.0	12.5
Disagree	10.9	3.5	8.0	9.9	1.6	6.1	1.3
Strongly disagree	1.6	0.0	0.3	0.0	0.3	0.3	0.0
Don't know	0.3	0.0	0.3	0.6	1.0	0.3	0.6
No Answer	3.2	2.9	2.9	3.2	2.9	3.5	2.9

Respondents were asked a series of free text only questions about risk assessment. Feedback has been analysed thematically and grouped wherever possible.

Dealings with APRA

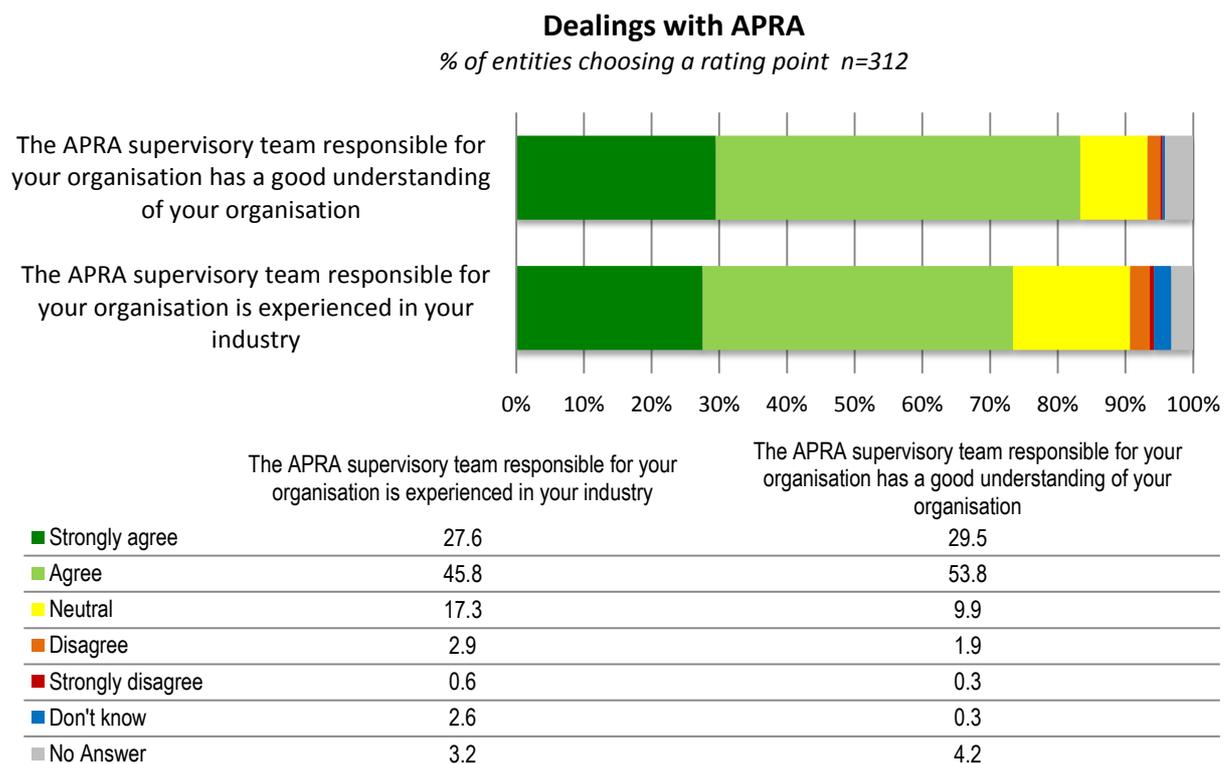
APRA staff

Respondents, on average, agreed that their APRA teams had good organisational and industry understanding.

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

APRA STAFF ITEMS – n=312	MEAN
The APRA supervisory team responsible for your organisation has a good understanding of your organisation	4.2
The APRA supervisory team responsible for your organisation is experienced in your industry	4.0

The chart below displays the frequency distribution for these items. Approximately 20% of respondents have mixed views about the industry experience of their APRA supervision team. This is a similar pattern to the previous survey. Entities that were members of a group were significantly more likely to give a lower rating for this item.



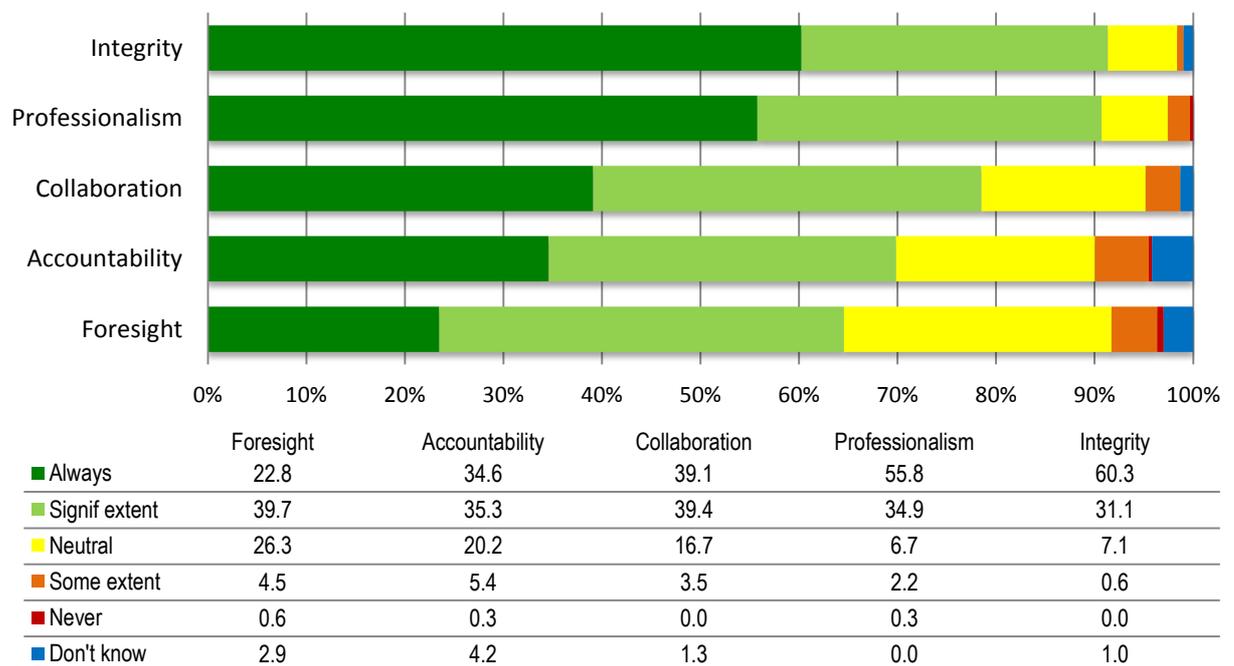
Demonstration of APRA's values

Similarly to the 2011 survey, APRA staff were highly rated for demonstrating the values of integrity and professionalism, and these two items are the top two rated items of the entire survey. The chart shows very few negative responses for this topic. There were relatively high neutral scores for accountability (20%) and foresight (26%) this may be related to the knowledge level of some staff, the type of decisions staff make and the flow on effects these have for regulated entities. Note that this topic used a different rating scale compared with most other topics in the survey.

Rating scale: 1=never demonstrate, 2=demonstrate to some extent, 3=neutral, 4=demonstrate to a significant extent, 5=always demonstrate

APRA VALUE ITEMS – n=312	MEAN
Integrity	4.5
Professionalism	4.4
Collaboration	4.2
Accountability	4.0
Foresight	3.8

Demonstration of APRA values
% of responding entities choosing a rating point n=312



Supervisory activities

The table below displays the 16 rated items in this topic, sorted from highest to lowest scoring. The endorsement of a single supervisory team for group entities is still rated very highly as it was in the previous survey. Ten of the 16 items about supervisory activities rated at the *agree* rating point or higher—a good result.

The item *During supervisory visits to your organisation, APRA supervisors focus on principles rather than detailed prescription* was the third lowest rated item in the entire survey. The items about consistency of supervision and being principles based during supervisory visits were the two lowest scoring items in this topic. Compared with 2011, in 2013 more items rated 4.0 or higher: six items in 2011 and 16 items in 2013. The two lowest rated items have not changed position since 2009.

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

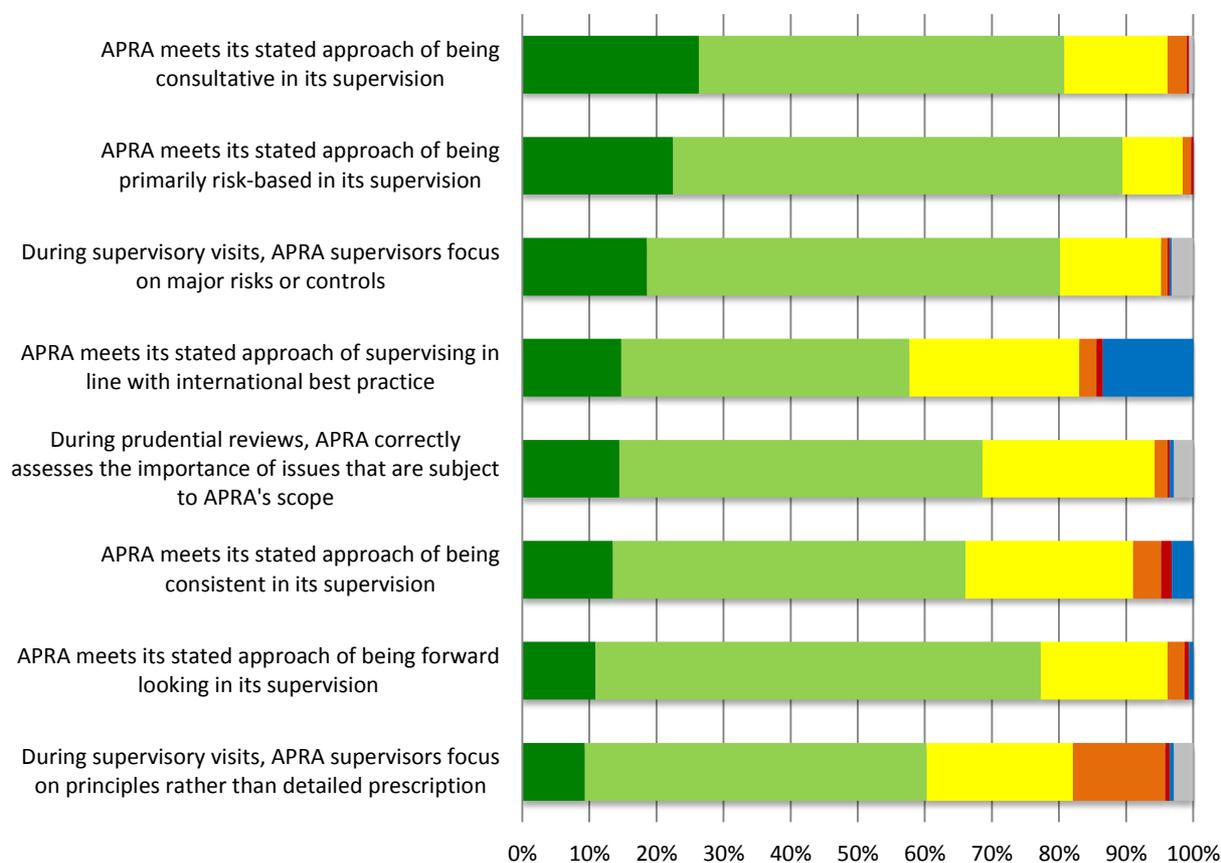
RATED ITEMS – n=312 unless otherwise stated below	MEAN
A single supervisory team responsible for all group companies is an appropriate way to supervise groups *	4.3
APRA is effective in communicating the findings of supervisory visits to your organisation	4.2
APRA's enforcement of its prudential requirements has had an impact on your industry	4.2
APRA's reports of prudential reviews provided to your organisation have the appropriate level of detail	4.1
APRA meets its stated approach of being primarily risk-based in its supervision	4.1
APRA effectively enforces its prudential requirements	4.1
APRA meets its stated approach of being consultative in its supervision	4.0
APRA's supervision practices have had a positive impact on your organisation's risk management practices over the past three years	4.0
During supervisory visits to your organisation, APRA supervisors focus on major risks or controls	4.0
APRA's recommendations and suggestions arising from its prudential review of your organisation are useful for your organisation	4.0
APRA's resolution of your organisation's technical and supervisory requests is satisfactory	3.9
APRA meets its stated approach of being forward looking in its supervision	3.8
During prudential reviews of your organisation, APRA correctly assesses the importance of issues that are subject to APRA requirements, recommendations or suggestions	3.8
APRA meets its stated approach of supervising in line with international best practice	3.8
APRA meets its stated approach of being consistent in its supervision	3.7
During supervisory visits to your organisation, APRA supervisors focus on principles rather than detailed prescription	3.6

**This item was asked only of group entities (n=160)*

The frequency distributions for items relating to supervisory activities have been presented as two separate charts on the following page and labelled as charts A and B. Chart A displays the higher scoring items. Note that some of the item wording has been truncated for the charts while full item wording appears in the table above. The item *APRA meets its stated approach of supervising in line with international best practice* has a high percentage of *don't know* responses—13.5%. Entity comments suggest that some respondents question exactly what international best practice is (it seems to be very subjective and flexible in definition), how it is measured and how APRA performs in relation to this.

Supervisory activities chart A

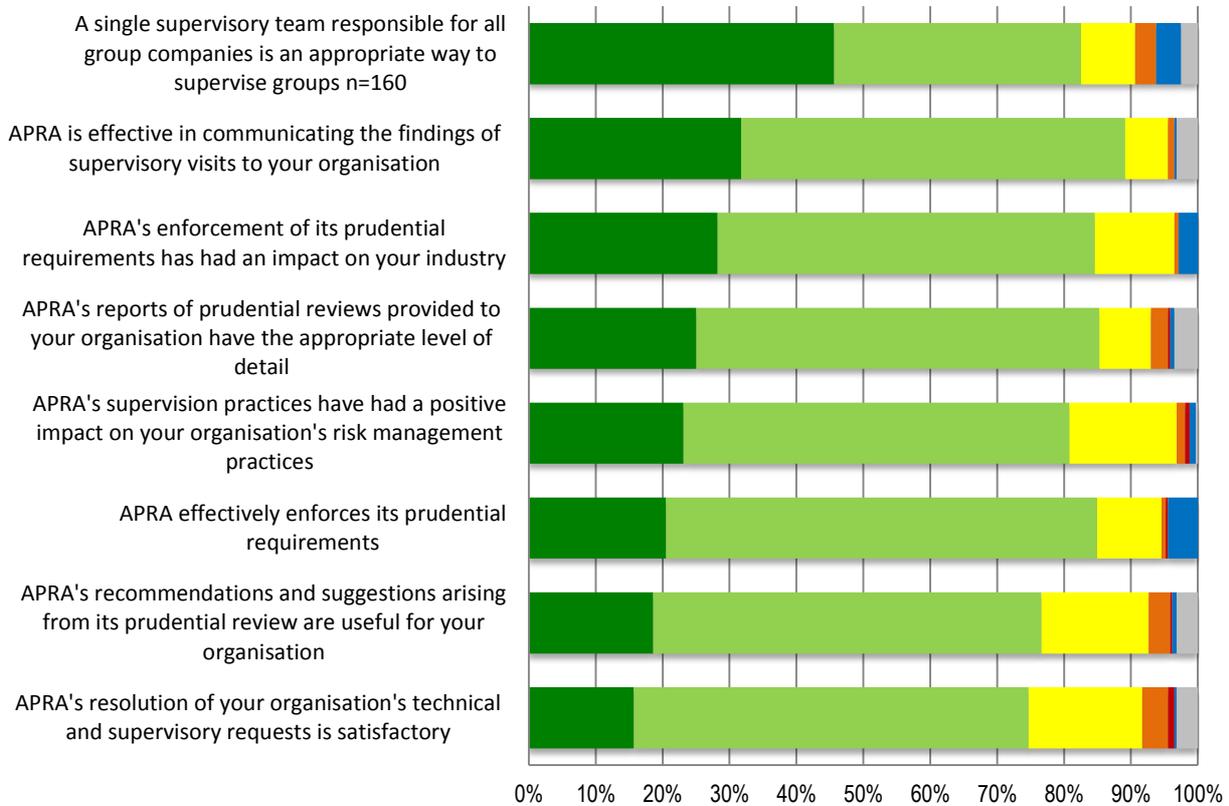
% of responding entities who chose a rating point (n=312)



	During supervisory visits, APRA supervisors focus on principles rather than detailed prescription	APRA meets its stated approach of being forward looking in its supervision	APRA meets its stated approach of being consistent in its supervision	During prudential reviews, APRA correctly assesses the importance of issues that are subject to APRA's scope	APRA meets its stated approach of supervising in line with international best practice	During supervisory visits, APRA supervisors focus on major risks or controls	APRA meets its stated approach of being primarily risk-based in its supervision	APRA meets its stated approach of being consultative in its supervision
Strongly agree	9.3	10.9	13.5	14.4	14.7	18.6	22.4	26.3
Agree	51.0	66.3	52.6	54.2	42.9	61.5	67.0	54.5
Neutral	21.8	18.9	25.0	25.6	25.3	15.1	9.0	15.4
Disagree	13.8	2.6	4.2	1.9	2.6	1.0	1.3	2.9
Strongly disagree	0.6	0.6	1.6	0.3	1.0	0.3	0.3	0.3
Don't know	0.6	0.6	3.2	0.6	13.5	0.3	0.0	0.0
No Answer	2.9	0.0	0.0	2.9	0.0	3.2	0.0	0.6

Supervisory activities chart B

% of responding entities who chose a rating point n=312 unless stated



	APRA's resolution of your organisation's technical and supervisory requests is satisfactory	APRA's recommendations and suggestions arising from its prudential review are useful for your organisation	APRA effectively enforces its prudential requirements	APRA's supervision practices have had a positive impact on your organisation's risk management practices	APRA's reports of prudential reviews provided to your organisation have the appropriate level of detail	APRA's enforcement of its prudential requirements has had an impact on your industry	APRA is effective in communicating the findings of supervisory visits to your organisation	A single supervisory team responsible for all group companies is an appropriate way to supervise groups n=160
■ Strongly agree	15.7	18.6	20.5	23.1	25.0	28.2	31.7	45.6
■ Agree	59.0	58.0	64.4	57.7	60.3	56.4	57.4	36.9
■ Neutral	17.0	16.0	9.6	16.0	7.7	11.9	6.4	8.1
■ Disagree	3.8	3.2	0.6	1.3	2.6	0.6	1.0	3.1
■ Strongly disagree	1.0	0.3	0.3	0.6	0.3	0.0	0.0	0.0
■ Don't know	0.3	0.6	4.5	1.0	0.6	2.9	0.3	3.8
■ No Answer	3.2	3.2	0.0	0.3	3.5	0.0	3.2	2.5

APRA's impact on risk management

Responding entities were asked to explain the nature of APRA's impact on risk management practices in their organisation over the past three years. Around 150 respondents provided a comment and a majority of these indicated a positive impact. The most frequently mentioned themes were:

Positive

- Improved internal processes, documentation

- Increased focus, accountability, awareness; especially at the board / senior level
- Helps to promote proactive risk management practices
- Promotes continual improvement

Negative

- Increased burden on entities
- Increased cost for entities
- APRA too prescriptive and overly cautious
- APRA inflexible, one size does not fit all

Exemptions and variations

In total 101 entities (32%) had requested an exemption or variation in the past 12 months. Only entities that had made such a request were asked to rate how well the request was handled.

Around 56% of respondents indicated APRA handled their request well or very well—a decrease from 81% in 2011.

HANDLING OF REQUEST FOR VARIATION OR EXEMPTION	FREQ	%
Very poorly	1	1.0
Poorly	5	5.0
Neutral	36	35.6
Well	34	33.7
Very well	23	22.8
Don't know / No answer	2	2.0
Total	101	100.0

Statistical collections

Amount of information

The majority of respondents indicated that the amount of statistical data collected by APRA was *about right* (67%), while 29% indicated that it was *too much* or *far too much*. This score has increased since 2011 where the figure for *too much/far too much* was 19%.

STATISTICAL COLLECTIONS	Freq	%
Too little	1	.3
About right	210	67.3
Too much	76	24.4
Far too much	13	4.2
No answer	12	3.8
Total	312	100.0

Providing/collecting information

The table below displays the mean scores for the rated items in this topic. Ease of use of the D2A is one of the lowest rated items in the survey and this has not changed over time.

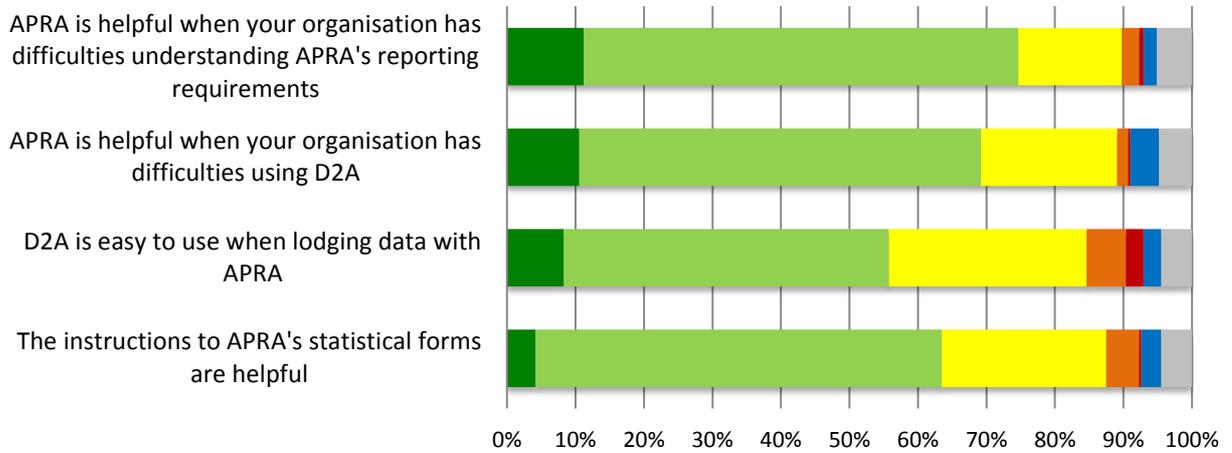
Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

INFORMATION n=312	MEAN
APRA is helpful when your organisation has difficulties understanding APRA's reporting requirements	3.9
APRA is helpful when your organisation has difficulties using D2A	3.9
The instructions to APRA's statistical forms are helpful	3.7
D2A is easy to use when lodging data with APRA	3.6

The chart below displays the frequency distribution of items in the table above.

Statistical collections and publications

% of responding entities choosing a rating point n=312



	The instructions to APRA's statistical forms are helpful	D2A is easy to use when lodging data with APRA	APRA is helpful when your organisation has difficulties using D2A	APRA is helpful when your organisation has difficulties understanding APRA's reporting requirements
Strongly agree	4.2	8.3	10.6	11.2
Agree	59.3	47.4	58.7	63.5
Neutral	24.0	28.8	19.9	15.1
Disagree	4.8	5.8	1.6	2.6
Strongly disagree	0.3	2.6	0.3	0.6
Don't know	2.9	2.6	4.2	1.9
No Answer	4.5	4.5	4.8	5.1

Statistical publications

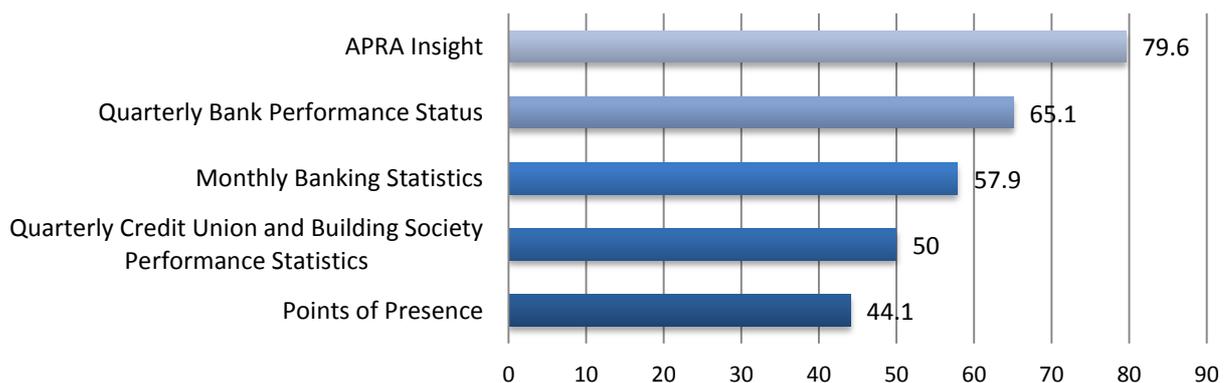
Respondents were asked to indicate the various APRA publications their organisation had used in the last 12 months.

APRA *Insight* is the most commonly used publication across all industry sectors, with the periodic bulletins heavily used by insurers of any type.

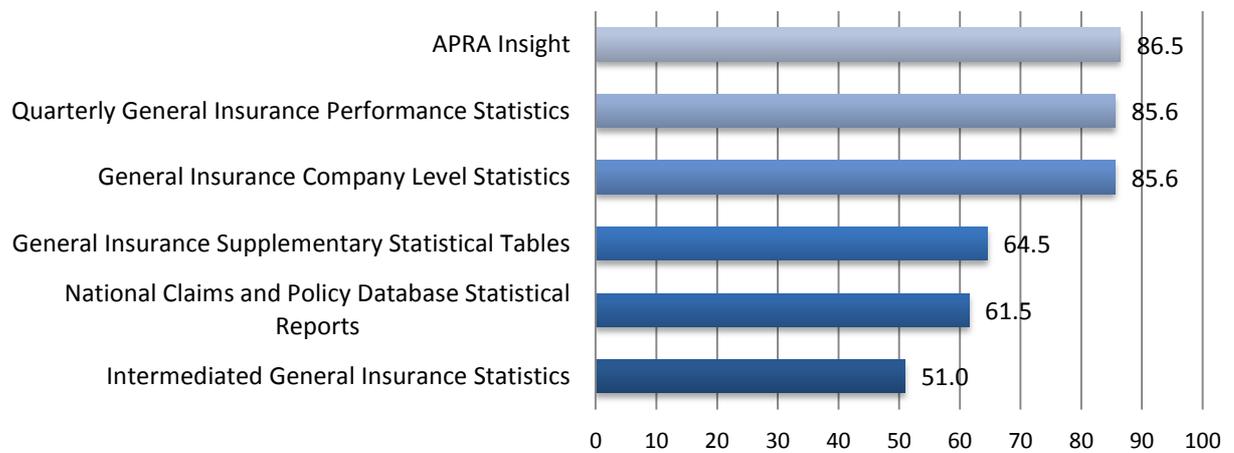
On average, respondents **rated the reliability** of APRA publications as *reliable* (mean 4.1) with 83% indicating they were reliable or very reliable.

ADI publications used in last 12 months

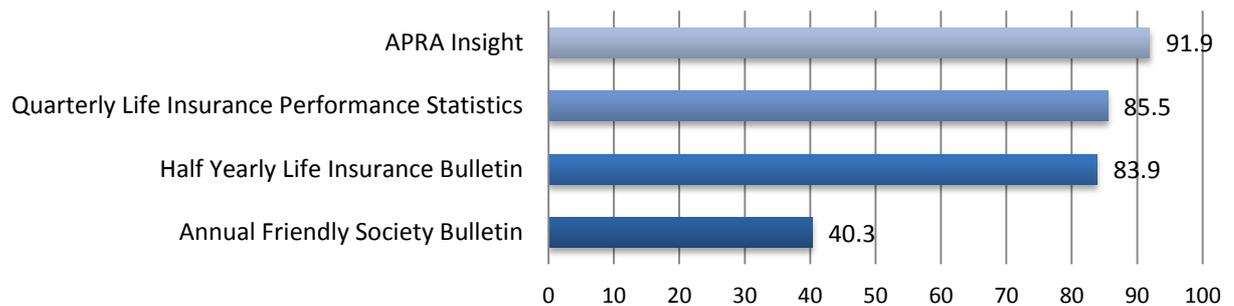
% of entities choosing a source - multiple answers allowed % based on n=152



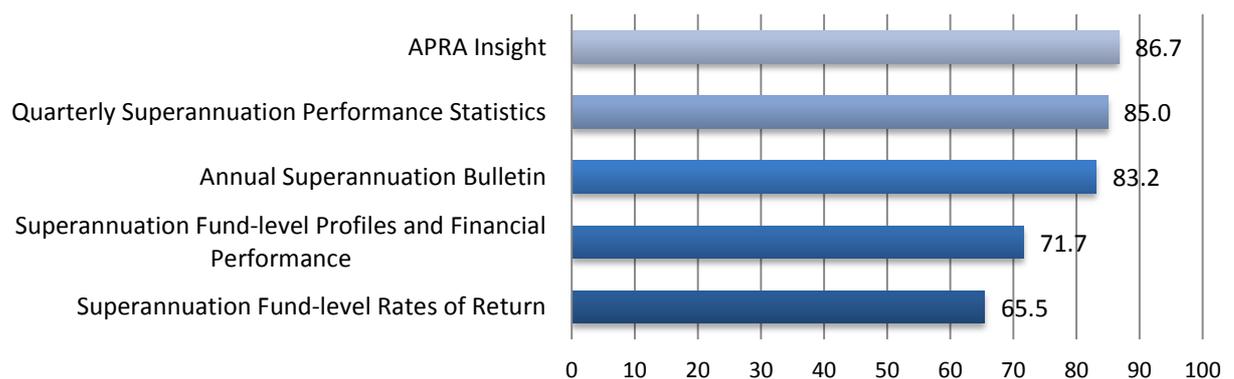
General insurance publications used in last 12 months
% of entities choosing a source - multiple answers allowed (% based on n=104)



Life insurance publications used in last 12 months
% of responding entities choosing a rating point (n=62)



Superannuation publications used in last 12 months
% of responding entities choosing a rating point (n=113)



How APRA publications are used

The four most commonly mentioned uses are displayed below. The top four uses have not changed since 2009 and uses in general have not changed from the previous survey.

- Industry trends / keeping up to date
- Benchmarking / market comparison

- General reference / training
- To find out what APRA is thinking.

Predicting effective enforcement

ASR conducted linear multiple regression across all rated items in the 2013 stakeholder survey data. We used the item *APRA effectively enforces its prudential requirements* as the dependent variable and all other rated items as independent variables.

After several iterations, nine items were identified that could be used to predict effective enforcement of prudential standards. Together these nine items account for 45% of the variation in the enforcement item. The items are presented below by order of their predictive strength:

- *APRA's supervision practices have had a positive impact on your organisation's risk management practices over the past three years*
- APRA's enforcement of its prudential requirements has had an impact on your industry
- APRA meets its stated approach of being consultative in its supervision
- The APRA supervisory team responsible for your organisation has a good understanding of your organisation
- APRA meets its stated approach of being consistent in its supervision
- APRA's recommendations and suggestions arising from its prudential review of your organisation are useful for your organisation
- APRA's prudential framework is effective in achieving APRA's mission
- APRA's resolution of your organisation's technical and supervisory requests is satisfactory
- *APRA's risk assessment of your organisation, as conveyed to you in review reports, is aligned with your organisation's own risk assessment.*

Of the nine items listed above only two items (italicised in the list above) were also found to predict effective enforcement in the 2011 survey. This year supervision and consultation are the areas where APRA needs to focus in order to be perceived as effectively enforcing its requirements. The item with the highest correlation to effective enforcement was *APRA's supervision practices have had a positive impact on your organisation's risk management practices over the past three years*. The correlation was .5 (using Pearson's r) which equates to a moderate correlation.

Industry comparison

When providing the respondent file, APRA allocated regulated entities to one of five industry sectors. This section compares the results for these sectors. However, because the responses from one of the groups, friendly societies, was so small, this group was excluded when calculating statistical difference for some items.

The sample size for friendly societies and life insurers was not sufficiently large to be representative at an acceptable confidence interval. Therefore, results should be treated with caution and as indicative only.

Cautions

When interpreting statistical significance, caution must be taken when comparative sub-groups have very different sizes. Large difference in sample sizes can affect the results of some statistical tests.

It is important to understand that statistically significant differences reflect underlying variations in scores rather than a difference in absolute amounts. For example, in some instances a difference of a tenth of a rating point in a mean score may be statistically significant, while a difference of a whole rating point between two mean scores may not be. So while some scores are quite different in absolute terms they may not be statistically significantly different and vice versa. Rounding also tends to add to what might seem a nonsensical result. Two items can have the same mean when rounded to a single decimal place, but they can still be significantly different.

The industry breakdown of respondents is displayed in the table below.

INDUSTRY	Freq	%
Trustees	90	30.6
ADIs	106	36.1
General Insurers	73	24.8
Life Insurers	16	5.4
Friendly Societies	9	3.1
Total	294	100.0

Industry - statistically significant differences

Of the 45 items that were rated using a five-point scale, only seven were statistically different at the 95% confidence level. See the table below. The pattern of results has changed since 2011 where there were 33 items that were statistically sufficiently different between groups. It suggests that groups are relatively more homogenous when it comes to most topics, especially when compared with last survey.

The area with the greatest amount of variation is around the demonstration of values by APRA staff. Friendly societies rated APRA significantly lower than other sectors for all values except professionalism. It needs to be noted that this result is indicative only for this sector due to its small sample size.

Legend: Blue bold indicates significantly higher (more positive) than other sectors, while yellow italics indicates significantly lower than other sectors (more negative).

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

INDUSTRY - SIGNIFICANTLY DIFFERENT ITEMS	ADI n=106	Friendly society n=9	General insurer n=73	Life insurer n=16	Trustee n=90
APRA staff demonstrate the value of integrity *	4.6	3.8	4.5	4.5	4.5
APRA staff demonstrate the value of collaboration *	4.3	3.4	4.0	3.9	4.3
APRA staff demonstrate the value of foresight *	4.0	3.0	3.8	3.8	3.9
APRA staff demonstrate the value of accountability *	4.2	3.2	3.8	3.9	4.1
During supervisory visits, APRA supervisors focus on major risks or controls	4.2	3.8	3.7	3.6	4.1
During prudential reviews, APRA correctly assesses the importance of issues that are subject to APRA requirements, recommendations or suggestions	4.0	3.7	3.8	3.3	3.8
APRA's recommendations and suggestions arising from its prudential review of your organisation are useful for your organisation	4.2	3.6	3.8	3.5	3.9

*based on rating scale of 1=never demonstrates, 2=demonstrates to some extent, 3=neutral, 4=demonstrates to a significant extent, 5=always demonstrates

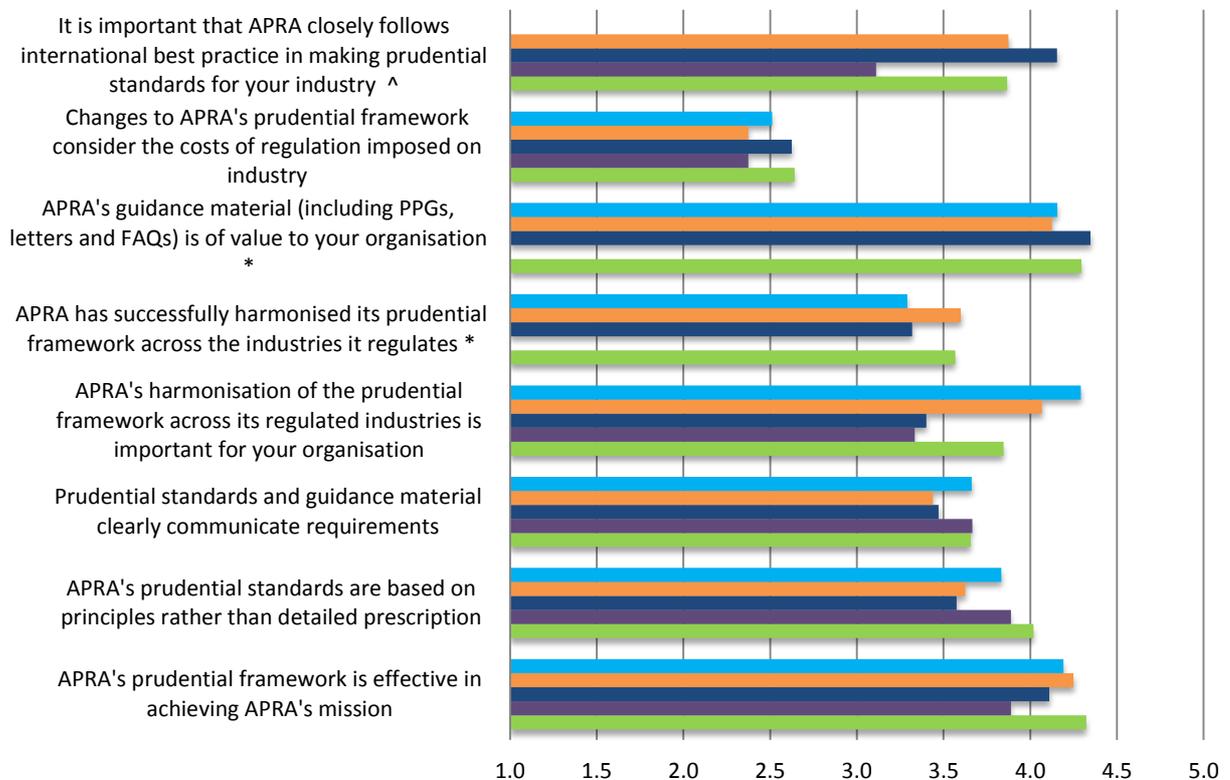
Industry - prudential requirements

The table below displays all rated items in the topic by industry sector. The majority of items were rated fairly similarly. Two items had a great deal of variation: *It is important that APRA closely follows international best practice in making prudential standards for your industry* and *APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation*. In both instances friendly societies had lower scores.

Prudential requirements

Industry means for each item

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree



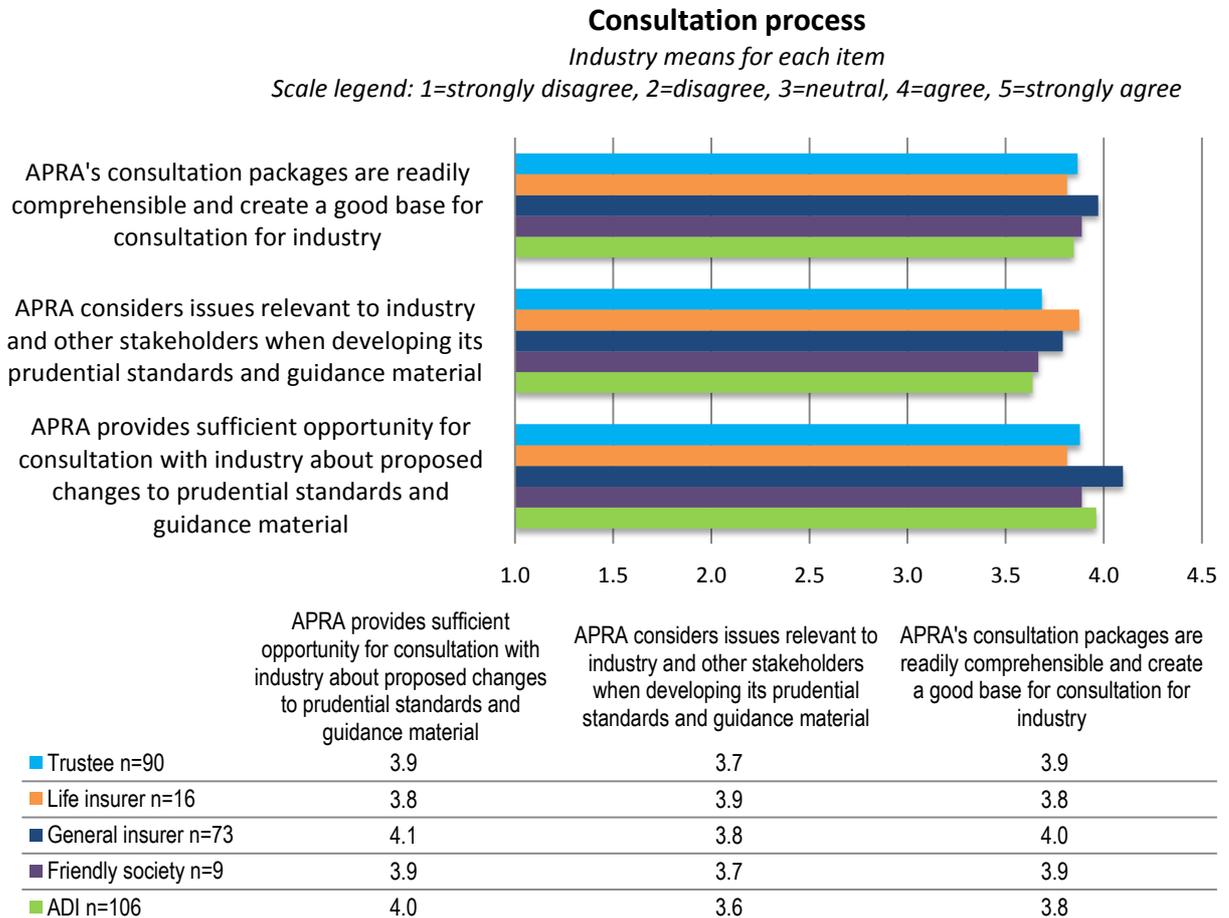
	APRA's prudential framework is effective in achieving APRA's mission	APRA's prudential standards are based on principles rather than detailed prescription	Prudential standards and guidance material clearly communicate requirements	APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation	APRA has successfully harmonised its prudential framework across the industries it regulates *	APRA's guidance material (including PPGs, letters and FAQs) is of value to your organisation *	Changes to APRA's prudential framework consider the costs of regulation imposed on industry	It is important that APRA closely follows international best practice in making prudential standards for your industry ^
Trustee n=90	4.2	3.8	3.7	4.3	3.3	4.2	2.5	
Life insurer n=16	4.3	3.6	3.4	4.1	3.6	4.1	2.4	3.9
General insurer n=73	4.1	3.6	3.5	3.4	3.3	4.3	2.6	4.2
Friendly society n=9	3.9	3.9	3.7	3.3			2.4	3.1
ADI n=106	4.3	4.0	3.7	3.8	3.6	4.3	2.6	3.9

*Sample too small to include result for friendly societies

^This item was asked of all entities except trustees (n=222)

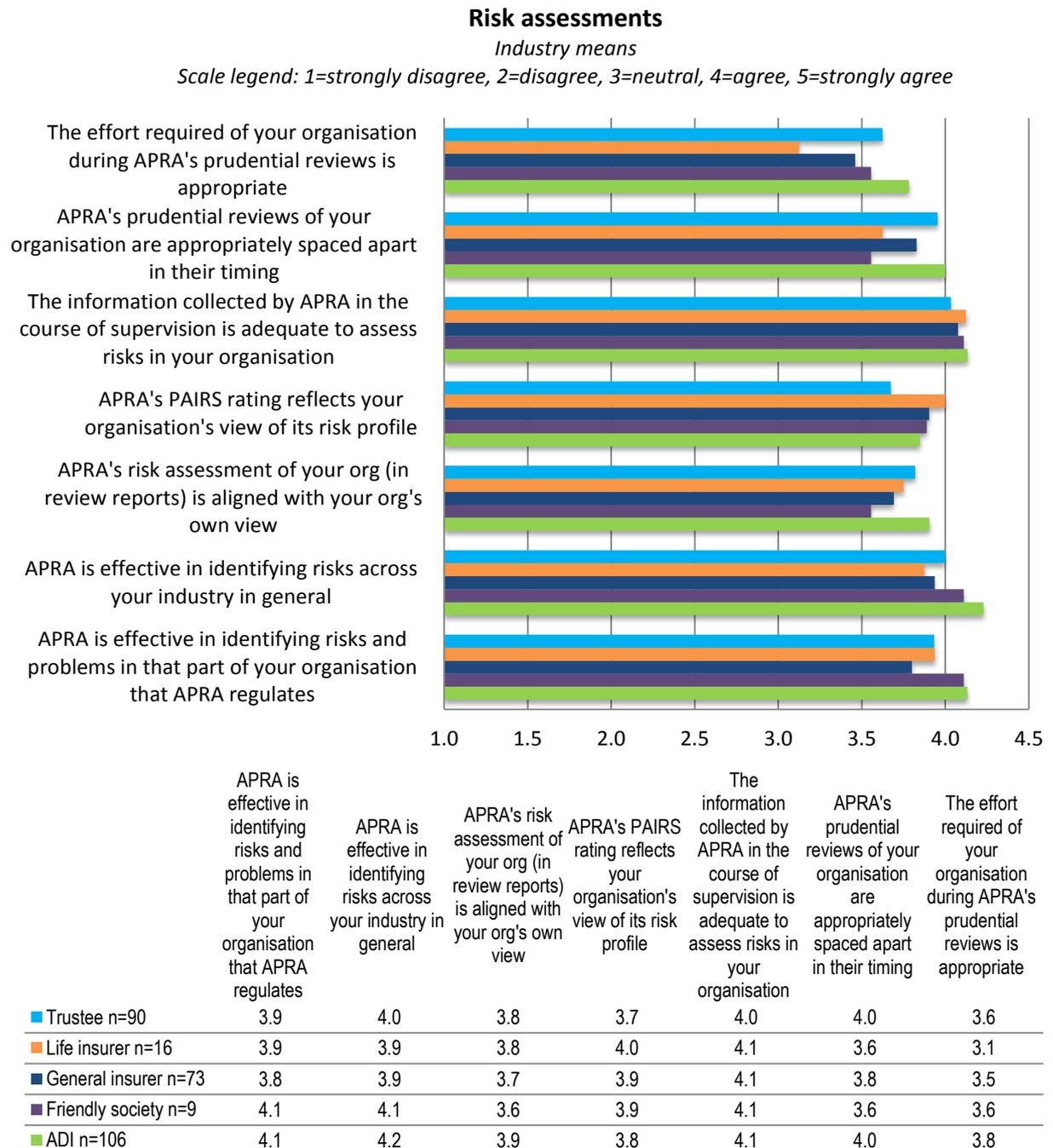
Industry - consultation process

There were some differences around consultation: general insurers rated two of the three items in this topic slightly more positively than other sectors.



Industry - risk assessments

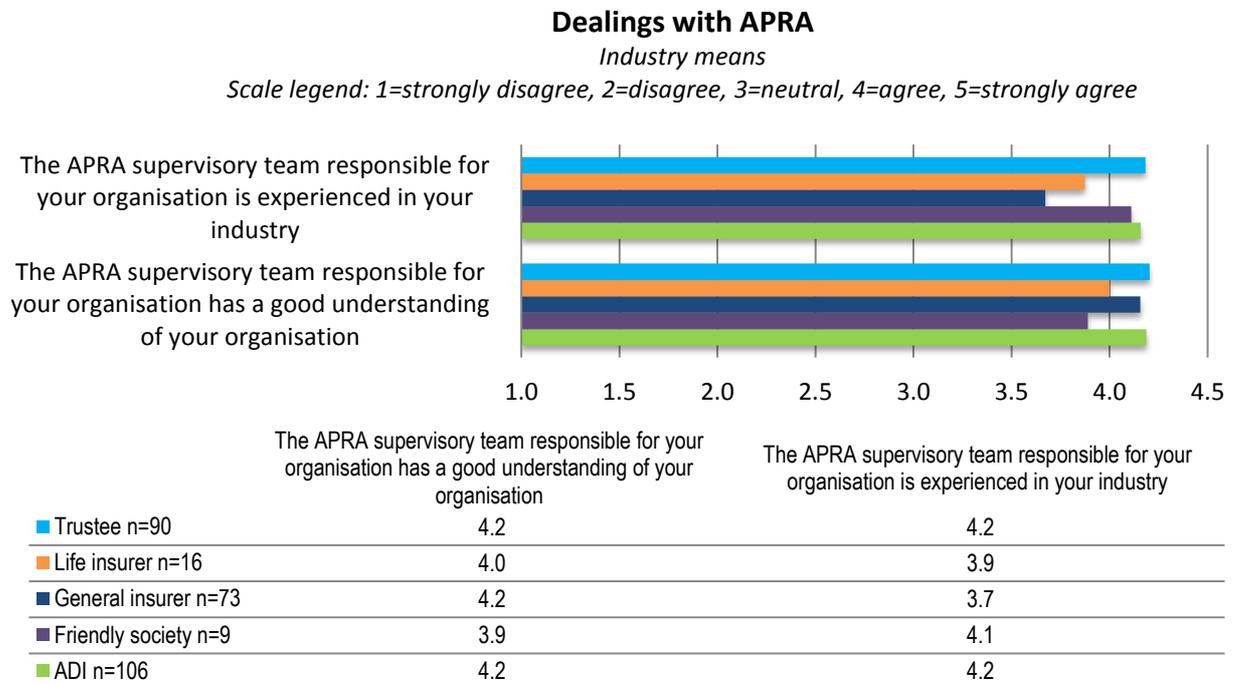
Within the topic of risk assessments there were some differences across industries, particularly in relation to the amount of effort required during reviews. Life insurers took a more negative view on this item which was the same as in 2009 and 2011.



Industry - dealings with APRA

Understanding and experience

Trustees and ADI's rated this topic consistently highly. General insurers were more negative when rating their supervisory team's experience in the industry compared to other groups.



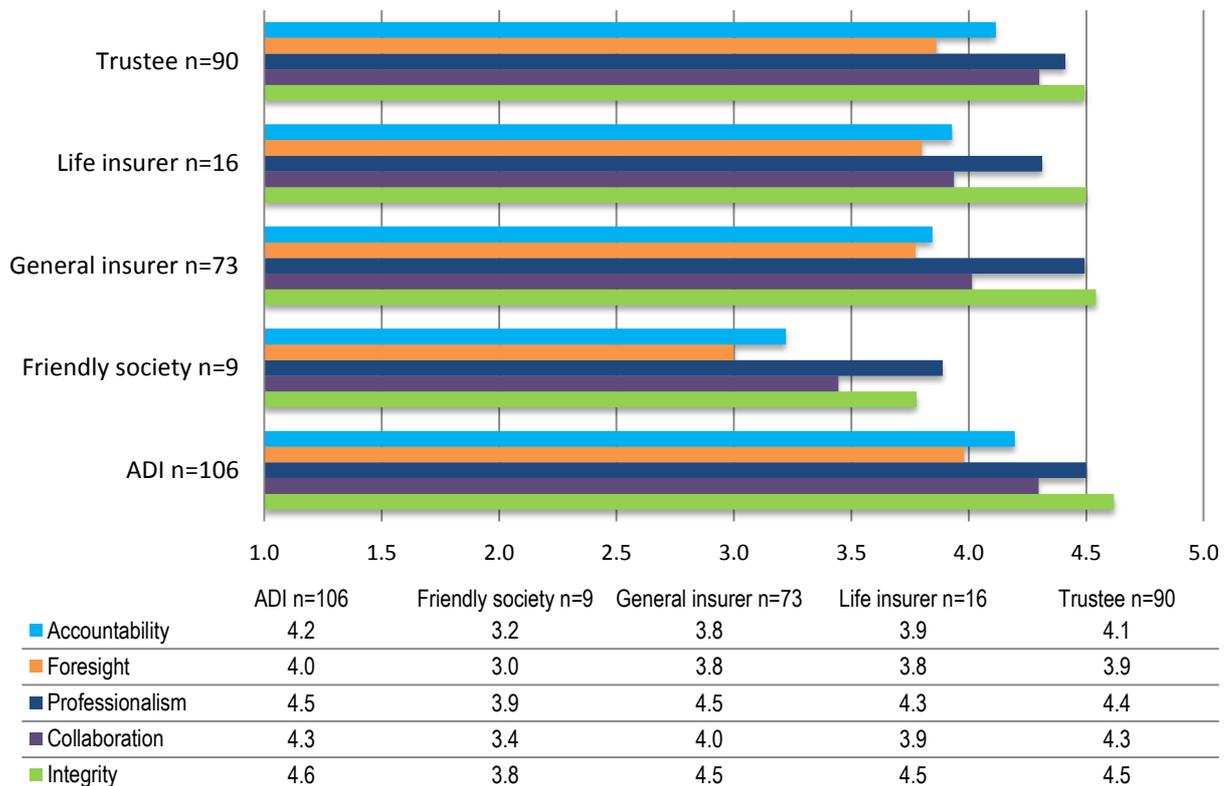
Industry - demonstration of APRA's values

APRA staff's demonstration of values were rated highly across all industries with the exception of friendly societies where these ratings were significantly low. Note that this group had a small sample size, so one or two negative views affect the overall result considerably. ADIs gave APRA staff the highest rating for each value when compared with other groups. There was a difference of a full rating point between ADIs and friendly societies for the value *foresight*. Integrity was the highest rated survey item for all industries except friendly societies.

Demonstration of APRA's values

Industry means

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree



Industry - supervisory activities

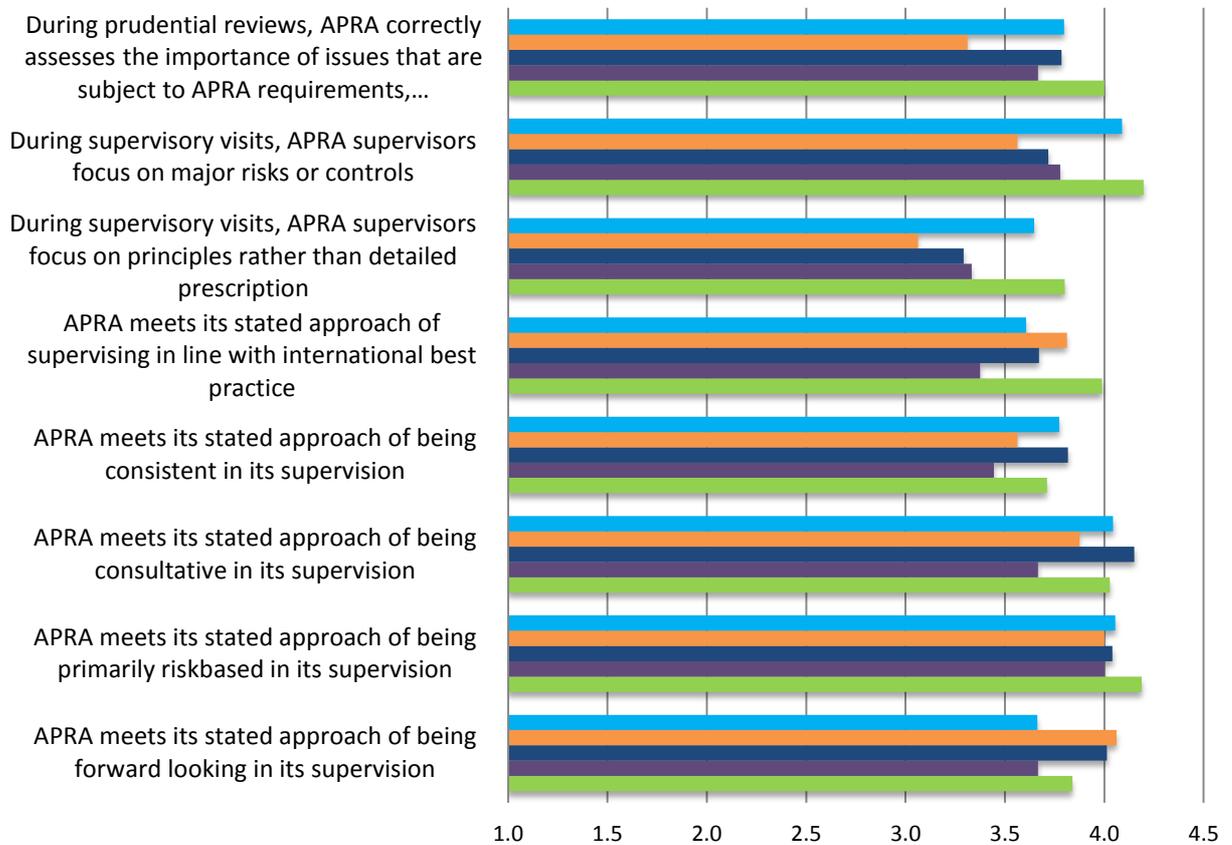
In terms of differences, life insurers are more positive about APRA being forward looking in its supervision compared with other groups. There were three items that were statistically significantly different in this topic and life insurers rated lower on these items compared to other groups. Conversely, ADIs rate significantly higher than other groups for these three items. The items were:

- *During supervisory visits, APRA supervisors focus on major risks or controls* (refer to Chart A below)
- *During prudential reviews, APRA correctly assesses the importance of issues that are subject to APRA requirements* (refer to Chart A below)
- *APRA's recommendations and suggestions arising from its prudential review of your organisation are useful for your organisation recommendations or suggestions* (refer to Chart B below).

Supervisory activities chart A

Industry means

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

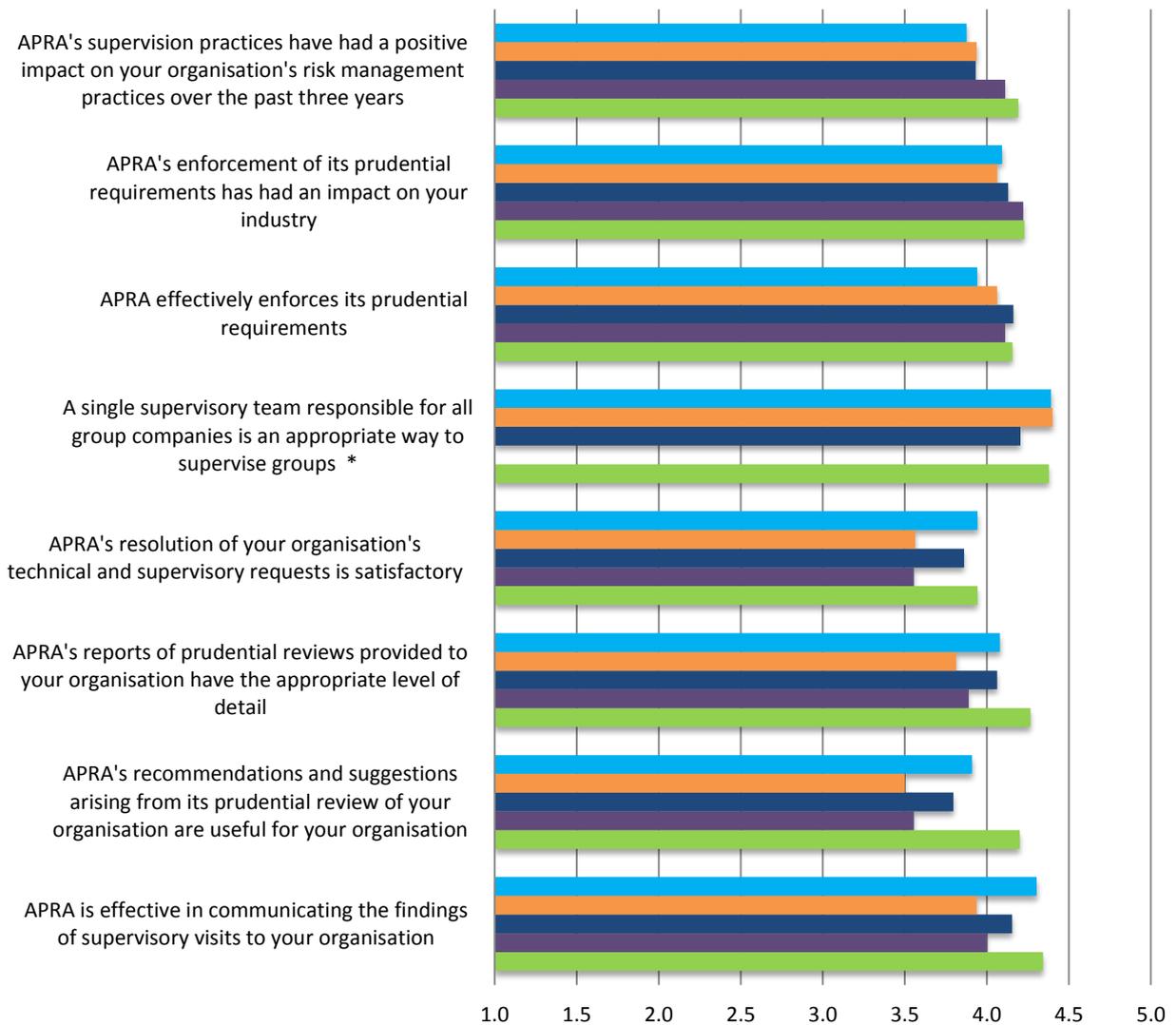


	APRA meets its stated approach of being forward looking in its supervision	APRA meets its stated approach of being primarily riskbased in its supervision	APRA meets its stated approach of being consultative in its supervision	APRA meets its stated approach of being consistent in its supervision	APRA meets its stated approach of supervising in line with international best practice	During supervisory visits, APRA supervisors focus on principles rather than detailed prescription	During supervisory visits, APRA supervisors focus on major risks or controls	During prudential reviews, APRA correctly assesses the importance of issues that are subject to APRA requirements
Trustee n=90	3.7	4.1	4.0	3.8	3.6	3.6	4.1	3.8
Life insurer n=16	4.1	4.0	3.9	3.6	3.8	3.1	3.6	3.3
General insurer n=73	4.0	4.0	4.2	3.8	3.7	3.3	3.7	3.8
Friendly society n=9	3.7	4.0	3.7	3.4	3.4	3.3	3.8	3.7
ADI n=106	3.8	4.2	4.0	3.7	4.0	3.8	4.2	4.0

Supervisory activities chart B

By industry mean scores

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree



	APRA is effective in communicating the findings of supervisory visits to your organisation	APRA's recommendations and suggestions arising from its prudential review of your organisation are useful for your organisation	APRA's reports of prudential reviews provided to your organisation have the appropriate level of detail	APRA's resolution of your organisation's technical and supervisory requests is satisfactory	A single supervisory team responsible for all group companies is an appropriate way to supervise groups *	APRA effectively enforces its prudential requirements	APRA's enforcement of its prudential requirements has had an impact on your industry	APRA's supervision practices have had a positive impact on your organisation's risk management practices over the past three years
Trustee n=90	4.3	3.9	4.1	3.9	4.4	3.9	4.1	3.9
Life insurer n=16	3.9	3.5	3.8	3.6	4.4	4.1	4.1	3.9
General insurer n=73	4.2	3.8	4.1	3.9	4.2	4.2	4.1	3.9
Friendly society n=9	4.0	3.6	3.9	3.6		4.1	4.2	4.1
ADI n=106	4.3	4.2	4.3	3.9	4.4	4.2	4.2	4.2

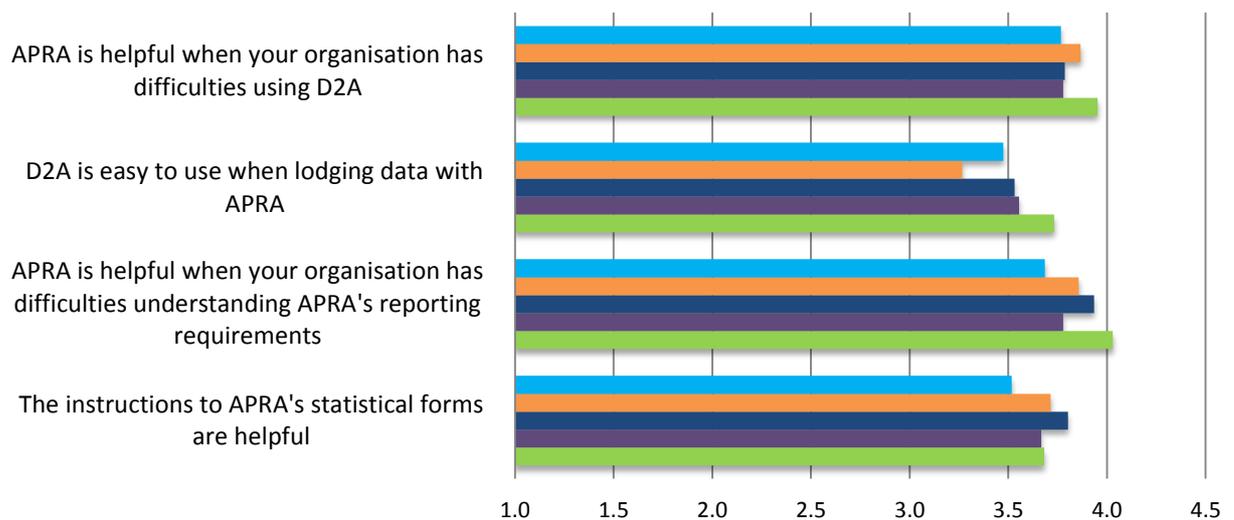
*This item was only asked of respondents who were part of a group

Industry - statistical collections and publication reliability

Most items in this topic scored similarly across industries, but with ADIs having slightly more positive scores on three of the four items in this topic.

Statistical collections & publication reliability

Industry means Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree while * used 5 point scale of very unreliable to very reliable



	The instructions to APRA's statistical forms are helpful	APRA is helpful when your organisation has difficulties understanding APRA's reporting requirements	D2A is easy to use when lodging data with APRA	APRA is helpful when your organisation has difficulties using D2A
Trustee n=90	3.5	3.7	3.5	3.8
Life insurer n=16	3.7	3.9	3.3	3.9
General insurer n=73	3.8	3.9	3.5	3.8
Friendly society n=9	3.7	3.8	3.6	3.8
ADI n=106	3.7	4.0	3.7	4.0

Group comparison

This section discusses only those items that were statistically significant different between group and non-group entities and where both group and non-group entities answered the same questions. The item with the most variation between sub-groups was *It is important to your organisation that APRA closely follows international best practice in making prudential standards for your industry*. Groups rated this item half a rating point higher than non-groups.

Apart from this single item none of the other differences are very large.

The items in the table below come from a mix of topics within the survey. Within these significantly different items there is a focus on supervision and consultation. The table is sorted by group high to low means.

*Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree while * items used a 5 point never-always scale*

GROUPS - SIGNIFICANTLY DIFFERENT ITEMS	NON -GROUP n=152	GROUP n=160
It is important to your organisation that APRA closely follows international best practice in making prudential standards for your industry	3.6	4.1
The APRA supervisory team responsible for your organisation has a good understanding of your organisation	4.2	4.1
APRA's reports of prudential reviews provided to your organisation have the appropriate level of detail	4.2	4.1
APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material	3.9	4.0
APRA's supervision practices have had a positive impact on your organisation's risk management practices over the past three years	4.1	4.0
APRA is helpful when your organisation has difficulties understanding APRA's reporting requirements	3.8	4.0
APRA's PAIRS rating reflects your organisation's view of its risk profile	3.7	3.9
The APRA supervisory team responsible for your organisation is experienced in your industry	4.2	3.9
APRA meets its stated approach of being forward looking in its supervision	3.8	3.9
APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material	3.6	3.8
APRA's prudential reviews of your organisation are appropriately spaced apart in their timing	4.0	3.8
APRA meets its stated approach of being consistent in its supervision	3.7	3.8
APRA's prudential standards are based on principles rather than detailed prescription	3.9	3.7
During prudential reviews of your organisation, APRA correctly assesses the importance of issues that are subject to APRA requirements, recommendations or suggestions	3.9	3.7
The instructions to APRA's statistical forms are helpful	3.6	3.7
During supervisory visits to your organisation, APRA supervisors focus on principles rather than detailed prescription	3.7	3.4

Year comparison

The year comparison is split into two sections. The first discusses items that were significantly different between 2011 and 2013. The second section outlines trends that have occurred since the first stakeholder survey in 2009 and looks at all three survey periods.

Statistically significant differences with 2011

Of the 45 comparable items, 16 were statistically significantly different between 2013 and 2011. Two items had a difference of at least half a rating point between survey periods. Both items related to harmonisation: the score for *APRA has successfully harmonised its prudential framework across the industries it regulates* has increased and the score for *APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation* has decreased. As a pattern, items that were different relate to consultation, supervision, harmonisation and risk.

The table below displays the significantly different items. The table is sorted by 2013 high to low means. Many of the changes, while statistically significant, were not large.

Yellow highlight indicates reduction in 2013 score

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

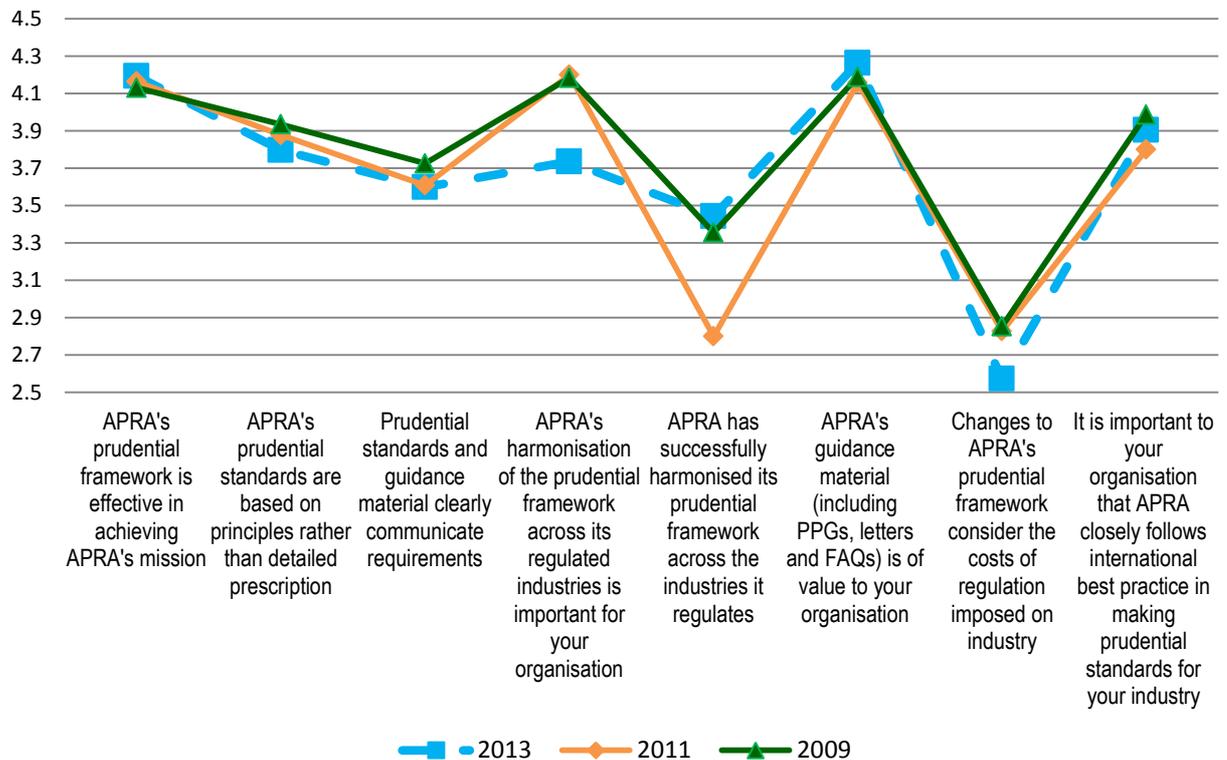
2013-2011 - SIGNIFICANTLY DIFFERENT ITEMS	2011 n=369	2013 n=312
A single supervisory team responsible for all group companies is an appropriate way to supervise groups	4.6	4.3
APRA is effective in communicating the findings of supervisory visits to your organisation	4.1	4.2
APRA is effective in identifying risks across your industry in general	3.9	4.1
APRA's reports of prudential reviews provided to your organisation have the appropriate level of detail	4.0	4.1
APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material	3.9	4.0
APRA is effective in identifying risks and problems in that part of your organisation that APRA regulates	3.8	4.0
APRA meets its stated approach of being consultative in its supervision	3.9	4.0
During supervisory visits to your organisation, APRA supervisors focus on major risks or controls	3.9	4.0
APRA's consultation packages are readily comprehensible and create a good base for consultation for industry	3.8	3.9
APRA's prudential standards are based on principles rather than detailed prescription	3.9	3.8
APRA's PAIRS rating reflects your organisation's view of its risk profile	3.6	3.8
APRA's harmonisation of the prudential framework across its regulated industries is important for your organisation	4.2	3.7
APRA meets its stated approach of being consistent in its supervision	3.6	3.7
The instructions to APRA's statistical forms are helpful	3.6	3.7
APRA has successfully harmonised its prudential framework across the industries it regulates	2.8	3.4
Changes to APRA's prudential framework consider the costs of regulation imposed on industry	2.8	2.6

The following series of charts display the mean scores of comparable items over APRA's three stakeholder surveys. Charts are grouped by topic. The location of items within topics has not changed over time. As a general pattern scores have remained fairly stable over time with very few large fluctuations.

Note the scale when comparing differences as sometimes an apparently large gap between one line and another may only be a small difference in the mean scale.

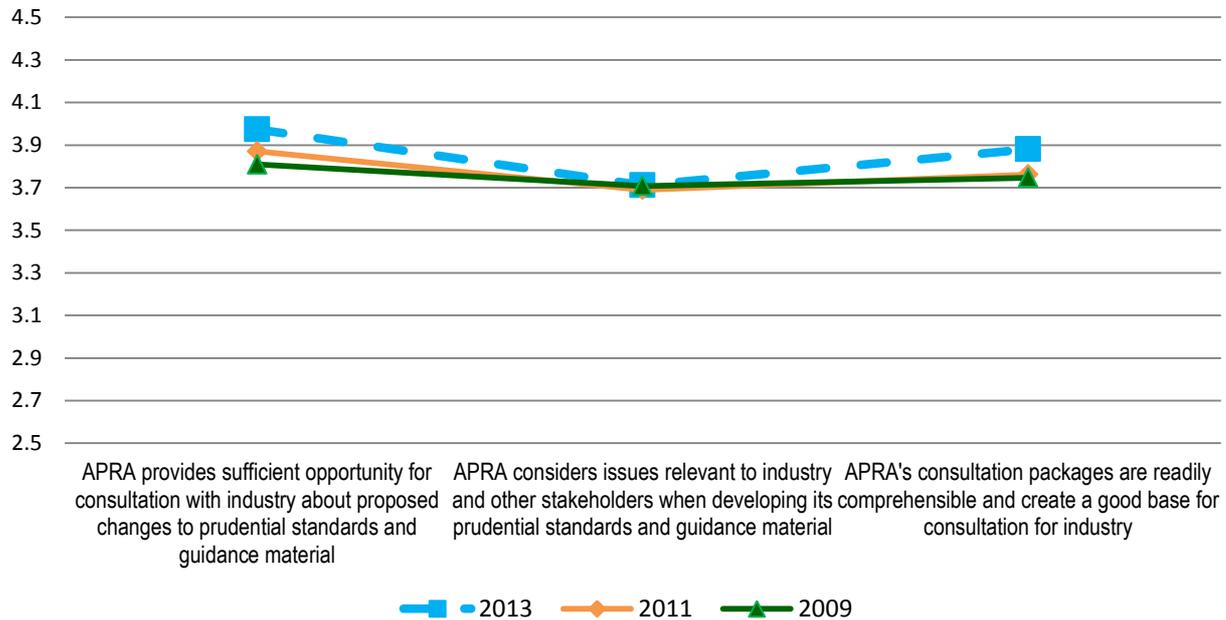
Prudential requirements

By year - means



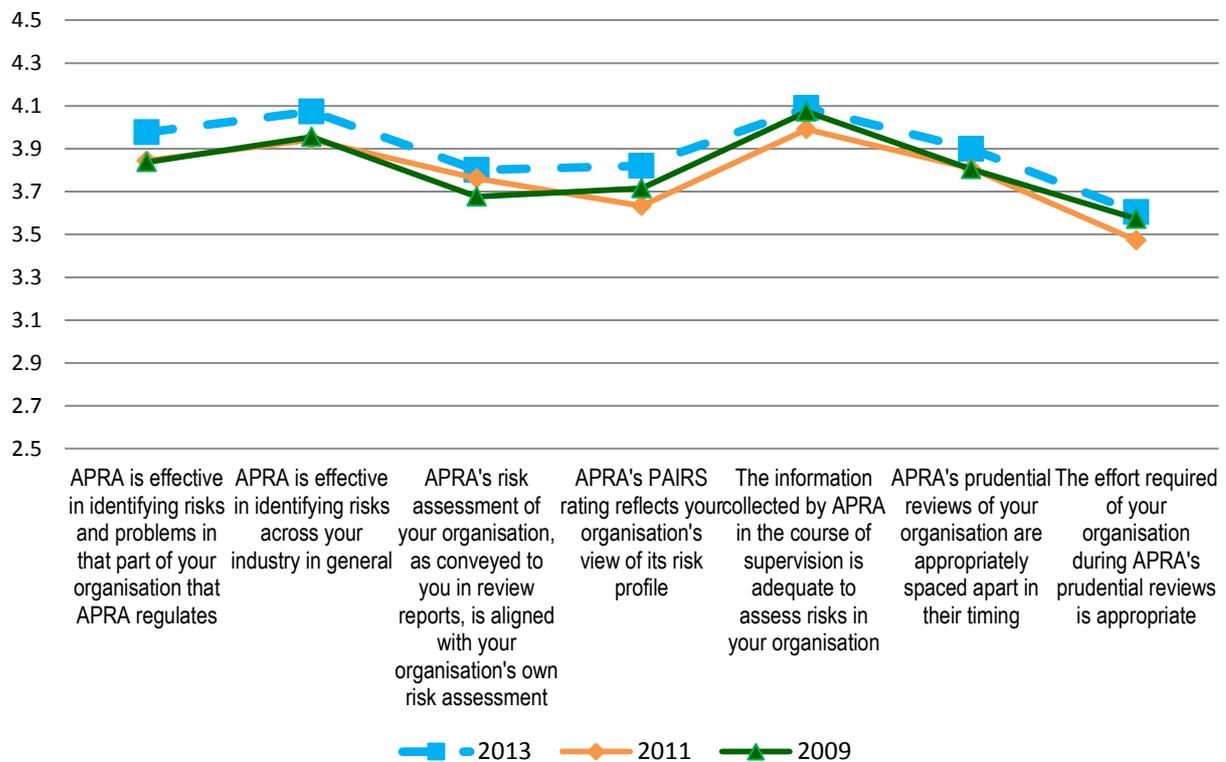
Consultation process

By year - means



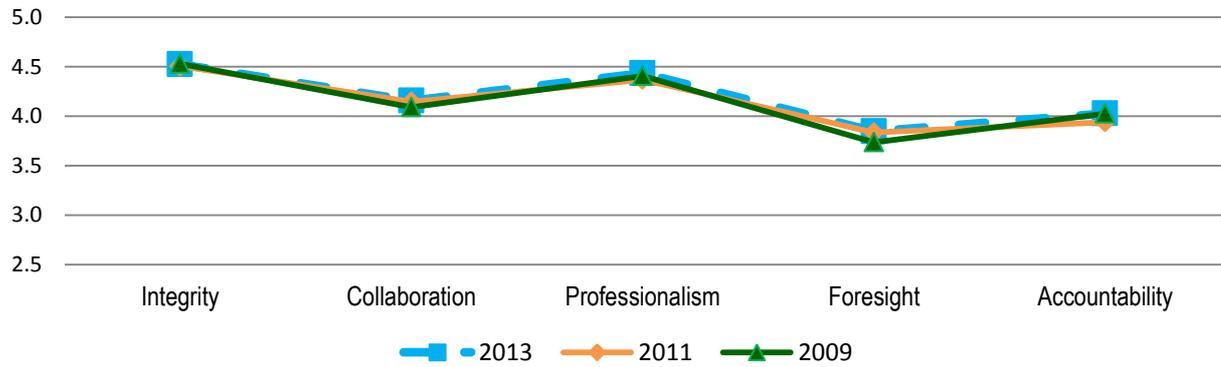
Risk assessments

By year - means



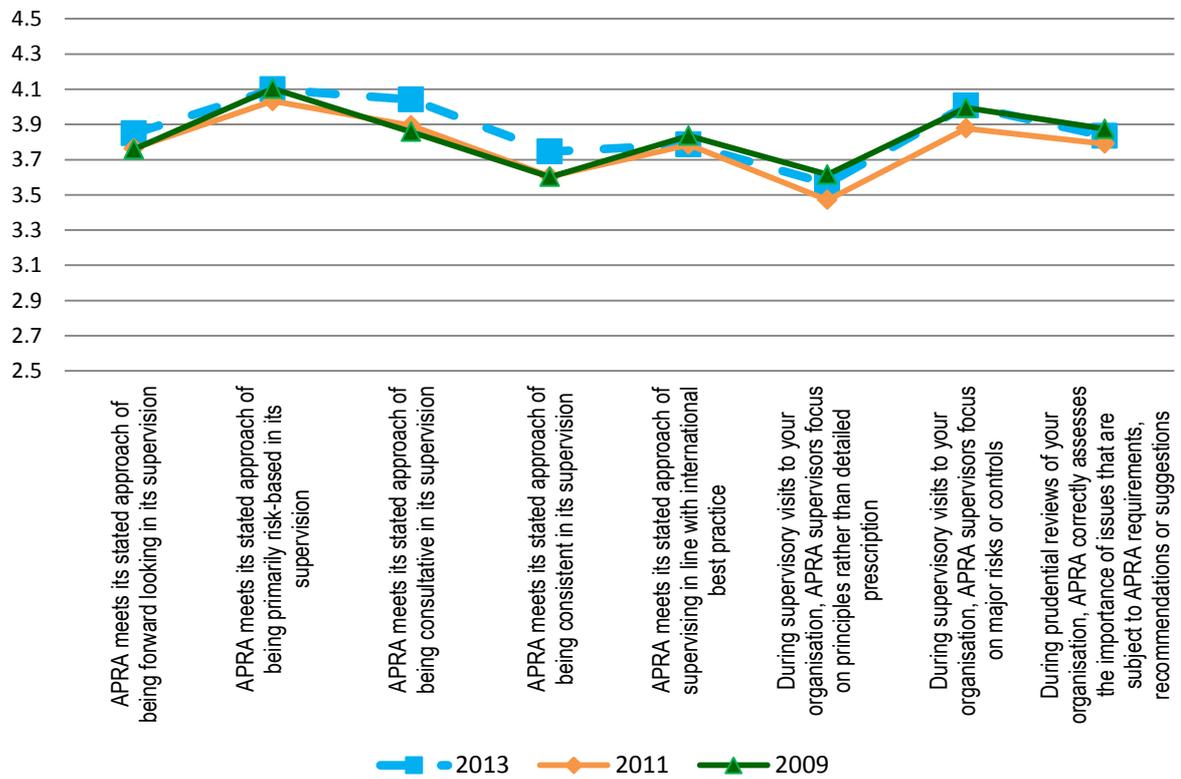
Dealings with APRA

By year - mean score



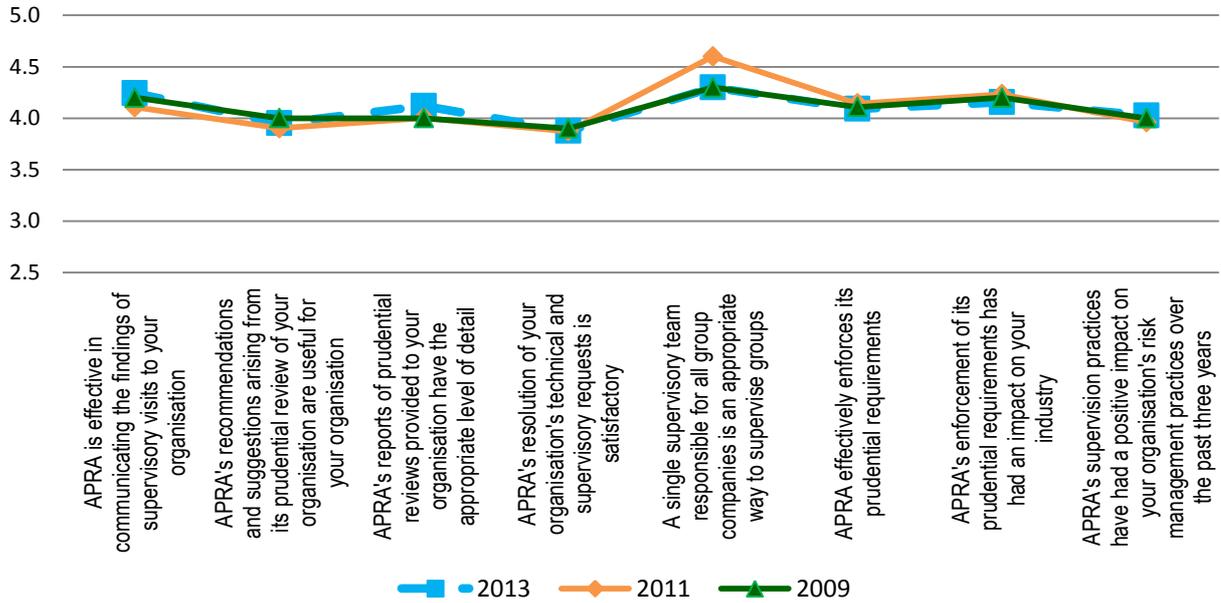
Supervisory activities chart A

By year - means



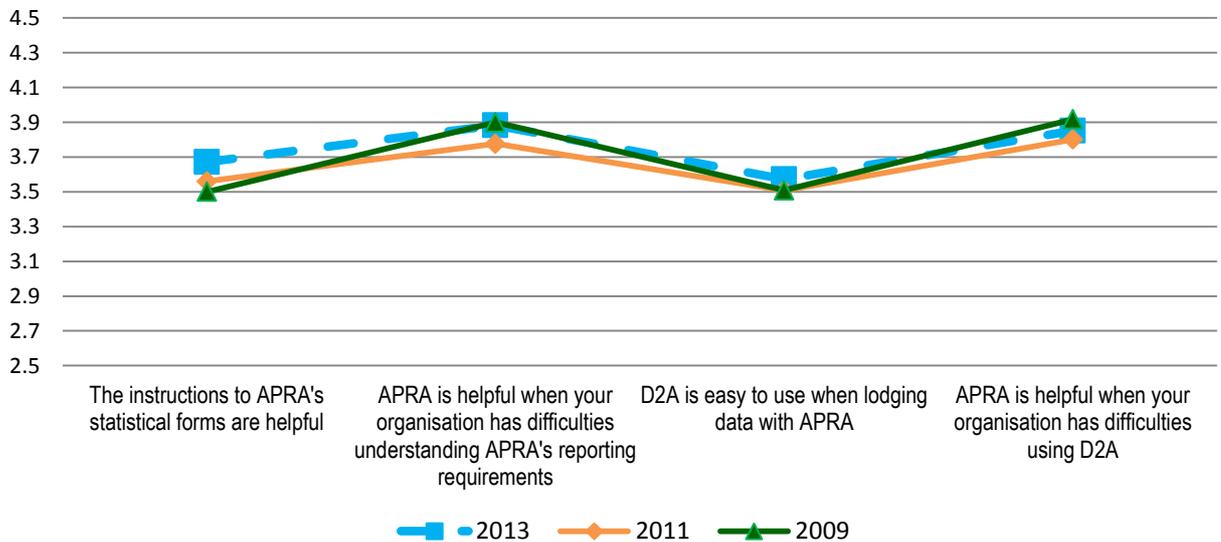
Supervisory activities chart B

By year - mean scores



Statistical collections & publications reliability

By year - means



Knowledgeable observers

Overview

A range of knowledgeable observers (KOs) was invited to participate in the stakeholder survey, including industry representatives as well as appointed actuaries and auditors on APRA's contacts database.

APRA provided ASR with a list of 205 knowledgeable observers. Some were from the same organisation and some of these people chose a designated person to answer once from that organisation, while others were not available to answer during the survey period or were no longer working in Australia and/or in the industry.

Because of the way in which knowledgeable observers were selected and the ways in which they chose to answer/not answer, it is difficult to obtain an accurate count of the total knowledgeable observer population in Australia. It is more important that 58 people responded and that this about the same number of KOs who answered in 2011.

The knowledgeable observer survey was based on the regulated entities' survey but much shorter. The KO questions were changed slightly to reflect a broader perspective than a single organisation.

ASR conducted analysis of knowledgeable observer results over the three survey periods and found no statistically significant differences. This year comparison analysis has not been included in the full report but has been provided to APRA as a separate document.

Comparison with regulated entities

There are nine statistically different items between knowledgeable observers and regulated entities. Generally, knowledgeable observers gave lower ratings for items about APRA staff and higher ratings for all other items. This may be because they have less to do with APRA's supervisory staff on an operational level and/or they may not always agree with APRA staff members' points of view.

Knowledgeable observers endorse the regulatory framework and its implementation, APRA's guidance material and the effect of its enforcement on regulated institutions.

Scale legend: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree
Yellow and bold indicates an item is statistically significantly different between two groups

KO-REGULATED ENTITY COMPARABLE ITEMS	KOs n=58	REGULATED ENTITIES n=312
APRA's prudential framework is effective in achieving APRA's mission	4.4	4.2
APRA's prudential standards are based on principles rather than detailed prescription	3.9	3.8
Prudential standards and guidance material clearly communicate requirements	3.9	3.6
APRA's guidance material (including PPGs, letters and FAQs) is of value to your organisation	4.3	4.3
Changes to APRA's prudential framework consider the costs of regulation imposed on APRA regulated institutions	2.9	2.6
APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material	4.1	4.0
APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material	3.9	3.7
APRA's consultation packages are readily comprehensible and create a good base for consultation for industry	4.0	3.9
APRA staff's demonstration of the value integrity	4.4	4.5

KO-REGULATED ENTITY COMPARABLE ITEMS	KOs n=58	REGULATED ENTITIES n=312
APRA staff's demonstration of the value collaboration	3.8	4.2
APRA staff's demonstration of the value professionalism	4.2	4.4
APRA staff's demonstration of the value foresight	3.6	3.8
APRA staff's demonstration of the value accountability	3.7	4.0
APRA meets its stated approach of being forward looking in its supervision	4.0	3.8
APRA meets its stated approach of being primarily risk-based in its supervision	4.1	4.1
APRA meets its stated approach of being consultative in its supervision	4.0	4.0
APRA meets its stated approach of being consistent in its supervision	3.7	3.7
APRA meets its stated approach of supervising in line with international best practice	4.1	3.8
A single supervisory team responsible for all group companies is an appropriate way to supervise groups	3.9	4.3
APRA effectively enforces its prudential requirements	4.1	4.1
APRA's enforcement of its prudential requirements has had an impact on regulated institutions	4.4	4.2

*Based on 5 point never-always scale

^Based 5 point very unreliable to very reliable scale

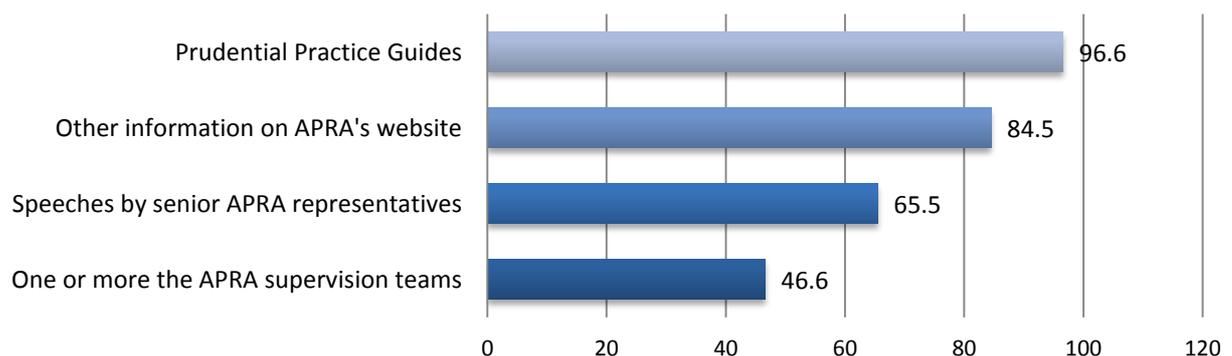
The three highest rated items in the knowledgeable observer survey are presented in the table below. These items were also the three highest rated in the 2011 knowledgeable observer survey.

ITEM n=58	MEAN
APRA's prudential framework is effective in achieving APRA's mission	4.4
APRA staff's demonstration of the value integrity	4.4
APRA's enforcement of its prudential requirements has had an impact on regulated institutions	4.4

In terms of information sources, knowledgeable observers most commonly used APRA's prudential practice guides and the other APRA website information. The most obvious difference when compared with regulated entities was the reduced use of APRA supervision teams by knowledgeable observers, which is understandable.

Guidance sources used by knowledgeable observers

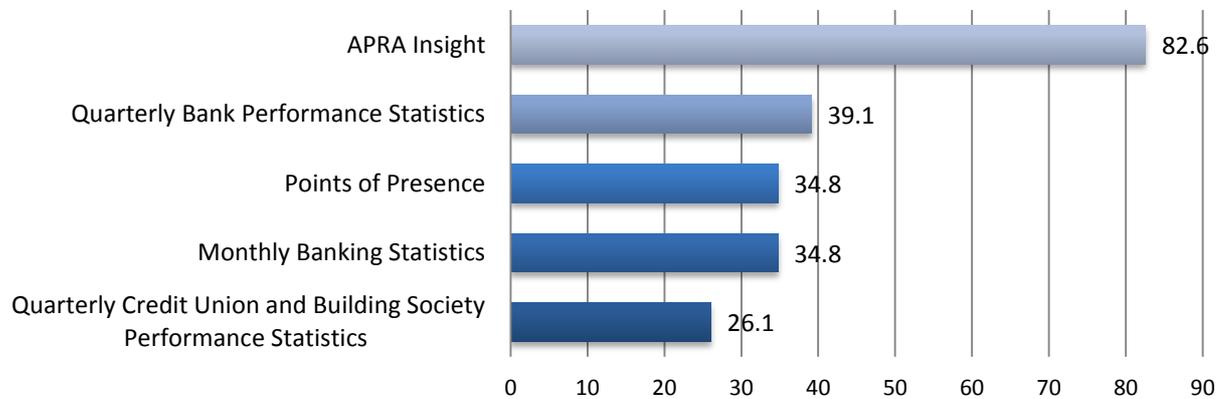
% of respondents choosing a source - multiple answers allowed % based on n=58



Knowledgeable observers were asked to indicate the APRA publications their organisation had used in the last 12 months. APRA *Insight* was used most commonly for all industry sectors.

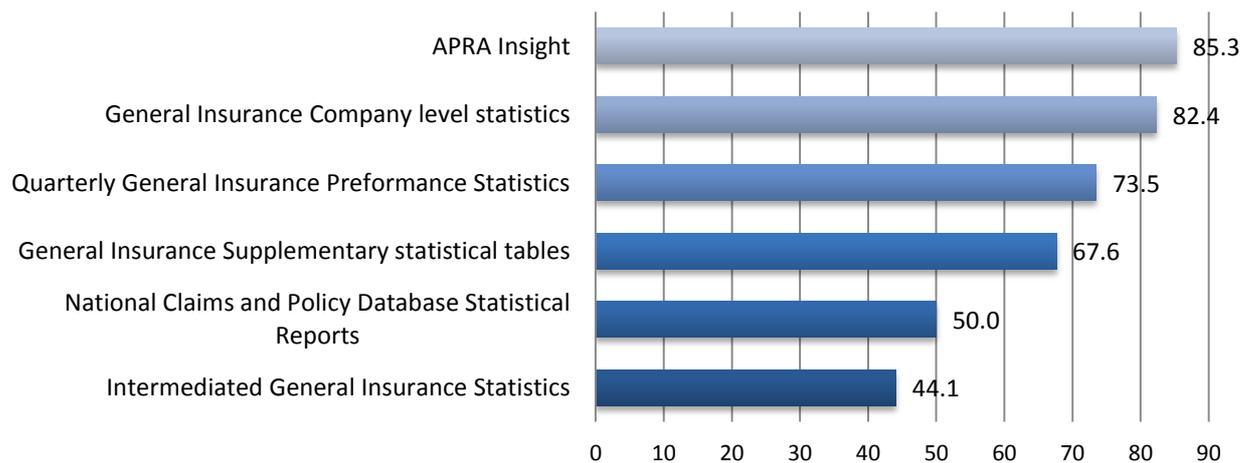
ADI publications used in last 12 months

% of respondents choosing a source - multiple sources allowed % based on n=23



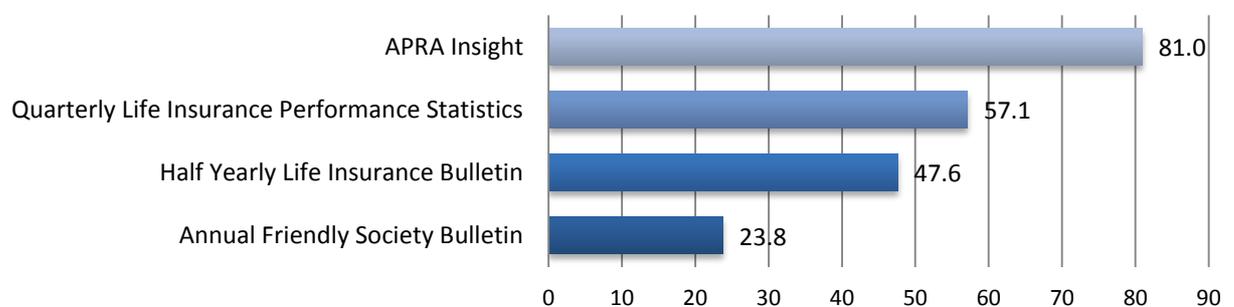
General insurance publications used in last 12 months

% of respondents choosing a source - multiple sources allowed % based on n=34



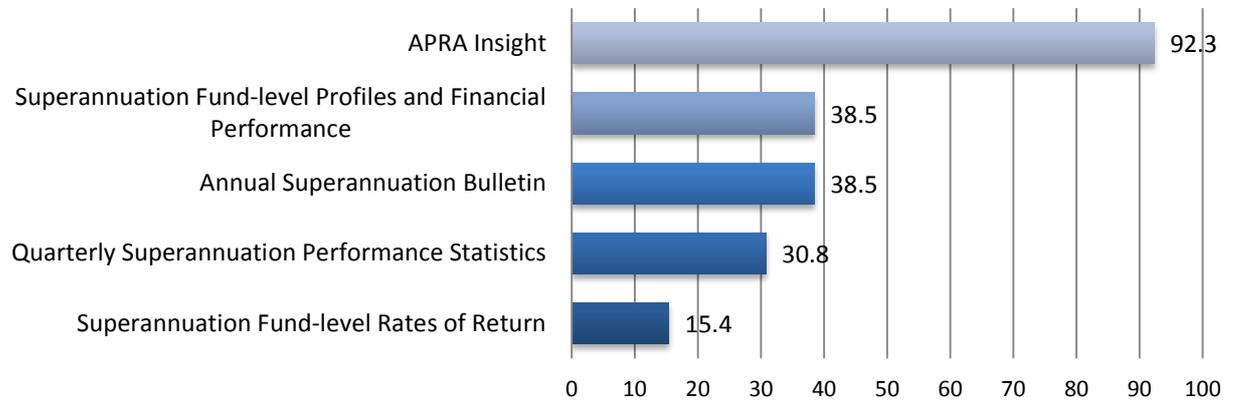
Superannuation publications used in last 12 months

% of respondents choosing a source - multiple sources allowed % based on n=21



Life insurance publications used in last 12 months

% of respondents choosing a source - multiple sources allowed (% based on n=13)



Conclusions

- Overall the results of this survey are positive for APRA. Regulated entities and knowledgeable observers on average support APRA's framework and regulatory approach of principles-based supervision. A majority of respondents agree that APRA effectively enforces its prudential requirements and believe that APRA has had a positive impact on their industry.
- APRA staff's integrity and professionalism strengths are still strengths.
- Consultation processes appear to be working well overall but there are some suggestions for improvement around seeking more stakeholder feedback before making changes and improving the timeliness of consultation.
- Areas scoring lowest and which may benefit from attention are consideration of the cost of regulation, harmonisation across regulatory authorities, becoming too prescriptive and not principles based and consistency of supervision.
- There are few differences by industry and by size. Group membership affected the results more than industry or size. Being in line with international best practice is particularly important for entities that are a part of a group. This is reiterated in free text comments where the introduction of the Basel III reforms was mentioned negatively and repeatedly. It is also interesting to note that a fair proportion of respondents are unclear as to APRA's definition of international best practice and found it difficult to rate. This is an area where further clarification would be of assistance.
- Consistency of supervision has proved to be a low scoring item and negatively commented on. Supervision consistency is also a predictor of effective enforcement. Comments indicate that improving consistency within teams (staff turnover and transfer), between teams and between States is a key area that APRA needs to get right.
- Knowledgeable observers rate APRA higher than regulated entities for all areas except staff demonstration of APRA values.
- There are few changes in numeric results since 2009 and 2011 which indicates that APRA's behaviour has been fairly stable and/or that regulated entities are hard to shift in their views. A triennial survey rather than biennial is recommended.
- The amount of regulation and in some cases particular regulation in terms of use of resources, let alone costs, and its impact on competitiveness is becoming a notable issue. Some are openly questioning the value it adds to fund members, consumers or shareholders.

