

19 February 2026

Senator Andrew Bragg | Chair
Select Committee on Productivity in Australia
Parliament House
Canberra ACT 2600

John Lonsdale, Chair

Sydney

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Dear Chair

| Senate Select Committee on Productivity in Australia

APRA welcomes the opportunity to assist the Senate Select Committee on Productivity in Australia. APRA's submission seeks to provide contextual material to the Committee, by explaining how APRA's prudential framework supports Australia's productivity.

As Australia's prudential regulator, APRA plays a key role in promoting a strong and stable financial system, a critical enabler of sustainable economic growth and higher standards of living for Australians. A stable financial system is essential to attracting the capital that Australian households and businesses need to grow and invest. A safe and stable system prevents financial vulnerabilities, which can cause significant harm for individuals and the economy, from building.

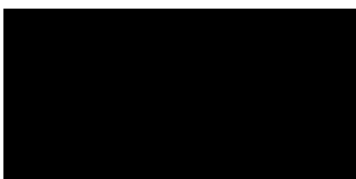
In delivering on our mandate, we do not pursue a 'safety at all costs' agenda. We balance our financial safety and stability objectives with competition and efficiency considerations to support productivity. This is reflected in a prudential framework which, by design, seeks to minimise any undue cost of regulation for industry. We also regularly review our requirements to ensure they remain proportionate and efficient over time.

APRA understands that the Committee will examine how Australia's regulatory frameworks are impacting productivity. To assist the Inquiry, APRA's submission sets out as context:

- **APRA's framework for supporting productivity.** We apply regulation only where necessary to achieve our objectives. Our prudential standards seek to avoid overly prescriptive requirements which would otherwise stymie innovation and increase compliance costs. We are risk-based and proportionate. APRA's framework is subject to regular review and challenge to make sure it achieves balanced objectives.
- **Actions APRA is taking to support productivity.** We are currently progressing nine targeted actions to reduce burden on industry without compromising our safety and stability objectives. These changes aim to support productivity by freeing up capital for investment and growth. We are also playing a key role in reducing duplication across regulators, having increased the amount of data we share with other regulators in the past year. These initiatives are underpinned by a program of work aimed at driving cultural changes within APRA, reinforcing the importance of productivity considerations in APRA's decision-making.

Appendix A explains these areas in more detail, providing context relevant to the Inquiry.

Yours sincerely



Appendix A: APRA's role in supporting productivity

1. APRA's framework for supporting productivity

APRA's mandate is to provide Australians with a safe and stable financial system. We also balance these objectives with competition and efficiency considerations. We take this obligation seriously. APRA has a long-established framework to minimise any undue cost of regulation for industry. Our framework is based on:

- **A principles-based approach to rule making.** Where possible, APRA seeks to avoid overly prescriptive regulation. Our framework generally allows industry participants to achieve desired outcomes in their own way, providing flexibility to accommodate innovation and keep compliance costs low.
- **A risk-based and proportionate approach to supervision.** We apply regulation only where necessary to achieve our objectives. Our policy framework subjects smaller entities to simpler or fewer requirements. Our supervisory framework places more heightened scrutiny on the largest and most complex entities. As a forward-looking and proactive regulator, much of APRA's work is achieved through working cooperatively with entities to identify and rectify problems before they cause harm.
- **Collaboration with peer regulators.** We work collectively with our regulatory peers, including under the Council of Financial Regulators (CFR). This helps to ensure a whole-of-system response to areas of mutual interest. It aims to prevent siloed responses and duplicative requests to industry.
- **Regular independent scrutiny.** APRA's framework is subject to regular review and scrutiny, to ensure it strikes the right balance. In 2023, the Financial Regulator Assessment Authority (FRAA) reviewed APRA's supervision of the superannuation industry. In 2025, the CFR and ACCC undertook an assessment of Australia's regulatory framework for small and medium-sized banks. Our framework is currently subject to a review by the International Monetary Fund.

To further reinforce our focus on competition and productivity, we pay close attention to international developments. Some jurisdictions have recently announced areas where they are paring back requirements to reduce regulatory burden. For the most part, these relate to more onerous prudential requirements that were not introduced by APRA in the first place. For example, UK announcements on ring-fencing, small bank capital standards, resolution planning, remuneration and accountability standards would bring UK prudential standards closer into line with APRA's existing framework. The same applies to recent US announcements regarding leverage requirements.

2. Actions we are taking in support of productivity

In APRA's 2025-26 Corporate Plan, we established a new strategic objective, '*Getting the balance right*'. This objective aims to build on existing proportionality in APRA's framework through targeted reductions in burden. Each action is incremental, but collectively they will have a meaningful impact for industry. APRA's changes will free up capital, reduce costs and support innovation over the longer term. They include:

1. **Simplifying our bank licensing regime.** We recently consulted publicly on proposed changes to our bank licensing regime, which would reduce the time taken to process new bank licence applications by around half.
2. **Reducing capital requirements for annuity products.** We are lowering capital requirements for life insurers offering annuity products. While impacts will differ across entities, some have estimated that capital requirements could be reduced by up to 7 per cent. These changes will moderately lower the cost to life insurers of providing annuity products, helping to attract participants and support growth in this market.
3. **Reducing data reporting burden.** A key area of focus for APRA is sharing more data with our regulatory peers, to prevent what would otherwise be duplicative requests to industry. In 2025, we shared 40 per cent more data with other agencies than we did in the year prior.¹ We are also working with industry to migrate prudential data reporting to a new, more efficient platform. APRA estimates the long-run saving to industry from the new platform at around \$6 million annually.
4. **Promoting access to cost-effective reinsurance.** We are progressing changes that will promote access to more cost-effective forms of reinsurance, by providing Australian insurers greater flexibility in meeting their prudential requirements. These changes may help reduce, at the margin, some of the pressure on insurance premiums.

¹ In the year to September 2025, APRA shared 90 data files with external stakeholders. This compares to 63 in the year prior.

5. **Providing greater clarity on APRA's supervisory expectations.** We are implementing changes to the way we communicate with banks regarding adjustments to minimum capital requirements. Our changes will provide banks with greater clarity regarding the justification and the outcomes needed to address APRA's concerns. Our goal is that banks will be better placed to address risks in a more timely manner, so that capital requirements can be reduced.
6. **Promoting access to internal capital modelling.** We are progressing changes that will simplify and clarify our accreditation process which allows banks to use internal modelling for regulatory capital purposes. The use of internal models can result in moderately lower capital requirements, where banks can demonstrate sophisticated risk management.
7. **Introducing further proportionality.** We are introducing a third tier into our proportionality framework for banks. Our existing framework is based on a two-tier system that subjects smaller institutions to simpler and fewer prudential requirements. A third tier will allow us to introduce more nuance into our prudential requirements for banks, allowing for further simplification.
8. **Removing unnecessary or duplicative rules.** We are addressing overlap between reporting obligations that apply to entities under APRA's fitness and proprietary requirements and statutory requirements under the Financial Accountability Regime. We will formally consult on changes to our prudential standards in the first half of 2026.
9. **Continuing to coordinate with peer agencies on payments reform.** We are working closely with the Australian Securities and Investments Commission (ASIC), the Reserve Bank of Australia and Treasury on proposed reforms to the regulation of Stored Value Facilities (SVF). These reforms aim to simplify the existing regulatory framework, to better support innovation and competition. Under the new regime, APRA plans for its prudential requirements of SVFs to be more streamlined than for banks, consistent with relative risks.

In parallel with these initiatives, we are working with other regulators to identify more ambitious reforms that could be collectively implemented. For example, APRA is working with the Council of Financial Regulators (CFR) in designing a lighter touch prudential regime for small banks, as identified in the CFR Review of Small and Medium-sized banks. We are also working with ASIC and Treasury on a potentially more streamlined approach to the Financial Accountability Regime, which would reduce reporting requirements of banks, insurers and superannuation funds.

We also recognise that supporting productivity is broader than changes to policy. Under the sponsorship of an APRA member, we have a dedicated team driving cultural change and improving our regulatory stewardship. This work is driving changes in our approach to policy and supervision, with teams pushing themselves harder to eliminate 'nice to haves' and to be as efficient as possible in all their regulatory interactions. It is underpinned by:

- New training to make sure competition and productivity considerations are more consistently considered in APRA's decision-making. Our supervisory training, for example, includes guidance on minimising burden when requesting information from entities.
- Changes to the way we engage with key stakeholders when undertaking policy reforms. We are working more closely with industry and engaging with them earlier to help shape solutions that best balance competition and productivity considerations.
- Greater awareness of the impact of regulation. We have 'walked in the shoes' of entities to better understand the aggregate impact of regulation. We have heard, for example, the importance of coordination across regulators, which is shaping our work on data sharing.
- Improvements to our cost-benefit analysis, to inform and shape our policy initiatives. We are working to improve the quality of our analysis, to better demonstrate our impact and reinforce accountability.