

STATEMENT OF EXPECTATIONS: AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

February 2023

1. This Statement of Expectations outlines the Australian Government's expectations for how the Australian Prudential Regulation Authority (APRA) will achieve its objectives, carry out its functions and exercise its powers. It is to be read alongside the laws that apply to APRA and the laws that APRA administers.

APRA'S ROLE

2. The Government expects a high-performing and responsive APRA to:
 - 2.1 promote sound prudential outcomes to maintain the strength and stability of the financial system;
 - 2.2 balance the objectives of financial safety, efficiency and competition, contestability and competitive neutrality and, in balancing these objectives, promote financial system stability in Australia;
 - 2.3 facilitate the flow of finance to support strong, sustainable economic growth;
 - 2.4 require that regulated entities implement prudent practices in relation to risk management;
 - 2.5 promote an efficient superannuation system that delivers for members and holds trustees to account for performance outcomes;
 - 2.6 take a risk-based approach to prudential regulation, with the goal of a low incidence of failure in a competitive, efficient financial system and the understanding that APRA cannot and should not seek to guarantee a zero failure rate;
 - 2.7 promote a viable, competitive and innovative insurance industry;
 - 2.8 ensure macroprudential policy measures anticipate and appropriately respond to financial stability risks in coordination with relevant agencies, including the Reserve Bank of Australia; and
 - 2.9 collect, analyse and publish data, to enable APRA to perform its functions, to support innovation and competition, to provide information to the public, to assist the Minister to formulate financial policy, and to support other financial sector agencies to perform their functions.

THE GOVERNMENT'S POLICY PRIORITIES

3. The Government's goal is for a stable and robust financial system, capable of adjusting to evolving economic conditions, withstanding global volatility and other external shocks, and supporting sustainable economic growth, while facilitating innovation and competition in the economy and ensuring consumer needs are met.

4. The Government expects APRA to identify and pursue opportunities to contribute to this goal. In doing so, the Government expects APRA to:
 - 4.1 promote the stability of the financial system for the benefit of the community;
 - 4.2 act independently in its supervisory and regulatory functions;
 - 4.3 minimise the costs and burdens of regulatory requirements for regulated entities, including by applying proportionate requirements, considering different businesses models, and taking a principles-based approach to regulation, ultimately to benefit consumers;
 - 4.4 promote prudent practices and transparency in relation to climate-related financial risks and the adoption of climate reporting standards by regulated entities;
 - 4.5 bring to bear expertise on insurance affordability and availability, including through the collection of insurer data to support the Government to make data-informed decisions;
 - 4.6 ensure increased transparency of performance and expenditure in the superannuation sector;
 - 4.7 encourage regulated entities to create robust cybersecurity measures to ensure the safety of Australians' money and data, as well as the financial and operational resilience of those entities;
 - 4.8 work closely with the Government, the Treasury and other members of the Council of Financial Regulators (CFR) on the design and implementation of reforms to modernise the payments regulatory framework;
 - 4.9 take a supervision-led and preventative approach, underpinned by a willingness to escalate to use of formal powers and enforcement action where needed to achieve prudential outcomes and deter unacceptable practices; and
 - 4.10 contribute expertise to relevant policy issues being considered by the Government.

RELATIONSHIP WITH EXTERNAL STAKEHOLDERS

5. With regard to relationships with stakeholders, the Government expects APRA to:
 - 5.1 ensure that its actions are not inconsistent with the policies of the Government, in accordance with section 21 of the *Public Governance, Performance, and Accountability Act 2013*;
 - 5.2 work closely with the Government and Treasury, including through the provision of information to Ministers in accordance with subsection 10(2) of the *Australian Prudential Regulation Authority Act 1998*;
 - 5.3 ensure visibility and awareness for the Government and Treasury in exercising its policy-related functions;
 - 5.4 consult and provide appropriate guidance so that regulated entities have clarity and certainty about how APRA will exercise its powers;
 - 5.5 coordinate regulatory activities with other agencies to avoid duplication, including through sharing information where possible;

- 5.6 work cooperatively with the other members of the CFR and other agencies, such as the Australian Competition and Consumer Commission and the Australian Transaction Reports and Analysis Centre; and
- 5.7 engage with APRA's counterpart regulators in overseas jurisdictions and with relevant international standard-setting bodies.

ORGANISATIONAL MATTERS

- 6. With regard to organisational matters, the Government expects:
 - 6.1 the Chair to have responsibility for the executive management of APRA, consistent with the Chair's role as APRA's Accountable Authority;
 - 6.2 the Chair to delegate executive management functions to APRA staff wherever the Chair considers that this would benefit the executive management of APRA;
 - 6.3 APRA's Executive Board to act collectively under the leadership of the Chair; and
 - 6.4 APRA to publish its Statement of Intent in response to this Statement of Expectations on its website, and subsequently incorporate the statements of expectations and intent in its Corporate Plan.