APRA Capability Review - Terms of Reference

Under the APRA Act, APRA's statutory mandate is, in performing and exercising its functions and powers, to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, to promote financial system stability in Australia.

APRA also has industry specific statutory responsibilities under the relevant industry acts, to protect the interests of bank depositors, insurance policyholders and superannuation fund members, and to administer the financial claims scheme. This includes under the Superannuation Industry (Supervision) Act APRA's responsibility for ensuring RSE licensees prudently manage their business operations consistent with their member best interest obligations and the delivery of quality member outcomes.

The objectives of the APRA Capability Review are to:

1. Assess APRA's capability to deliver upon its statutory mandate under the APRA Act and relevant industry acts.
2. Undertake a forward-looking assessment of APRA's ability to respond to an environment of growing complexity and emerging risks for APRA's regulated sectors.
3. Identify recommendations to enhance APRA's future capability, having regard to the changing operating environment and any relevant organisational initiatives which are already underway.

As part of its work the Panel should evaluate the extent to which the following factors support APRA to deliver its statutory mandate:

- well-considered and clear strategy that takes into account the future operating environment, effectively cascaded throughout the organisation;
- decision-making that balances financial safety and financial stability, and considerations of efficiency, competition, contestability and competitive neutrality;
- culture that supports supervisory and enforcement actions in support of strategic objectives;
- robust internal governance arrangements, supported by fit-for-purpose internal reporting, performance monitoring and audit and assurance activities;
- appropriate resource allocation, responsive to emerging issues, and efficient utilisation;
- staff with necessary expertise (e.g. industry, technical and data analytics) supported by appropriate tools;
- sound process and outcomes realised across APRA's core supervision, policy and resolution functions (including appropriate utilisation of enforcement tools);
- appropriate engagement with Australian financial sector regulators, including suitable information sharing arrangements; and
- fit-for-purpose statutory powers.

In each case, the Panel should focus on those areas considered to be of greatest relevance to the review objectives.

The Panel should to the extent relevant take into account practices of, and benchmark APRA against, comparable international prudential regulators. The Panel should also take into

account as a starting point relevant recent reviews and reports as they relate to APRA, including the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Interim and Final Reports, the Productivity Commission's final report Superannuation: Assessing Efficiency and Competitiveness, the Productivity Commission's final report Competition in the Australian Financial System, the IMF's Financial System Stability Assessment of Australia (scheduled for release in early 2019) and APRA's own internal Enforcement Review (scheduled for completion in March 2019).

In undertaking its assessment, the Panel should take as given APRA's legislative framework, except as outlined above in relation to APRA's statutory powers.

The Review is to commence in March 2019 and is to report to Government by 30 June 2019.