Australian Banking Association

28 February 2020

Senior Adviser
Financial Services Reform Taskforce
Treasury
Langton Cres
Parkes ACT 2600
By email: FSRCconsultations@treasury.gov.au

Dear Mr Mason,

Recommendation 6.14 - Financial Regulator Assessment Authority

At the release of the Final Report of the Royal Commission last year the banking industry committed to learning the lessons, fixing the problems and making things right.

One year on from the Royal Commission the banking industry has tougher rules imposed by the Government and regulators, a back to basics approach to banking which is squarely centred on the customer and a renewed focus on fixing culture.

The banking industry strongly supports the Government acting on the recommendations of the Royal Commission and is committed to working together to see recommendation 6.14 of the Royal Commission is fully and effectively implemented.

The ABA's position

The ABA support the Government's creation of the independently chaired Financial Regulator Assessment Authority to regularly review and report on the performance of APRA and ASIC, however important changes are needed to ensure its success.

Key points

APRA and ASIC operate within complex accountability frameworks and have broad remits. To optimise the success of the FRAA and to ensure the FRAA meets the objectives, spirt and intent of the Royal Commission recommendation, the ABA recommends the following changes:

- **Regulated population**: the legislation and supporting explanatory materials should expressly include that the FRAA should, in executing its functions, also engage with the regulated populations of both APRA and ASIC to ensure both regulators are effectively discharging their statutory functions and meeting their statutory objects. The FRAA represents an opportunity to identify and make ongoing improvements to the system of financial regulation in Australia and there is a role to play for all participants.
- **Overlap**: APRA and ASIC have very broad remits, there is an increasing overlap of statutory functions and objects (e.g. SIS Act, BEAR, FAR). The legislation and supporting explanatory materials should expressly include that the FRAA should, in executing its functions, regularly examine and report on the effectiveness of how ASIC and APRA prevent or manage duplication and overlap.
- **Measures**: paragraph 1.32 of the explanatory materials allows the FRAA to develop or identify benchmarks, standards and metrics both quantitative and qualitative, that can assist in determining regulator effectiveness. The FRAA should be required to consult on these measures with APRA, ASIC and their regulated populations.

- **Statement of Expectations**: the legislation and supporting explanatory materials should expressly include that the FRAA in executing its functions, should also have regard to the Government's Statement of Expectations of APRA and ASIC. The FRAA should also be expected to assess the two regulators against their Statements of Intent.

Yours faithfully

Aidan O'Shaughnessy
Executive Director, Policy

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers.

We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.