



# REGULATOR PERFORMANCE FRAMEWORK

APRA's self-assessment – 2019/20 financial  
year

DECEMBER 2020

## **Disclaimer and Copyright**

While APRA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

### **© Australian Prudential Regulation Authority (APRA)**

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0). This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that APRA endorses you or your work. To view a full copy of the terms of this licence, visit <https://creativecommons.org/licenses/by/3.0/au/>

# Contents

---

<b>Introduction</b>	<b>5</b>
The Framework: Measures of good regulatory performance	5
Evaluating APRA's performance against the Framework	6
<b>Overall self-assessment</b>	<b>7</b>
<b>General stakeholder feedback</b>	<b>11</b>
<b>KPI 1 - Regulators do not unnecessarily impede the efficient operation of regulated entities</b>	<b>12</b>
Measures of good regulatory performance	12
APRA's self-assessment against KPI 1	12
Supporting evidence for KPI 1	13
External stakeholder validation	14
<b>KPI 2 - Communication with regulated entities is clear, targeted and effective</b>	<b>15</b>
Measures of good regulatory performance	15
APRA's self-assessment against KPI 2	15
Supporting evidence for KPI 2	16
External stakeholder validation	18
<b>KPI 3 - Actions undertaken by regulators are proportionate to the regulatory risk being managed</b>	<b>19</b>
Measures of good regulatory performance	19
APRA's self-assessment against KPI 3	19
Supporting evidence for KPI 3	20
External stakeholder validation	21
<b>KPI 4 - Compliance and monitoring approaches are streamlined and coordinated</b>	<b>22</b>
Measures of good regulatory performance	22
APRA's self-assessment against KPI 4	22

Supporting evidence for KPI 4	23
External stakeholder validation	24
<b>KPI 5 - Regulators are open and transparent in their dealings with regulated entities</b>	<b>25</b>
Measures of good regulatory performance	25
APRA's self-assessment against KPI 5	25
Supporting evidence for KPI 5	26
External stakeholder validation	26
<b>KPI 6 - Regulators actively contribute to the continuous improvement of regulatory frameworks</b>	<b>28</b>
Measures of good regulatory performance	28
APRA's self-assessment against KPI 6	28
Supporting evidence for KPI 6	29
External stakeholder validation	30
<b>Attachment A: Performance measures relevant to each KPI</b>	<b>31</b>

# Introduction

---

This report sets out APRA's 2019/20 self-assessment against the Australian Government's Regulator Performance Framework.

## The Framework: Measures of good regulatory performance

The Government's Deregulation Agenda established the Regulator Performance Framework (the Framework) to assess regulators' performance when interacting with business, the community and individuals while carrying out their functions. The Framework came into effect on 1 July 2015 and aims to encourage regulators to undertake their functions with minimum impact necessary to achieve regulatory objectives and to effect positive ongoing and lasting cultural change within regulators.

The Framework comprises six Key Performance Indicators (KPIs) that articulate the Government's overarching expectations of regulator performance, namely:

KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities

KPI 2: Communication with regulated entities is clear, targeted and effective

KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed

KPI 4: Compliance and monitoring approaches are streamlined and coordinated

KPI 5: Regulators are open and transparent in their dealings with regulated entities

KPI 6: Regulators actively contribute to the continuous improvement of regulatory frameworks.

In accordance with the Framework, all regulators are to undertake an annual self-assessment of performance against each KPI. The self-assessment report is externally validated through an approved stakeholder mechanism<sup>1</sup> prior to its release to the regulator's Minister, and publication. The validation process provides an avenue for stakeholders to give feedback on whether the self-assessment accords with their views of performance against the KPIs over the assessment period. Stakeholders consider whether conclusions are reasonable and objective and if the areas identified for further improvement are appropriate or justified<sup>2</sup>.

---

<sup>1</sup> APRA's approved stakeholder consultation mechanism includes the following industry associations: Australian Banking Association (ABA), Association of Superannuation Funds Australia (ASFA), Customer Owned Banking Association (COBA), Insurance Council of Australia (ICA), Financial Services Council (FSC), Members Health Fund Alliance and Private Healthcare Australia (PHA).

<sup>2</sup> The validation process is not intended to be an audit of APRA's self-assessment or an opportunity for stakeholders to deal with specific individual experiences or interactions with a regulator.

The Framework is one component of a broader suite of accountability structures in place including those set out in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and APRA's Statement of Expectations set by the Government. More information about the Framework can be found at: <https://www.pmc.gov.au/resource-centre/regulation/regulator-performance-framework>.

## Evaluating APRA's performance against the Framework

APRA published a set of measures to support its assessment against the above KPIs in July 2015 after consultation with approved stakeholders. These measures, together with measures of good regulatory performance that support each KPI articulated within the Framework, are included in Attachment A of this report and form the basis of this self-assessment.

As foreshadowed in APRA's 2018/19 self-assessment, a review of APRA's measures was undertaken in 2020 to ensure they remain fit for purpose. The review involved benchmarking against self-assessments and performance measures used by peer regulators including the Australian Securities and Investments Commission (ASIC), Reserve Bank of Australia (RBA), Australian Competition and Consumer Commission (ACCC), Australian Transaction Reports and Analysis Centre (AUSTRAC) and Australian Taxation Office (ATO). The review resulted in a streamlined set of measures intended to improve accountability, adopt better practice and reduce duplication. Consultation on proposed new measures with APRA's approved stakeholder mechanism has occurred and feedback is currently being reviewed with a view to finalisation for Ministerial approval in 2020. Assessment against revised measures will be reflected in APRA's self-assessments from 2020/21 onwards.

# Overall self-assessment

Overall, APRA considers it has met all six KPIs set out in the Framework. As was the case in 2018/19, opportunities for improvement have been identified in relation to three KPIs: KPI 1, KPI 2 and KPI 4. These, together with actions APRA is taking to progress the areas for improvement identified, are included in the summary table below. Detailed assessments against each KPI comprise the body of this report and support the overall self-assessment below.

KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities	
Self-assessment	KPI achieved, although opportunities for improvement identified
Performance summary	In 2019/20, APRA significantly adjusted its regulatory approach in response to a rapidly deteriorating operating environment triggered by the COVID-19 pandemic. Early in 2020, APRA put on hold for at least six months many planned supervisory activities, substantive public consultations and 'in flight' revisions to the prudential framework. Importantly this approach allowed regulated entities and APRA to focus on responding to the COVID-19 pandemic and economic contraction. For all changes to the prudential framework that did proceed, APRA demonstrated its commitment to analysing the costs, benefits and impacts of proposed changes evidenced by achieving 100 per cent compliance with Office of Best Practice Regulation (OBPR) requirements. Despite this, the most recent biennial stakeholder survey indicated that only 31 per cent of stakeholders consider changes sufficiently consider the costs of regulation. APRA's planned work to improve transparency on the assessment of costs (and benefits) for proposed policy changes, and better communicate this process with APRA's stakeholders was deferred this year given the priority to respond to the pandemic.
Planned action(s)	In 2018/19, APRA planned to take the following actions to address opportunities for improvement identified in relation to KPI 1: <ul style="list-style-type: none"> <li>1.1 Improve external engagement by expanding communications to promote better prudential outcomes and drive accountability, including demonstrating how APRA balances its objectives.</li> <li>1.2 Improve transparency on the assessment of costs and benefits for proposed policy changes.</li> </ul>
Progress against planned action(s)	A summary of progress against planned action(s) is provided below: <ul style="list-style-type: none"> <li>1.1 <b>Well progressed.</b> APRA focused its efforts during the year on increasing the transparency of its activities by publishing a series of information papers, making more information about APRA's decision-making publicly available and increasing media engagement. In addition to APRA's routine publications, APRA released its inaugural 'Year in Review' in January 2020<sup>3</sup> and an information paper setting out how APRA interprets its mandate<sup>4</sup>.</li> </ul>

<sup>3</sup> <https://www.apra.gov.au/news-and-publications/apra-2019-year-review>

<sup>4</sup> <https://www.apra.gov.au/apras-objectives>

	1.2 <b>Deferred.</b> APRA's planned work to improve transparency on the assessment of costs (and benefits) for proposed policy changes, and better communicate this process with APRA's stakeholders has been deferred due to the shift in organisational priorities to support COVID-19-related activities.
<b>KPI 2: Communication with regulated entities is clear, targeted and effective</b>	
<b>Self-assessment</b>	<b>KPI achieved, although opportunities for improvement identified</b>
<b>Performance summary</b>	As the COVID-19 situation unfolded during the year, APRA's communications mostly centred on regulatory responses including the provision of clear guidance to regulated entities. Feedback from regulated entities has been positive and praise has been given in relation to supervisory engagement and APRA's clear and timely communication and public statements.
<b>Planned action(s)</b>	In 2018/19, APRA planned to take the following actions to address opportunities for improvement identified in relation to KPI 2: 2.1 Develop and implement a communications strategy and roadmap that caters to all stakeholder needs. 2.2 Measure and report on the timeliness of regulatory decisions and advice as per its public response to APRA's Capability Review.
<b>Progress against planned action(s)</b>	A summary of progress against planned action(s) is provided below: 2.1 <b>Deferred.</b> The planned implementation of further enhancements to APRA's communication strategy has been deferred due to the shift in organisational priorities to support COVID-19-related activities. 2.2 <b>Deferred.</b> While metrics in relation to three key areas of decisions have been developed, finalisation and publication of APRA's refreshed Service Charter has been deferred due to organisational priorities to support COVID-19 related activities.
<b>KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed</b>	
<b>Self-assessment</b>	<b>KPI achieved</b>
<b>Performance summary</b>	Throughout 2019/20, APRA continued to take a risk-based approach to identifying and assessing areas of greatest risk to regulated entities in meeting their obligations to beneficiaries; and to financial stability in Australia, and directing its resources to address those risks particularly in respect to the COVID-19 pandemic and economic contraction.
<b>Planned action(s)</b>	Nil
<b>Progress against planned action(s)</b>	N/A.
<b>KPI 4: Compliance and monitoring approaches are streamlined and coordinated</b>	
<b>Self-assessment</b>	<b>KPI achieved although opportunities for improvement identified</b>
<b>Performance summary</b>	APRA considerably strengthened working relationships and coordination with other regulatory agencies throughout the year, particularly those that form part of the Council of Financial Regulators (CFR), supported by the establishment of a dedicated Regulatory Affairs team. As the COVID-19 pandemic unfolded, APRA worked closely with its domestic and international



	<p>counterparts to maintain a coordinated and integrated approach to overseeing the financial system and upholding financial system stability. However, APRA's planned actions in relation to implementing a new Data Collection Solution were temporarily suspended in response to COVID-19 to allow financial institutions and APRA to focus on the response to the pandemic.</p>
Planned action(s)	<p>In 2018/19, APRA planned to take the following actions to address areas for improvement identified in relation to KPI 4:</p> <p>4.1 Operationalise APRA's Regulatory Affairs Unit and lift APRA's capabilities in relation to collaborating with domestic and international peer regulatory agencies.</p> <p>4.2 Continue to develop and implement a data strategy to facilitate greater and more effective use and sharing of data in the oversight of the Australian financial system and defining and implementing the cross agency data sources required.</p> <p>4.3 Continue to create a modern, efficient and flexible solution which will serve APRA and industry for years to come in relation to data collection, storage, analysis and publication.</p>
Progress against planned action(s)	<p>A summary of progress against planned action(s) is provided below:</p> <p>4.1 <b>Well progressed.</b> In 2019, embedding the Regulatory Affairs team has enabled APRA to expand and strengthen its engagement with domestic and international peer agencies with more formal arrangements for inter-agency coordination and information-sharing with peers and international standard-setting bodies established. There has been a significant increase in inter-agency engagement, including strategic discussions on key risks, greater information sharing, and coordination on supervisory activities and enforcement matters, particularly with agencies that form part of the CFR.</p> <p>4.2 <b>Progressed.</b> APRA continued to develop its data strategy by completing a current state assessment of data management practices, with learnings and insights incorporated into a future state vision. A multi-agency data committee (MADC) with members covering the CFR agencies was established in 2019 to assess potential future data needs of the agencies and explore opportunities to streamline activities associated with the collection and use of data across agencies. Late in 2019, a program of work to identify data gaps was endorsed including the initial step of identifying data gaps for stress testing and financial stability needs.</p> <p>4.3 <b>Progressed.</b> A program to modernise APRA's data collection, storage and business intelligence systems infrastructure began in 2018 and has been transforming how data is collected, stored and delivered to APRA's supervisors, regulated industries, other agencies and to the Australian community more broadly. Under this program, APRA implemented a new enterprise data warehouse that holds collected data across all regulated industries, and a new internal reporting tool. The program is now focused on implementing a new Data Collection Solution known as 'APRA Connect'. This solution will ultimately replace Direct to APRA (D2A) as APRA's data collection tool across all regulated industries.</p>

	APRA publicly released its revised implementation approach <sup>5</sup> in early March 2020, but in response to COVID-19 APRA subsequently announced the temporary suspension of the program to allow financial institutions and APRA to focus on the response to the pandemic. APRA expects the APRA Connect project will resume in the 2020-21 financial year as the external environment stabilises.
<b>KPI 5: Regulators are open and transparent in their dealing with regulated entities</b>	
<b>Self-assessment</b>	<b>KPI achieved</b>
<b>Performance summary</b>	APRA demonstrated its commitment to being open, transparent and responsive to requests from regulated entities and other key stakeholders throughout the year. In particular, APRA maintained extensive contact with key representatives from regulated entities and responded to enquiries from them and other stakeholders including the general public in regard to regulatory responses to COVID-19 and the economic contraction. APRA issued a number of media releases and news items to keep stakeholders abreast of key developments and regulatory actions.
<b>Planned action(s)</b>	Nil
<b>Progress against planned action(s)</b>	N/A.
<b>KPI 6: Regulators actively contribute to the continuous improvement of regulatory frameworks</b>	
<b>Self-assessment</b>	<b>KPI achieved</b>
<b>Performance summary</b>	APRA demonstrated its commitment to continuously improving regulatory frameworks and practices by engaging with and receiving feedback from stakeholders throughout the year. APRA remains committed to addressing areas for improvement identified by the Royal Commission, the FSAP and APRA's Capability Review. While good progress has been made, planned work to address a number of recommendations was put on hold when APRA suspended its policy consultations and many of its supervisory activities with the onset of the COVID-19 pandemic. APRA plans to address the remaining recommendations within its 2020-2024 Corporate Plan.
<b>Planned action(s)</b>	Nil
<b>Progress against planned action(s)</b>	N/A.

---

<sup>5</sup> <https://www.apra.gov.au/news-and-publications/apra-announces-revised-implementation-approach-for-apra-connect>

# General stakeholder feedback

---

APRA's self-assessment report was externally validated. APRA received responses from all seven industry associations as part of the validation process. The responding stakeholders were appreciative of the opportunity to provide feedback to APRA.

Overall, industry associations and their members broadly agree with APRA's 2019-2020 self-assessment and that APRA's conclusions are reasonable and objective. A number of industry associations acknowledged and appreciated APRA's approach during the deteriorating operating environment triggered by the COVID-19 pandemic including:

- putting on hold for at least six months many planned supervisory activities, substantive public consultations and 'in flight' revisions to the prudential framework; and
- increased engagement with industry stakeholders.

One common area for improvement noted by some industry associations related to more consideration of the increasing cost of regulation for their members. Resumption of planned work to improve transparency on the assessment of costs (and benefits) of proposed policy changes identified as an opportunity for improvement by APRA was encouraged.

Stakeholder feedback relating to each KPI is included in the body of this report where applicable.

# KPI 1 - Regulators do not unnecessarily impede the efficient operation of regulated entities

---

## Measures of good regulatory performance

- 1(i) Regulators demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.
- 1(ii) Regulators take actions to minimise the potential for unintended negative impacts of regulatory activities on regulated entities or affected supplier industries and supply chains.
- 1(iii) Regulators implement continuous improvement strategies to reduce the costs of compliance for those they regulate.

## APRA's self-assessment against KPI 1

In 2019/20, APRA significantly adjusted its regulatory approach in response to a rapidly deteriorating operating environment triggered by the COVID-19 pandemic. Early in 2020, APRA put on hold for at least six months many planned supervisory activities, substantive public consultations and 'in flight' revisions to the prudential framework. Importantly this approach allowed regulated entities and APRA to focus on responding to the COVID-19 pandemic and economic contraction. For all changes to the prudential framework that did proceed, APRA demonstrated its commitment to analysing the costs, benefits and impacts of proposed changes evidenced by achieving 100 per cent compliance with Office of Best Practice Regulation (OBPR) requirements. Despite this, the most recent biennial stakeholder survey (undertaken in 2019) indicated that only 31 per cent of stakeholders consider changes sufficiently consider the costs of regulation. APRA's planned work to improve transparency on the assessment of costs (and benefits) for proposed policy changes, and better communicate this process with APRA's stakeholders was deferred this year given the priority to respond to the pandemic.

APRA's operating environment changed dramatically over the course of the 2019/20 financial year – most significantly due to the COVID-19 global pandemic and its broader economic and financial impact. It became clear in early 2020 that APRA needed to review the strategic priorities laid out in its 2019-2023 Corporate Plan and move quickly to respond to a rapidly deteriorating operating environment. APRA promptly reset priorities and directed resources to key risks and vulnerabilities – including the heightened risk of failure of one or more APRA-regulated institutions – and intensified its efforts to reinforce the stability of the financial system and support the broader Australian economy.

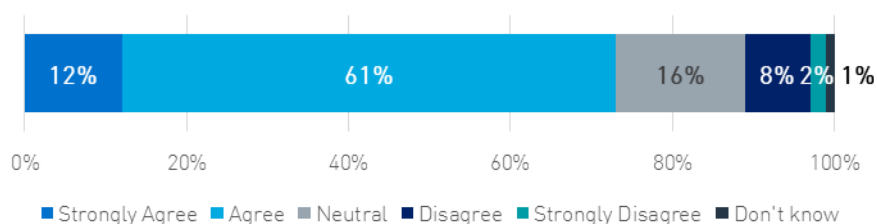
## Supporting evidence for KPI 1

Demonstrated understanding of operating environment	APRA's understanding of its operating environment including the industries it regulates is articulated in, and underpins, APRA's four-year Corporate Plan. APRA's Corporate Plan covering the 2019-2023 and 2020-2024 periods were published in August 2019 <sup>6</sup> and August 2020 <sup>7</sup> respectively. APRA's inaugural 'Year In Review' publication <sup>8</sup> released in January 2020 also outlined APRA's perspective on the financial environment and key issues facing the banking, insurance and superannuation sectors.
OBPR compliance	APRA released five updated prudential standards, three prudential practice guides and four reporting standards and consulted on 21 proposed changes to the prudential and reporting framework in the 2019-20 financial year. This was less than originally envisaged, given the deferral of policy consultation as a result of the onset of COVID-19. For all changes made to the prudential framework, APRA achieved 100 per cent compliance with Office of Best Practice Regulation requirements demonstrating its commitment to consulting with Government, financial institutions, peer regulatory agencies and other stakeholders, and analysing the cost, benefits and impacts of any proposed new regulation.
Applications for regulatory relief	APRA received 266 applications for regulatory relief from financial institutions related to COVID-19 before the end of the financial year. As at 13 October 2020, a total of 257 applications had been assessed, of which 232 were granted and 25 were declined. Of the remaining, five had been withdrawn and four applications remained under consideration.
Compliance with international principles	During the 2018/19 financial year, Australia was subject to an extensive independent review conducted by the International Monetary Fund (IMF) which included, amongst other things, a comprehensive assessment against all international principles for banking. The IMF assessed Australia as achieving a high degree of compliance with the Basel Core Principles for Effective Banking Supervision (compliant for 19 core principles, largely compliant for 8 core principles and materially non-compliant for two core principles). During 2019/20, APRA continued work to address recommendations arising from the IMF's review.
International committees/meetings	APRA continued to engage with international bodies and offshore regulators to promote consistent and coordinated approaches to achieving regulatory outcomes, as well as sharing better practice and learnings from peers to advance improvements in supervision and prudential policy. During 2019/20, APRA was a member of, or participated in, 12 international organisations and APRA representatives attended 38 high-level committee meetings of international standard setting bodies.
Stakeholder feedback	APRA's <b>biennial stakeholder survey</b> (last conducted in 2019) asked stakeholders to rate their level of agreement with the following statements:

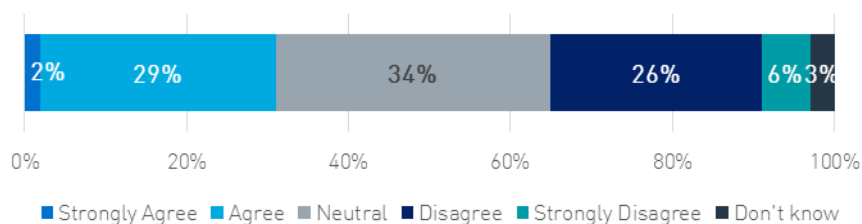
<sup>6</sup> <https://www.apra.gov.au/news-and-publications/apra-releases-2019-2023-corporate-plan>

<sup>7</sup> <https://www.apra.gov.au/news-and-publications/apra-2020-2024-corporate-plan>

In its supervision of your industry, APRA effectively pursues financial safety, balanced with considerations of efficiency, competition, contestability and competitive neutrality, and promotes financial stability:



Changes to APRA's prudential framework sufficiently consider the costs of regulation imposed on industry:



## External stakeholder validation

Industry associations generally agreed with APRA's self-assessment against KPI 1 and that APRA has a sound understanding of the operating environment of the entities it regulates.

A number of industry associations acknowledged and welcomed APRA's approach during the deteriorating operating environment triggered by the COVID-19 pandemic. Some industry associations expressed concerned about the increasing cost of regulation and encouraged the resumption of planned work to improve transparency on the assessment of costs (and benefits) of proposed policy changes identified as an opportunity for improvement by APRA.

# KPI 2 - Communication with regulated entities is clear, targeted and effective

---

## Measures of good regulatory performance

- 2(i) Regulators provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience.
- 2(ii) Regulators consider the impact on regulated entities and engage with industry groups and representatives of the affected stakeholders before changing policies, practices or service standards.
- 2(iii) Regulators' decisions and advice are provided in a timely manner, clearly articulating expectations and the underlying reasons for decisions.
- 2(iv) Regulators' advice is consistent and supports predictable outcomes.

## APRA's self-assessment against KPI 2

As the COVID-19 situation unfolded during the year, APRA's communications mostly centred on regulatory responses including the provision of clear guidance to regulated entities. Feedback from regulated entities has been positive and praise has been given in relation to supervisory engagement and APRA's clear and timely communication and public statements.

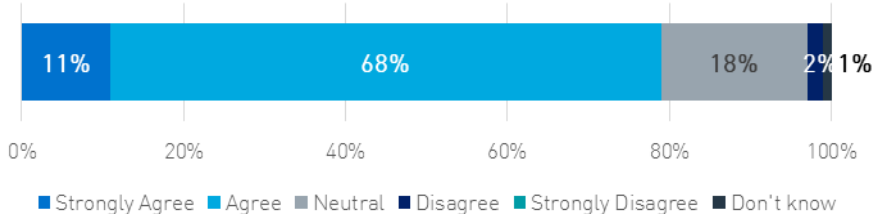
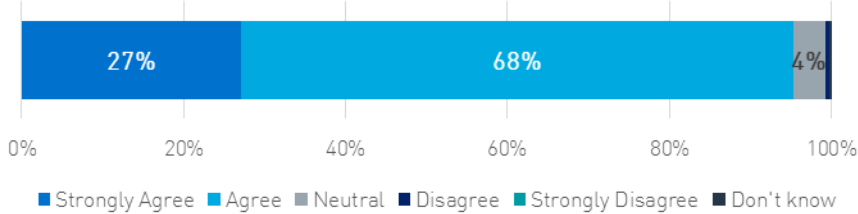
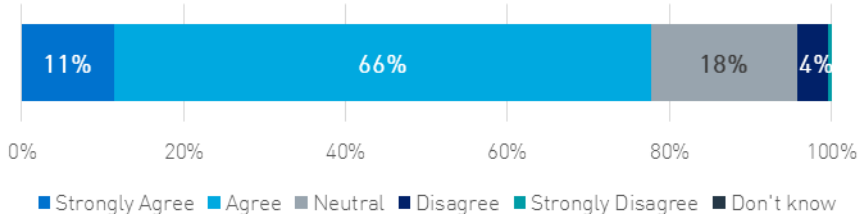
One of APRA's key strategic objectives is to improve external engagement including supporting communication methods that cater to all stakeholder needs. The past year has seen APRA publish more information on its decisions and actions, particularly as they relate to enforcement (such as the imposition of directions and licence conditions on RSE licensees). To support greater transparency, APRA increased its media engagement: for example, by conducting print and broadcast interviews on selected matters of public interest such as the MySuper Product Heatmap. APRA overhauled and upgraded its quarterly Insight publication, and continued to expand its consumer-directed website content and social media presence, including the publication of APRA's first video content in July 2020. APRA also broadened its engagement mechanisms with industry, instituting new approaches to policy consultations such as webinars and targeted discussions with industry representatives.

## Supporting evidence for KPI 2

<p><b>Provision of guidance and information</b></p>	<p>APRA's website includes a comprehensive suite of prudential standards and guidance covering all regulated industries. During 2019/20, the standards and guidance sections of the APRA website (by industry) were accessed as follows:</p> <ul style="list-style-type: none"> <li>• <b>Authorised deposit-taking institutions:</b> 127,211 times.</li> <li>• <b>General Insurance:</b> 37,153 times.</li> <li>• <b>Life insurance and friendly societies:</b> 20,257 times.</li> <li>• <b>Private health insurance:</b> 9,549 times.</li> <li>• <b>Superannuation:</b> 31,056 times.</li> </ul> <p>APRA published media releases and information papers on key prudential activities and decisions impacting regulated entities throughout the year including:</p> <ul style="list-style-type: none"> <li>• <b>25 speeches</b> (21 in 2018/19), of which almost half related to three of the four strategic focus areas included in APRA's 2019-2023 Corporate Plan - Improve outcomes for superannuation members; Transform governance, culture, remuneration and accountability (GCRA) across all regulated financial institutions; and Improve cyber resilience across the financial system.</li> <li>• <b>150 media releases and news items</b> (84 in 2018/19), of which approximately one third directly related to providing regulated entities with updates on guidance materials; notifying regulated entities of proposed updates/changes to prudential standards, approaches or expectations; responses to independent reviews; and policy priorities. One third related to the release of statistical publications, while the remaining media releases covered topics including enforcement actions taken by APRA, license updates, interactions with other government agencies and corporate publications amongst others. During the latter half of 2019/20 the releases primarily focused on APRA's response/guidance in relation to COVID-19.</li> </ul>
<p><b>Engagement with stakeholders before changing regulatory policy</b></p>	<p>As noted in <b>APRA's Statement of Intent</b><sup>8</sup> "APRA's policy development process will continue to include comprehensive industry consultation to provide for open and transparent consideration of stakeholder views and include the publication of non-confidential stakeholder submissions and APRA's response papers."</p> <p>During 2019/20, APRA finalised 9 consultation packages covering enhancements to the prudential framework. Non-confidential stakeholder submissions and responses to submissions were publicly released on APRA's website for all complete packages except one. This package, concerning <i>CPS 226: Margining and risk mitigation for non-centrally cleared derivatives</i> received eight submissions, of which six were non-confidential. All respondents supported the proposals with a few respondents requesting clarity or additional guidance. A letter was issued and released on APRA's website responding to the requests raised in those submissions. The number of consultations is lower than in previous years given APRA put on hold many planned substantive public consultations and 'in flight' revisions to the</p>

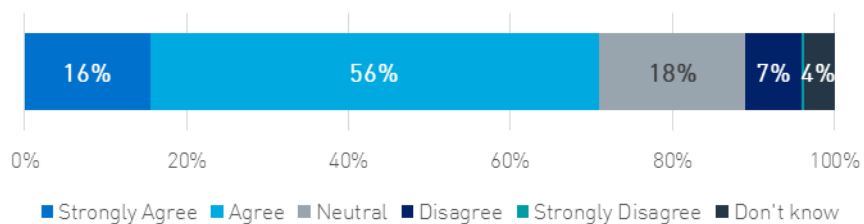
<sup>8</sup> <https://www.apra.gov.au/statement-of-intent-september-2018>



	prudential framework for at least six months to allow regulated entities to focus on their business in supporting customers through the impacts of COVID-19.																												
Stakeholder feedback – clarity of communication when changing prudential policy	<p><i>APRA communicates clearly during consultation with industry about proposed changes to prudential standards and guidance materials:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>11%</td> </tr> <tr> <td>Agree</td> <td>68%</td> </tr> <tr> <td>Neutral</td> <td>18%</td> </tr> <tr> <td>Disagree</td> <td>2%</td> </tr> <tr> <td>Strongly Disagree</td> <td>1%</td> </tr> </tbody> </table>	Response	Percentage	Strongly Agree	11%	Agree	68%	Neutral	18%	Disagree	2%	Strongly Disagree	1%																
Response	Percentage																												
Strongly Agree	11%																												
Agree	68%																												
Neutral	18%																												
Disagree	2%																												
Strongly Disagree	1%																												
Stakeholder feedback – clarity and usefulness of guidance and information	<p>APRA's biennial stakeholder survey (last conducted in 2019) asked stakeholders to rate the usefulness of guidance materials, including those published on the website:</p> <p><i>APRA's communication to my entity are clear and effective:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>27%</td> </tr> <tr> <td>Agree</td> <td>68%</td> </tr> <tr> <td>Neutral</td> <td>4%</td> </tr> </tbody> </table> <p><i>APRA's prudential standards clearly communicate requirements:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>11%</td> </tr> <tr> <td>Agree</td> <td>66%</td> </tr> <tr> <td>Neutral</td> <td>18%</td> </tr> <tr> <td>Disagree</td> <td>4%</td> </tr> </tbody> </table> <p><i>Usefulness of APRA's Prudential Practice Guides:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Extremely Useful</td> <td>11%</td> </tr> <tr> <td>Very Useful</td> <td>66%</td> </tr> <tr> <td>Moderately Useful</td> <td>21%</td> </tr> <tr> <td>Slightly Useful</td> <td>2%</td> </tr> </tbody> </table>	Response	Percentage	Strongly Agree	27%	Agree	68%	Neutral	4%	Response	Percentage	Strongly Agree	11%	Agree	66%	Neutral	18%	Disagree	4%	Response	Percentage	Extremely Useful	11%	Very Useful	66%	Moderately Useful	21%	Slightly Useful	2%
Response	Percentage																												
Strongly Agree	27%																												
Agree	68%																												
Neutral	4%																												
Response	Percentage																												
Strongly Agree	11%																												
Agree	66%																												
Neutral	18%																												
Disagree	4%																												
Response	Percentage																												
Extremely Useful	11%																												
Very Useful	66%																												
Moderately Useful	21%																												
Slightly Useful	2%																												

## Stakeholder feedback - consistency in supervision

*APRA is consistent in its supervision:*



## External stakeholder validation

Industry associations generally agreed with APRA's assessment of KPI 2 that it is clear, targeted and effective in its communications. Specific examples provided by some industry associations where APRA's communication could be improved included clarity of expectations in letters to entities and feedback on recovery plans.

Although technical content produced by APRA in relation to readily quantifiable areas (e.g. capital adequacy) is considered clear, targeted and effective, it was observed by one association that this might be a challenge for APRA as its guidance expands to more subjective areas (e.g. the suitability of remuneration policies).

# KPI 3 - Actions undertaken by regulators are proportionate to the regulatory risk being managed

---

## Measures of good regulatory performance

- 3(i) Regulators apply a risk-based, proportionate approach to compliance obligations, engagement and regulatory enforcement actions.
- 3(ii) Regulators' preferred approach to regulatory risk is regularly reassessed. Strategies, activities and enforcement actions are amended to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.
- 3(iii) Regulators recognise the compliance record of regulated entities, including using earned autonomy where this is appropriate. All available and relevant data on compliance, including evidence of relevant external verification is considered.

## APRA's self-assessment against KPI 3

Throughout 2019/20, APRA continued to take a risk-based approach to identifying and assessing areas of greatest risk to regulated entities in meeting their obligations to beneficiaries; and to financial stability in Australia, and directing its resources to address those risks particularly in respect to the COVID-19 pandemic and economic contraction.

In January 2020, APRA published updated plans on its supervision and policy priorities for the year ahead, consistent with the priorities laid out in its 2019-2023 Corporate Plan. Shortly thereafter, however, it became clear that APRA needed to move quickly to respond to a rapidly changing operating environment triggered by the COVID-19 global pandemic. As such, many planned supervisory activities and policy reforms were put on hold for at least six months. In their place, APRA re-directed its resources to the immediate risks and vulnerabilities generated by COVID-19, as well as its own scenario and response planning. This approach also allowed regulated entities to focus on supporting customers through the unfolding pandemic and economic contraction. As a result, APRA's frontline supervisors directed their attention to how financial institutions were responding to COVID-19, particularly in the areas of financial and operational resilience.

## Supporting evidence for KPI 3

Statement of Expectations and Intent	<p>The Australian Government sets out its expectations of APRA including managing relationships with key stakeholders in APRA's Statement of Expectations (SOE)<sup>9</sup>. APRA responds to the Government's SOE with its Statement of Intent<sup>8</sup>. These documents are available on APRA's website.</p> <p>APRA's Statement of Intent includes amongst other things a description of APRA's supervisory approach <i>"APRA adopts a <b>risk-based approach to prudential supervision</b> that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or to the financial system as a whole) and then direct resources and attention to these risks. APRA seeks to ensure that its judgments are accurate, timely and robust and that its <b>responses are targeted and proportionate.</b>"</i></p>
Supervision and policy priorities	<p>APRA undertakes a regular program of review to ensure that the regulatory framework remains fit for purpose. As well as having regard to the findings and recommendations of external reviews and inquiries, APRA's <b>policy priorities</b><sup>10</sup> are reviewed annually within an overall framework of emerging risk analysis and strategic priorities for each regulated industry. APRA's policy priorities were published in February 2019 and January 2020.</p> <p>APRA's <b>supervision priorities</b><sup>10</sup> were publicly released for the first time in January 2020, and will continue to be released on an annual basis in conjunction with APRA's policy priorities. These priorities are directed at supporting APRA's mandate and achieving the strategic priorities set in APRA's Corporate Plan. As part of setting this plan, APRA undertakes an analysis of macroeconomic and industry risk factors to identify those risks and vulnerabilities of heightened importance to regulated entities and the broader financial system.</p>
Supervision Risk and Intensity (SRI) Model	<p>Over recent years, the type and nature of prudential risks facing regulated entities has evolved. In response to this, at the start of 2019 APRA commenced a review of its entire supervision model including the long established risk assessment and response systems — the Probability and Impact Rating System (PAIRS) and the Supervisory Oversight and Response System (SOARS) — which are critical tools for identifying institutions that have a higher risk and impact of failure and tailoring APRA's approach accordingly.</p> <p>After a period of development, initial pilot and review, APRA has now designed a more contemporary model set to replace PAIRS and SOARS. The new model is the <b>Supervision Risk and Intensity Model (SRI)</b>. Grounded on the three core attributes of APRA's supervision philosophy – risk-based, forward-looking and outcomes-focused – the SRI provides a common platform by which all regulated entities will be assessed, while also incorporating different risk class elements tailored to banking, insurance and superannuation depending on the particular business of the entity concerned. Compared to the PAIRS model, new risk categories are being introduced to address emerging risks and a new feature of the model will be the introduction of a common consideration of external environment factors impacting each industry. The SRI model is being rolled-out to cover all regulated entities during 2020/21.</p>

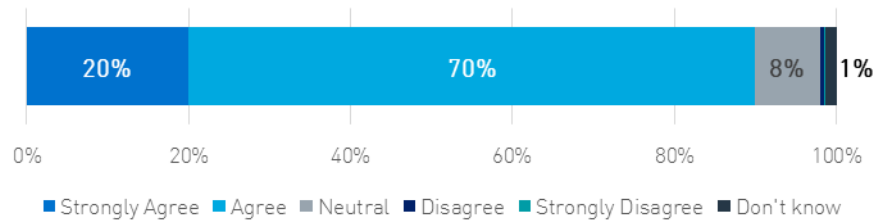
<sup>9</sup> <https://www.apra.gov.au/statement-of-expectations-2018>

<sup>10</sup> <https://www.apra.gov.au/news-and-publications/apras-2020-supervision-and-policy-priorities>

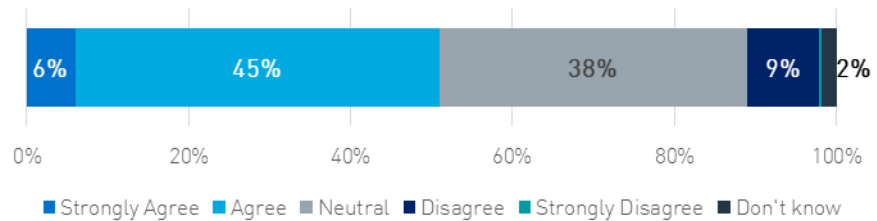
## Stakeholder feedback

APRA's **biennial stakeholder survey** (last conducted in 2019) asked stakeholders to rate their level of agreement with the following statements:

*APRA is primarily risk-based in its supervision:*



*APRA assists your institution to identify and mitigate emerging risks:*



## External stakeholder validation

Industry associations agreed with APRA's assessment of KPI 3 and welcomed the introduction of the new annual publication of APRA's supervision priorities. Specific feedback was received in relation to the importance of APRA's new SRI model:

*"... [association] considers the operation of the SRI will be central to whether APRA's actions in relation to the regulatory risk being managed in the [industry] are appropriate going forward".*

# KPI 4 - Compliance and monitoring approaches are streamlined and coordinated

---

## Measures of good regulatory performance

- 4(i) Regulators' information requests are tailored and only made when necessary to secure regulatory objectives, and only then in a way that minimises impact.
- 4(ii) Regulators' frequency of information collection is minimised and coordinated with similar processes including those of other regulators so that, as far as possible, information is only requested once.
- 4(iii) Regulators utilise existing information to limit the reliance on requests from regulated entities and share the information among other regulators, where possible.
- 4(iv) Regulators base monitoring and inspection approaches on risk and, where possible, take into account the circumstance and operational needs of the regulated entity.

## APRA's self-assessment against KPI 4

APRA considerably strengthened working relationships and coordination with other regulatory agencies throughout the year, particularly those that form part of the Council of Financial Regulators (CFR), supported by the establishment of a dedicated Regulatory Affairs team. As the COVID-19 pandemic unfolded, APRA worked closely with its domestic and international counterparts to maintain a coordinated and integrated approach to overseeing the financial system and upholding financial system stability. However, APRA's planned actions in relation to implementing a new Data Collection Solution were temporarily suspended in response to COVID-19 to allow financial institutions and APRA to focus on the response to the pandemic.

APRA collects, distributes and publishes data on behalf of a number of other Government agencies including the RBA and the Australian Bureau of Statistics (ABS). APRA is cognisant of the cost of collecting data from regulated entities. Undertaking this role has enabled a more streamlined approach to reporting of statistical information by regulated entities. In response to COVID-19, APRA initiated a number of new, rapidly-developed data collections to provide insights on priority areas of focus, while seeking to balance APRA's need for this data with minimising the resulting burden on regulated entities. This included implementing:

- **For Authorised Deposit-taking Institutions (ADIs):** Two weekly collections on liquidity; one weekly market risk collection for advanced ADIs<sup>11</sup>; two monthly credit risk collections; and three monthly capital data collections.

---

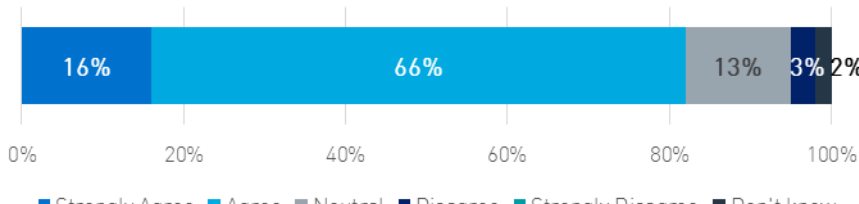
<sup>11</sup> Advanced ADIs are typically the major banks and those banks that have approval to use their own internal models for calculating capital.

- **For insurance:** One monthly life insurance collection on capital, a monthly performance data collection from the five top private health insurers; and a one-off collection on general insurance business interruption exposure.
- **For superannuation:** One weekly collection covering the early release scheme, a one-off collection on fund liquidity; and a monthly collection covering a number of areas including insurance, complaints and advice, operational resilience, liquidity, member demographics, and the 'Protecting Your Super' package of reforms.

## Supporting evidence for KPI 4

<b>MoUs</b>	In 2019/20, APRA had bilateral information sharing arrangements with 17 domestic and 34 overseas regulatory agencies through Memorandums of Understanding (MoUs) and letters of exchanges. APRA is also one of 73 signatories to the International Association of Insurance Supervisors (IAIS) multilateral MoU. These MoUs although not legally binding, signify a commitment to cooperate and share relevant information, and establish the practical arrangements by which this will occur.
<b>Enhanced coordination and co-operation between APRA and ASIC</b>	Closer cooperation between APRA and ASIC was formalised via an updated MOU <sup>12</sup> [signed and released in November 2019] and strengthened coordination under a revised engagement structure including standing committees for each regulated industry that better support identification and actioning of risks. These structured arrangements help establish relationships between relevant areas of APRA and ASIC. These relationships support stronger informal, day-to-day engagement on areas of joint responsibility. This is particularly important for ensuring that the actions of each agency are coordinated and not duplicative or contradictory.
<b>Information sharing with other regulators</b>	APRA shared information with the following agencies/organisations during the year: <b>Domestic:</b> <ul style="list-style-type: none"> <li>• Australian Competition and Consumer Commission (ACCC)</li> <li>• Australian Securities and Investment Commission (ASIC)</li> <li>• Australian Bureau of Statistics (ABS)</li> <li>• Australian Taxation Office (ATO)</li> <li>• Australian Transaction Reports and Analysis Centre (AUSTRAC)</li> <li>• Australian Financial Complaints Authority (AFCA)</li> <li>• Bank of International Settlements (BIS)</li> <li>• Department of Agriculture</li> <li>• Department of Health</li> <li>• Department of the Treasury</li> <li>• Reserve Bank of Australia (RBA)</li> </ul> <b>International:</b> <ul style="list-style-type: none"> <li>• Bank of International Settlements (BIS)</li> <li>• Financial Stability Board (FSB)</li> </ul>

<sup>12</sup> <https://www.apra.gov.au/news-and-publications/asic-and-apra-issue-updated-mou>

	<ul style="list-style-type: none"> <li>• International Association of Insurance Supervisors (IAIS)</li> <li>• International Organisation of Pension Supervisors (IOPS)</li> <li>• The Organisation for Economic Co-operation and Development (OECD)</li> <li>• 28 country-based regulators / agencies</li> </ul>														
CFR working groups	APRA maintained strong working relationships with Australia's key regulatory agencies within the CFR throughout the year, participating in <b>9 CFR working groups</b> covering a range of topics that require co-ordination between regulators including crisis management, financial markets infrastructure, housing, climate change, distributed ledger technologies and cyber risk.														
Supervisory colleges	APRA participates in entity-specific multilateral arrangements to support the sharing of confidential information in supervisory colleges involving internationally-active financial entities including those headquartered in Australia. During 2019/20, APRA hosted 3 supervisory colleges (2 ADI and 1 Insurance) and attended 16 off-shore supervisory colleges (2 ADI and 14 Insurance).														
Stakeholder feedback	<p>APRA's <b>biennial stakeholder survey</b> (last conducted in 2019) asked stakeholders to rate their level of agreement with the following statement:  <i>The information that APRA collects in the course of supervision is adequate to assess risks in your entity:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>16%</td> </tr> <tr> <td>Agree</td> <td>66%</td> </tr> <tr> <td>Neutral</td> <td>13%</td> </tr> <tr> <td>Disagree</td> <td>3%</td> </tr> <tr> <td>Strongly Disagree</td> <td>2%</td> </tr> <tr> <td>Don't know</td> <td>2%</td> </tr> </tbody> </table>	Response	Percentage	Strongly Agree	16%	Agree	66%	Neutral	13%	Disagree	3%	Strongly Disagree	2%	Don't know	2%
Response	Percentage														
Strongly Agree	16%														
Agree	66%														
Neutral	13%														
Disagree	3%														
Strongly Disagree	2%														
Don't know	2%														

## External stakeholder validation

Industry associations generally agreed with APRA's assessment of KPI 4.

Specific feedback received by one association from its members supported the assessment of improvement in coordination with other regulators that APRA has achieved in the past year through the establishment of a dedicated Regulatory Affairs team:

*"...a high level of liaison with other regulators [list of regulators including ASIC] by APRA, resulting in streamlined and coordinated monitoring."*



# KPI 5 - Regulators are open and transparent in their dealings with regulated entities

---

## Measures of good regulatory performance

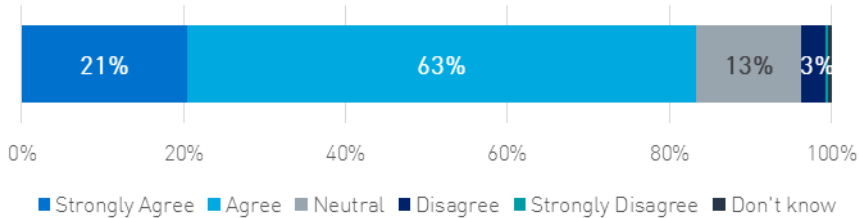
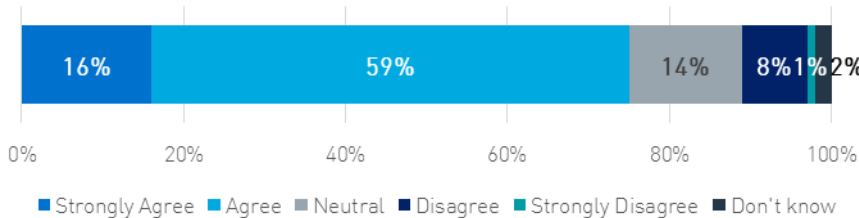
- 5(i) Regulators' risk-based frameworks are publicly available in a format which is clear, understandable and accessible.
- 5(ii) Regulators are open and responsive to requests from regulated entities regarding the operation of the regulatory framework, and approaches implemented by regulators.
- 5(iii) Regulators' performance measurement results are published in a timely manner to ensure accountability to the public.

## APRA's self-assessment against KPI 5

APRA demonstrated its commitment to being open, transparent and responsive to requests from regulated entities and other key stakeholders throughout the year. In particular, APRA maintained extensive contact with key representatives from regulated entities and responded to enquiries from them and other stakeholders including the general public in regard to regulatory responses to COVID-19 and the economic contraction. APRA issued a number of media releases and news items to keep stakeholders abreast of key developments and regulatory actions.

As with other Commonwealth entities, APRA's performance framework and governance and accountability requirements are set out in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The PGPA Act requires APRA to prepare an **Annual Performance Statement** (APS) to be included in its Annual Report. The APS provides an informative summary to Parliament and the public on APRA's performance against its four-year Corporate Plan and how it continues to deliver on its mandate. It became clear in early 2020 that APRA needed to review the strategic priorities laid out in its 2019-2023 Corporate Plan and move quickly to respond to a rapidly deteriorating operating environment triggered by the COVID-19 pandemic. APRA promptly reset priorities and directed resources to key risks and vulnerabilities - including the heightened risk of failure of one or more APRA-regulated institutions - and intensified its efforts to reinforce the stability of the financial system and support the broader Australian economy. It is with this context that APRA's performance for the 2019/20 financial year was presented in APRA's APS together with reporting on all performance measures included in APRA's 2019-2023 Corporate Plan.

## Supporting evidence for KPI 5

Supervision and enforcement approach	APRA's supervisory <sup>13</sup> and enforcement <sup>14</sup> approaches are available on its website (noting that APRA's supervisory approach was refreshed on 6 October 2020). During the 2019/20 financial year, they were viewed 1,602 times and 6,497 times respectively.																								
Stakeholder engagement/requests	<p>During 2019/20, APRA met with more than 100 domestic public (Commonwealth and State departments) and private organisations (associations and peak bodies). In addition, APRA:</p> <ul style="list-style-type: none"> <li>Presented at 58 formal speaking engagements</li> <li>Issued 150 media releases and news items</li> <li>Responded to 8,009 enquiries from regulated entities (<i>regarding data/statistics</i>)</li> <li>Responded to 7,904 enquiries received through the APRAinfo call centre</li> <li>Attended nine Parliamentary hearings and provided one submission to a formal Parliamentary Inquiry</li> </ul>																								
Performance measures	All performance measures committed to in APRA's 2019-2023 Corporate Plan were published on time in APRA's APS for the 2019/20 financial year.																								
Stakeholder feedback	<p>APRA's <b>biennial stakeholder survey</b> (last conducted in 2019) asked stakeholders to rate their experience or level of agreement with the following statements:</p> <p><i>APRA is consultative in its supervision:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>21%</td> </tr> <tr> <td>Agree</td> <td>63%</td> </tr> <tr> <td>Neutral</td> <td>13%</td> </tr> <tr> <td>Disagree</td> <td>3%</td> </tr> </tbody> </table> <p><i>APRA's resolution of your entity's technical and supervisory request is timely:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>16%</td> </tr> <tr> <td>Agree</td> <td>59%</td> </tr> <tr> <td>Neutral</td> <td>14%</td> </tr> <tr> <td>Disagree</td> <td>8%</td> </tr> <tr> <td>Strongly Disagree</td> <td>1%</td> </tr> <tr> <td>Don't know</td> <td>2%</td> </tr> </tbody> </table>	Response	Percentage	Strongly Agree	21%	Agree	63%	Neutral	13%	Disagree	3%	Response	Percentage	Strongly Agree	16%	Agree	59%	Neutral	14%	Disagree	8%	Strongly Disagree	1%	Don't know	2%
Response	Percentage																								
Strongly Agree	21%																								
Agree	63%																								
Neutral	13%																								
Disagree	3%																								
Response	Percentage																								
Strongly Agree	16%																								
Agree	59%																								
Neutral	14%																								
Disagree	8%																								
Strongly Disagree	1%																								
Don't know	2%																								

## External stakeholder validation

Industry associations agreed with APRA's assessment of KPI 5 that APRA has maintained open and transparent dealing with regulated entities and good engagement and

<sup>13</sup> <https://www.apra.gov.au/apras-supervision-philosophy>

<sup>14</sup> <https://www.apra.gov.au/enforcement>

communication with APRA personnel. One association highlighted a specific example being the extent to which APRA explained the reasons why regulatory relief would not be granted including meetings with the association and affected members, as well as following up with formal written advice.

# KPI 6 - Regulators actively contribute to the continuous improvement of regulatory frameworks

---

## Measures of good regulatory performance

- 6(i) Regulators establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the regulatory framework.
- 6(ii) Regulators engage stakeholders in the development of options to reduce compliance costs. This could include industry self-regulation, changes to the overarching regulatory framework, or other strategies to streamline monitoring and compliance approaches.
- 6(iii) Regulators regularly share feedback from stakeholders and performance information (including from inspections) with policy departments to improve the operation of the regulatory framework and administrative processes.

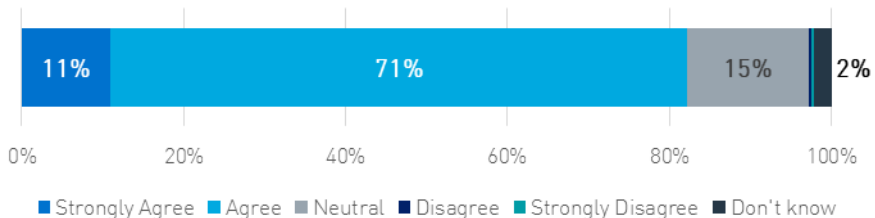
## APRA's self-assessment against KPI 6

APRA demonstrated its commitment to continuously improving regulatory frameworks and practices by engaging with and receiving feedback from stakeholders throughout the year. APRA remains committed to addressing areas for improvement identified by the Royal Commission, the FSAP and APRA's Capability Review. While good progress has been made, planned work to address a number of recommendations was put on hold when APRA suspended its policy consultations and many of its supervisory activities with the onset of the COVID-19 pandemic. APRA plans to address the remaining recommendations within its 2020-2024 Corporate Plan.

APRA expanded and strengthened its engagement with domestic and international peer agencies during the year (supported by the establishment of a dedicated Regulatory Affairs team) including increased reporting to the Treasurer's Office and dialogue with Treasury on its proposed legislative reform agenda.

APRA broadened its stakeholder engagement mechanisms by instituting new approaches to policy consultations such as webinars and workshops with industry representatives. APRA continued to play an active role in relevant domestic and international groups and forums for banking, insurance and superannuation to remain informed on, and contribute to, best practice regulatory developments and to determine how they should apply in the Australian context.

## Supporting evidence for KPI 6

Feedback mechanisms	<p>In line with its published Service Charter<sup>15</sup>, APRA maintained its commitment to receiving regular feedback from key stakeholders to inform improvements to regulatory frameworks and practices including formally surveying regulated institutions, industry bodies and other knowledgeable observers via its <b>biennial stakeholder survey</b> (last conducted in 2019)<sup>16</sup>. The biennial survey is undertaken by an independent party with survey results publicly available on APRA's website.</p> <p>APRA accepts <b>feedback from stakeholders</b> via the 'contact APRA' service available at: <a href="https://www.apra.gov.au/contact-us">https://www.apra.gov.au/contact-us</a>. For regulated institutions, feedback can be provided directly to APRA's Responsible Supervisors. For members of the public, feedback can be provided via the APRAinfo team on 1300 558 849, via the 'contact APRA' service on APRA's website or by contacting any of APRA's offices listed on its website.</p>														
Key stakeholder events	<p>During 2019/20, APRA broadened its stakeholder engagement mechanisms by instituting new approaches to policy consultations such as webinars and workshops with industry representatives. A total of <b>51 events</b> were held across the year covering all of APRA's regulated industries.</p>														
Continuous improvement of frameworks and practices	<p>In recent years, APRA has been subject to a number of <b>independent reviews</b>, culminating in a series of recommendations aimed at improving APRA's operations and capabilities, regulatory frameworks and practices and the ongoing stability of Australia's financial system. APRA has embraced these reviews as opportunities for continuous improvement. As at the end of June 2020 APRA had addressed in full two recommendations from the Royal Commission, 15 from the FSAP and three from APRA's Capability Review (and parts of four other recommendations).</p>														
Engagement with Government	<p>During 2019/20, APRA's newly formed Regulatory Affairs team established increased reporting to the Treasurer's Office and facilitated discussions with Treasury on its proposed legislative reform agenda. Topics discussed included proposed amendments to the legislative and prudential framework designed to improve clarity, reduce ambiguity, harmonise requirements across industries and enable increased co-ordination across regulatory agencies.</p>														
Stakeholder feedback on policy consultations	<p>APRA's <b>biennial stakeholder survey</b> (last conducted in 2019) asked stakeholders to rate their level of agreement with the following statement:  <i>APRA's consultation packages provide a good base for consultation with industry:</i></p>  <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Strongly Agree</td> <td>11%</td> </tr> <tr> <td>Agree</td> <td>71%</td> </tr> <tr> <td>Neutral</td> <td>15%</td> </tr> <tr> <td>Disagree</td> <td>2%</td> </tr> <tr> <td>Strongly Disagree</td> <td>1%</td> </tr> <tr> <td>Don't know</td> <td>0%</td> </tr> </tbody> </table>	Response	Percentage	Strongly Agree	11%	Agree	71%	Neutral	15%	Disagree	2%	Strongly Disagree	1%	Don't know	0%
Response	Percentage														
Strongly Agree	11%														
Agree	71%														
Neutral	15%														
Disagree	2%														
Strongly Disagree	1%														
Don't know	0%														

<sup>15</sup> <https://www.apra.gov.au/apra-service-charter>

<sup>16</sup> <https://www.apra.gov.au/stakeholder-survey>

## External stakeholder validation

Industry associations agreed with APRA's assessment of KPI 6.

# Attachment A: Performance measures relevant to each KPI

Measures of good regulatory performance <sup>17</sup>	APRA measures
<b>KPI 1 – Regulators do not unnecessarily impeded the efficient operation of regulated entities</b>	
<p>1(i) Regulators demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.</p> <p>1(ii) Regulators take actions to minimise the potential for unintended negative impacts of regulatory activities on regulated entities or affected supplier industries and supply chains.</p> <p>1(iii) Regulators implement continuous improvement strategies to reduce the costs of compliance for those they regulate.</p>	<p>1.1 APRA publications address current and emerging issues or developments in the financial sector.</p> <p>1.2 Development of standards includes a consultation process consistent with the Office of Best Practice principles (OBPR) including preparing Regulation Impact Statements (RIS), public release of stakeholder submissions and a response to submissions.</p> <p>1.3 Publicly reported peer assessments against relevant international practices and standards and demonstrated engagement with relevant international bodies and offshore regulators.</p> <p>1.4 Feedback collected and publicly reported from biennial stakeholder survey.</p>
<b>KPI 2 – Communication with regulated entities is clear, targeted and effective</b>	
<p>2(i) Regulators provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience</p> <p>2(ii) Regulators consider the impact on regulated entities and engage with industry groups and representatives of the affected stakeholders before changing policies, practices or service standards.</p>	<p>2.1 APRA publishes up-to-date guidance on its framework, processes and activities on its external website.</p> <p>2.2 Timely communication on key developments or consultations are delivered electronically to all relevant APRA contacts and those stakeholders that register for notifications on APRA's website.</p> <p>2.3 Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation</p>

<sup>17</sup> The Government framework explicitly defines measures of good regulatory performance for each high-level KPI

Measures of good regulatory performance <sup>17</sup>	APRA measures
2(iii) Regulators' decisions and advice are provided in a timely manner, clearly articulating expectations and the underlying reasons for decisions	Impact Statements, public release of stakeholder submissions and a response to submissions.
2(iv) Regulators' advice is consistent and supports predictable outcomes	2.4 Feedback is collected and publicly reported from biennial stakeholder surveys.
<b>KPI 3 – Actions undertaken by regulators are proportionate to the regulatory risk being managed</b>	
3(i) Regulators apply a risk-based, proportionate approach to compliance obligations, engagement and regulatory enforcement actions.	3.1 APRA publications address current and emerging issues or developments in the financial sector.
3(ii) Regulators' preferred approach to regulatory risk is regularly reassessed. Strategies, activities and enforcement actions are amended to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.	3.2 APRA publishes its supervisory and enforcement approaches on its website.
3(iii) Regulators recognise the compliance record of regulated entities, including using earned autonomy where this is appropriate. All available and relevant data on compliance, including evidence of relevant external verification is considered.	3.3 Statements of Expectations and Intent are published.
	3.4 Feedback is collected and publicly reported from biennial stakeholder surveys.
<b>KPI 4 – Compliance and monitoring approaches are streamlined and coordinated</b>	
4(i) Regulators' information requests are tailored and only made when necessary to secure regulatory objectives, and only then in a way that minimises impact.	4.1 APRA collects and shares statistical information with other government agencies including RBA, ABS and ASIC.
4(ii) Regulators' frequency of information collection is minimised and coordinated with similar processes including those of other regulators so that, as far as possible, information is only requested once.	4.2 Development of the reporting framework includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions.
4(iii) Regulators utilise existing information to limit the reliance on requests from regulated entities and share the information among other regulators, where possible.	4.3 APRA publishes non-confidential industry and entity level statistical information.
4(iv) Regulators base monitoring and inspection approaches on risk and, where possible, take into account the circumstance and operational needs of the regulated entity.	4.4 Feedback is collected and publicly reported from biennial stakeholder surveys.



Measures of good regulatory performance <sup>17</sup>	APRA measures
<b>KPI 5 – Regulators are open and transparent in their dealing with regulated entities</b>	
<p>5(i) Regulators' risk-based frameworks are publicly available in a format which is clear, understandable and accessible</p> <p>5(ii) Regulators are open and responsive to requests from regulated entities regarding the operation of the regulatory framework, and approaches implemented by regulators.</p> <p>5(iii) Regulators' performance measurement results are published in a timely manner to ensure accountability to the public.</p>	<p>5.1 APRA publishes its supervisory and enforcement approaches on its external website.</p> <p>5.2 Demonstrated regular engagement with stakeholders.</p> <p>5.3 APRA publicly reports on its performance and provides detail on key aspects of APRA's activities.</p> <p>5.4 APRA's service charter is publicly available.</p> <p>5.5 Feedback collected and publicly reported from biennial stakeholder survey.</p>
<b>KPI 6 – Regulators actively contribute to the continuous improvements of regulatory frameworks</b>	
<p>6(i) Regulators establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the regulatory framework.</p> <p>6(ii) Regulators engage stakeholders in the development of options to reduce compliance costs. This could include industry self-regulation, changes to the overarching regulatory framework, or other strategies to streamline monitoring and compliance approaches.</p> <p>6(iii) Regulators regularly share feedback from stakeholders and performance information (including from inspections) with policy departments to improve the operation of the regulatory framework and administrative processes.</p>	<p>6.1 Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions.</p> <p>6.2 Feedback mechanisms are available and made known to all stakeholders.</p> <p>6.3 Feedback is collected and publicly reported from biennial stakeholder surveys.</p>



© APRA