

15 April 2015

Mr Pat Brennan  
General Manager, Policy Development  
Policy, Statistics and International Division  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001

Email: [regulatorycostsavings@apra.gov.au](mailto:regulatorycostsavings@apra.gov.au)

Dear Mr Brennan,

**Re: Update on regulatory cost savings**

*The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.*

*As the principal advocate and peak representative body for the \$600 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.*

*AIST provides professional training, consulting services and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.*

**In brief:**

AIST welcomes APRA's update on its regulatory cost savings program. AIST supports the reviews that have been announced as part of this update, in particular the reviews of audit and ORFR requirements as well as the proposed reviews associated with the reporting framework. We take this opportunity to recommend a regulatory impact statement (RIS) be undertaken for any changes that are eventually recommended.

AIST wishes to thank APRA for its consultation regarding data reporting and collection. AIST notes that such processes are iterative. Accordingly, AIST believes that further efficiencies may be found through conducting a further analysis of data collection and reporting provided to regulatory agencies through the regulators developing a 'heat map' or cross reference document outlining the similarities and differences in requirements.

Such an exercise may identify other data sources which may better meet regulatory requirements, and also avoid duplication of reporting for superannuation funds.

Without this information, it is also difficult for AIST to assess how proposals fit into the Government's focus on red tape reduction.

We note that this is planned to be the first paper of a series. We look forward to additional updates if and when they are available. Our comments in this submission will be limited to the part of the paper that are immediately relevant to superannuation.

### **Review of audit requirement**

AIST welcomes the review to explore the areas where APRA's audit requirements can be rendered more efficient. AIST raised a number of concerns regarding audit requirements during the consultation phase, including a reduction in the level of requirements needed in order to comply with Prudential Standards SPS 250 Insurance in Superannuation, SPS 521 Conflicts of Interest, SPS 530 Investment Governance, SPS 220 Risk Management and SPS 231 Outsourcing.

AIST welcomes this review, and we will continue to make ourselves available as required to assist.

### **Review of aspects of the operational risk financial requirement (ORFR) for RSE licensees**

We note the willingness of APRA to engage in further consultation with the industry regarding whether recalculation of the ORFR is required in the instance that there have not been any material changes to an RSE's operational risks during the reporting period. We also note APRA's interest in the level of audit review required. This was an issue that AIST raised during consultation, and we note that the costs of such a recalculation for licensees can be as high as \$30,000.

We eagerly await APRA's consultation on this.

We also welcome APRA's consideration of the appropriateness of materiality thresholds with respect to operational risk losses charged against financial resources used to meet ORFR requirements under SPS 114.

### **Review of offshoring consultation requirements**

APRA has advised its willingness to explore areas for exemption with regards to offshored activity and may provide additional guidance in due course. AIST welcomes additional guidance wherever possible.

However, we note that APRA is not yet willing to examine different requirements, depending on the materiality of the outsourced provider being chosen. As this subjects small mandates to the

same requirements as large ones, AIST recommends that this decision be re-visited, with further thought given to a reduced set of requirements for smaller investment managers.

### The reporting framework

AIST considers the statistics function of APRA's to be vitally important. We agree that APRA's statistics function both supports prudential supervision and plays a critical role as the central repository of statistical information on the Australian financial system.

We welcome the thorough attention that APRA has paid to the collection of this data throughout this paper. To this end, we welcome additional involvement by entities such as the ABS, RBA and ASIC, in order to better understand the need for certain information collected on behalf of other agencies. As mentioned earlier, AIST believes such processes are iterative, and looks forward to further consultation, which AIST believes could result in further efficiencies, including the reduction in duplication in effort.

We welcome APRA's commitment to the following:

- Review of reporting frequency, timeframes and detail. AIST welcomes the planned internal review. We note APRA's comments regarding transitional issues, as well as their power to grant exemptions; however we take this opportunity to point out that different items of information have different levels of availability, which we believe the review will identify.
- Review of practices and procedures that generate validations and queries on prudential returns. In particular, AIST welcomes APRA's commitment to transparency and data integrity. We also welcome APRA's commitment to ongoing and systematic reviews aimed at improving the process and minimising the need to explain errors where such errors are 'false positives'.
- Improve the consistency of APRA reporting requirements with accounting standards and reporting for other agencies. Although we note that APRA is not satisfied that its reporting regime needs to immediately change in order to satisfy other regulators or reporting requirements, AIST will continue to present situations that we believe are at odds with the requested dataset as required by APRA.
- The D2A system. Although APRA notes that its life is limited, we also point to the need to use this platform in the short term.

### The need for a regulatory impact statement (RIS)

While AIST appreciates that these proposals relates to reduction of red tape, AIST nonetheless recommends that a Regulatory Impact Statement (RIS) be developed for any changes that are eventually recommended. We believe that a RIS should be compiled for every substantive regulatory policy change.

In this case, the change is to reduce red tape, but the impact of the changes should be transparent and evidence based. The RIS could demonstrate whether there is an overall net benefit.

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If you have any further questions regarding this submission, please contact David Haynes, Executive Manager Policy & Research on 03 8677 3800 or at [dhaynes@aist.asn.au](mailto:dhaynes@aist.asn.au) .

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia  
**Chief Executive Officer**