



Australian Government

Department of the Prime Minister and Cabinet Office of Best Practice Regulation

Reference: 15337
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Ms Helen Rowell
Member
Australian Prudential Regulation Authority
400 George St (Level 26)
SYDNEY NSW 2000

Dear Ms Rowell

Final details-stage Regulation Impact Statement - Harmonising cross-industry risk management requirements

Thank you for forwarding the details-stage Regulation Impact Statement (RIS) for the above proposal for final assessment on 2 January 2014. I note that you have formally certified the details-stage RIS as required by the best practice regulation requirements.

The OBPR assesses details-stage RISs for consistency and adequacy – consistency relates to following the prescribed process, and adequacy relates to the quality of the analysis. I note our comments of 27 November 2013 on the initial draft have been appropriately addressed, as you confirmed in your letter certifying the final version of the RIS.

I note the agency has been consistent with the RIS guidelines, having twice provided a certified details-stage RIS (addressing all seven elements) to the OBPR for the two-pass assessment before the decision-maker considers the RIS.

I note that the details-stage RIS is adequate as it does not contain obvious errors and has a degree of detail and depth of analysis that is commensurate with the magnitude of the problem and the size of the potential impact of the proposal – the Office of Best Practice Regulation (OBPR) considers that the RIS is a category ‘D’ RIS, reflecting that the issue is of relatively minor significance in the broader economy.

I note that the regulatory costs and cost offsets have been agreed with the OBPR. You have indicated that some material should remain in-confidence until details are publicly announced. Given recent announcements regarding the offsets, the OBPR considers that the material is no longer confidential and should be published with the RIS.

I note that the RIS identifies several issues relating to the APRA’s current risk management requirements, including: similar risks are treated in different ways depending on the institution; current prudential standards do not reflect recent improvements in local and

global risk management practices; and there are currently near-identical risk management standards for life insurers and general insurers. To address these issues, the RIS includes a range of options, comprising the status quo; the introduction of enhanced risk management requirements to ADIs and insurers on a voluntary basis; and new prudential standards.

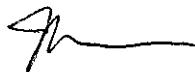
I note that under the recommended option a new Prudential Standard CPS 220 Risk Management (CPS 220) and updated Prudential Standard CPS 510 Governance (CPS 510) would commence from 1 January 2015. The RIS notes that APRA considers that the proposed requirements for a Chief Risk Officer and a Board Risk Committee will enhance the stature and authority of risk management functions and will strengthen risk-based decision-making within ADIs and insurers. I note that the RIS concludes that the recommended risk management proposals will have a minor cost impact as industry has already substantially invested in risk management capacity, at both the management and Board levels.

The OBPR maintains a RIS website and the Government requires that details-stage RISs be posted within 5 business days of a regulatory decision being publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the details-stage RIS in *Microsoft Word .doc* format in a form meeting the Australian Government's *Web Content Accessibility Guidelines*. We suggest liaising with your web services team to ensure these guidelines are met. The OBPR should be consulted if the details-stage RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published details-stage RIS.

The website provides a public comment facility on RISs posted on the site. The OBPR moderates this facility for offensive content but does not moderate debate.

Please retain this letter as a record of the OBPR's advice. Our reference number for this issue is 15337. If you have any further queries, please do not hesitate to contact me.

Yours sincerely



Jason McNamara
Executive Director
Office of Best Practice Regulation

3 January 2014