



Australian Government

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

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Mr John Laker AO
Chairman
Australian Prudential Regulation Authority
400 George St (Level 26)
SYDNEY NSW 2000

Dear Mr Laker

Final Single-stage Regulation Impact Statement – Implementing Basel III Liquidity Reforms in Australia

Thank you for forwarding the single-stage Regulation Impact Statement (RIS) for the above proposal for final assessment on 19 December 2013. I note that you have formally certified the RIS as required by the best practice regulation requirements.

The OBPR assesses single-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 29 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 APRA has been consistent with the RIS guidelines, having twice provided a certified single-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 single-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 ‘B’ RIS, reflecting that the issue is of medium significance in the broader economy with appreciable competition impacts.

I note that the regulatory costs and cost offsets have been agreed with the OBPR.

The OBPR considers the RIS sufficiently explains the status quo, in terms of the extent to which entities are already substantively meeting the new obligations and also outlines the risk of not formally implementing the liquidity requirements.

The RIS included three options, comprising the status quo; a light handed option (implement some of the Basel measures); and a regulatory option (implement all of the Basel measures). Given the impacts, the options were adequately assessed.

We also note that as no decision has been previously announced an options-stage RIS was not required, and that this was flagged in the RIS.

Accordingly, I am satisfied that the final single-stage RIS now meets the Government's best practice regulation requirements.

The Government's *Best Practice Regulation Handbook* (June 2013), at paragraph 6.4, requires that for legislation which is tabled in the Parliament, a copy of the single-stage RIS must be included in the explanatory memorandum (for primary legislation) or the explanatory statement (for legislative instruments). Please ensure that your officers provide the OBPR with a copy of (or link to) the explanatory memorandum or explanatory statement when these are made public.

Additionally, the Office of Best Practice Regulation (OBPR) maintains a RIS website and the Government requires that single-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 single 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 RIS is amended. It is the agency preparing the RIS, not the OBPR, which is responsible for the content of the published 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 14531. If you have any further queries, please do not hesitate to contact me.

Yours sincerely



Jason McNamara
Executive Director
Office of Best Practice Regulation
20 December 2013