



## Australian Government

---

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

Reference: 17233  
Telephone: 6271 6270  
e-mail: helpdesk-opbr@pmc.gov.au

Mr Wayne Byres  
Chairman  
Australian Prudential Regulation Authority

Dear Mr Byres

**Regulation Impact Statement – Second Pass Final Assessment – Disclosure requirements for specified authorised deposit-taking institutions (leverage, liquidity and the identification of global systemically-important banks)**

Thank you for forwarding the Regulation Impact Statement (RIS) for the above proposal for a second pass final assessment on 23 April 2015. I note that you have formally certified the RIS as required by the best practice regulation requirements.

The Office of Best Practice Regulation's (OBPR) final assessment is that the Australian Prudential Regulation Authority is compliant with the Government's RIS requirements and is consistent with best practice. This assessment is based on:

- the regulatory costings having been agreed with the OBPR; and
- your letter of 23 April 2015 certifying that the issues raised in the OBPR's formal assessment of the RIS on 5 March 2015 have been addressed.

In addition, I note that the RIS:

- addresses the seven RIS questions;
- considers a minimum of three policy options, one of which is a non-regulatory option; and
- does not contain obvious errors.

The OBPR notes that the recommended option is a regulatory option that establishes legally enforceable disclosure requirements that apply to specified authorised deposit-taking institutions.

The OBPR also notes that the RIS explains the status of the RIS at major decision making points in the policy development process.

The OBPR maintains a RIS website and aims to post RISs as soon as practicable after the regulatory decision has been publicly announced. We would appreciate you advising us when a decision on this proposal is announced, and forwarding a final copy of the 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 matter is 17233. If you have any further queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. McNamara', with a long horizontal stroke extending to the right.

Jason McNamara  
Executive Director

25 April 2015

## **Attachment A**

### *Comments on the RIS*

1. The RIS contains much information about the GFC, the existing regulatory framework and prior commentary on proposed regulatory changes. While useful, this information could be summarised in a few paragraphs.
2. Consistent with discussions between our offices the RIS should clearly explain the significance of the remaining problem having regard to the substantive Basel III requirements that are already in place. For example, are the information disclosure requirements aimed at enhancing existing measures, or solving a separate problem (such as information asymmetry)? If the former the RIS should clearly outline how the existing measures would be enhanced. If the latter the RIS should give more direct evidence of an information asymmetry, including who is affected by it and what role it played (if any) in the GFC relative to other factors.
3. ADIs are currently required to provide APRA with a range of information under existing disclosure requirements. To clarify the discussion about the incremental burden of the proposed disclosure requirements, the RIS should briefly outline the:
  - a. current APRA disclosure requirements relevant to the ADIs affected by the proposal; and
  - b. extent to which the proposed disclosure requirements would be an incremental increase on the existing disclosure requirements.
4. The RIS explains that one of the benefits of the proposal is that without APRA intervention, ADIs face potential increases in their cost of capital and reputational damage to themselves and the Australian financial sector. This discussion indicates that Australian ADIs would have a large financial incentive to ensure that they jointly meet the Basel III disclosure requirements. The RIS should clearly explain whether ADIs would disclose the relevant information under the status quo. The RIS should also discuss:
  - a. why, if it is in their best interests, ADIs wouldn't disclose information voluntarily; and
  - b. whether Australian ADIs would meet the Basel III requirements if APRA did not intervene with the proposed disclosure requirements.
5. In light of the discussion above, the net benefits of the options should be reframed to reflect the incremental impact of introducing the disclosure requirements above and beyond the status quo.
6. The consultation section mentions that the affected ADIs raised specific queries about a number of details in the proposed disclosure requirements. The RIS should outline whether these concerns were incorporate into the proposal, and how this affects the net benefits of the preferred option.
7. The conclusion will need to be revised to reflect changes to the RIS. It will be very important that any uncertainties in the impact analysis are reflected in the conclusion about net benefit. For example, if there is limited direct evidence of the existence and magnitude of an information asymmetry, this would need to be reflected in uncertainties over the potential benefits of the policies, and therefore the net-benefit of the preferred option, and therefore the conclusion.

8. The RIS should include the identified regulatory cost offsets and agreed regulatory costs in a Regulatory Burden and Cost Offset Estimate Table.