



1 April, 2021

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
1 National Circuit
BARTON ACT 2600

Email: helpdesk-OBPR@pmc.gov.au

Dear Mr Lange

CERTIFICATION OF INDEPENDENT REVIEWS: FINANCIAL MARKET INFRASTRUCTURE (FMI) REGULATORY REFORMS

I am writing to certify that the attached independent reviews of the Financial Market Infrastructure (FMI) regulatory reforms has undertaken a process and analysis equivalent to a Regulation Impact Statement (RIS).

The primary independent reviews attached are as follows:

- Financial Market Infrastructure Regulatory Reforms, 2020 Advice to Government from the Council of Financial Regulators
- Financial Market Infrastructure Regulatory Reforms, 2019 Consultation Paper, Council of Financial Regulators (The paper is publicly available at <https://www.cfr.gov.au/publications/consultations/2019/consultation-on-financial-market-infrastructure-regulatory-reforms/pdf/fmi-consultation-nov-2019.pdf>)
- 2014 Financial System Inquiry Report (The full report is publicly available at <https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf>)
- IMF Financial Sector Assessment Program, 2019 Financial System Stability Assessment (Australia) (The full report is publicly available at <https://www.imf.org/en/Publications/CR/Issues/2019/02/13/Australia-Financial-System-Stability-Assessment-46611>)
- IMF Financial Sector Assessment Program, 2019 Technical Note – Supervision, Oversight and Resolution Planning of Financial Market Infrastructures (The full report is available at <https://www.imf.org/en/Publications/CR/Issues/2019/02/13/Australia-Financial-Sector-Assessment-Program-Technical-Note-Supervision-Oversight-and-46609>)

Other independent reviews that also undertake the equivalent process and analysis are as follows:

- Overseas Clearing and Settlement Facilities: The Australian Licensing Regime, 2015 Consultation paper, Council of Financial Regulators (The paper is publicly available at <https://www.cfr.gov.au/publications/consultations/2015/overseas-clearing-and-settlement-facilities-australian-licensing-regime/pdf/overseas-clearing-and-settlement-facilities-australian-licensing-regime.pdf>)
- Overseas Clearing and Settlement Facilities: The Australian Licensing Regime, 2015 Response to Consultation, Council of Financial Regulators (The paper is publicly available at <https://www.cfr.gov.au/publications/consultations/2015/ocsf-aus-licensing-regime/pdf/report.pdf>)

FIND TREASURY ON   

- Resolution Regime for Financial Market Infrastructures, 2015 Consultation Paper, Australian Government (The paper is available at https://treasury.gov.au/sites/default/files/2019-03/C2015-009_resolutionregime_fmi.pdf)
- Resolution Regime for Financial Market Infrastructures, 2015 Response to Consultation, Council of Financial Regulators (<https://www.cfr.gov.au/publications/consultations/2015/resolution-regime-financial-market/pdf/report.pdf>)
- Review of Financial Market Infrastructure Regulation, 2011 Consultation Paper, Council of Financial Regulators (Available at https://treasury.gov.au/sites/default/files/2019-03/CFR_review_of_FMI_regulation_issues.pdf)
- Review of Financial Market Infrastructure Regulation, Advice to Government, Council of Financial Regulators (Available at: https://treasury.gov.au/sites/default/files/2019-03/CoFR_Letter_to_Deputy_PM.pdf)

I certify that these documents adequately address all seven RIS questions, and is submitted to the Office of Best Practice Regulation for the purposes of satisfying the regulatory impact analysis requirements related to the FMI regulatory reforms.

I am satisfied that the scope of the problem and the recommendations identified in the certified reviews are substantially the same as the identified problem and recommendations in the policy proposal. Attachment A outlines the proposals and highlights how they line up with recommendations from these certified reviews.

The regulatory burden to business, community organisations or individuals is quantified using the Australian Government's *Regulatory Burden Measurement* framework and is provided below.

I note that the implementation of this proposal will increase the regulatory burden. The analysis contained in the certified reviews highlight the benefits to the economy of a formal FMI resolution regime during a crisis, and improved powers for regulators to monitor risks and better prevent them from crystallising into a crisis. It should be noted that these reforms largely set the framework for an FMI crisis management regime to be used in the event of a major shock to systemically important facilities.

A regulatory offset has not been identified. However Treasury is seeking to pursue net reductions in compliance costs and will work with affected stakeholders and across government to identify regulatory burden reductions where appropriate.

Regulatory burden estimate table

Average annual regulatory costs (from business as usual)

| Change in costs (\$ million) | Business | Community organisations | Individuals | Total change in costs |
|------------------------------|----------|-------------------------|-------------|-----------------------|
| Total, by sector | \$0.3m | \$0 | \$0 | \$0.3m |

Accordingly, I am satisfied that the attached report is consistent with the *Australian Government Guide to Regulatory Impact Analysis*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Meg Quinn', with a long horizontal flourish extending to the right.

Meghan Quinn
Deputy Secretary