Draft Financial System and Regulator Metrics Framework

Financial Regulator Assessment Authority (FRAA)

Consultation paper

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# Acknowledgments

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and roundtables.

Finally, the FRAA wishes to acknowledge the support provided by members of the Treasury Secretariat.

# Introduction

The FRAA was established in response to a recommendation of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry to establish an independent oversight authority tasked with assessing the effectiveness and capability of APRA and ASIC (together, the regulators).[[1]](#footnote-2) The Royal Commission also proposed that over time ‘*the oversight authority should develop a comprehensive list of items against which each agency’s performance is evaluated.*’[[2]](#footnote-3)

The FRAA has continued to develop its methodology to assess regulator effectiveness and capability. The FRAA established operational indicators to assess regulator effectiveness and capability, which have evolved and were applied in the 2022 ASIC review and 2023 APRA review.[[3]](#footnote-4) The operational indicators are outlined below.

|  |
| --- |
| **The FRAA’s operational indicators of regulator effectiveness and capability*** *Demonstrated ability to achieve objectives:* The assessment of a regulator’s ability to achieve objectives considers the extent to which it fulfills its statutory mandates and stated objectives. This may also consider the appropriateness of objectives and the effectiveness of measures used to assess and report on performance.
* *Efficiency:* The assessment of a regulator’s efficiency considers the allocation and coordination of resources, the effectiveness of risk management, and the timeliness of decision making to minimise regulatory burden experienced by regulated entities. This assessment may also consider the regulator’s use of data and technology as a means of enhancing efficiency.
* *Organisational capability:* The assessment of a regulator’s organisational capability considers whether the organisational culture, systems, processes and resources enable the regulator to engage constructively with stakeholders, drive continuous improvement, and fulfill its statutory mandate in a timely, fair and efficient manner.
* *Fairness:* The assessment of a regulator’s fairness considers whether those engaging with the regulator are treated impartially and are provided with adequate opportunity to engage and raise matters of concern.
* *Transparency:* The assessment of a regulator’s transparency considers the communication of objectives, procedures, approaches and decisions, and the extent to which these are conveyed and understood internally and externally.
* *Accountability:* The assessment of a regulator’s accountability considers whether the regulator takes responsibility for its decisions and actions by assessing and reporting on outcomes, as well as actively seeking to continually improve its performance.
 |

In its 2022 ASIC report, the FRAA noted its intention to develop enduring metrics to assist its assessments of regulator effectiveness and capability over time.

The objective of this consultation paper is to seek feedback on the draft Financial System and Regulator Metrics Framework (metrics framework), which is intended to form part of the FRAA’s assessment methodology in the future. A list of consultation questions has been included at the end
of this paper.

The metrics framework will assist the FRAA by providing an additional input on the regulators’ effectiveness and capability, where the information and considerations are relevant to the scope of
a FRAA review, and the regulators’ statutory mandates, stated objectives and activities.

Some metrics could be used to provide broader context and insights on the financial system in the FRAA’s reports, including the environment within which APRA and ASIC operate, rather than being explicitly used by the FRAA to directly assess the effectiveness and capability of the regulators.

The metrics framework is envisaged to form part of the FRAA’s broader methodology for evaluating the regulators’ effectiveness and capability. The FRAA’s operational indicators will remain the primary tool in its assessments. The metrics framework is expected to provide complementary insights to the FRAA’s other methods, such as stakeholder liaison, case studies and surveys. In future reviews, the FRAA may draw on those operational indicators and some metrics where relevant to the scope of a review. The FRAA intends to carefully assess where causality is present between regulator activities and financial system outcomes.

The metrics framework was not used in the FRAA’s inaugural review of APRA, which the FRAA will deliver to Government by 30 June 2023. In the period between the 2023 APRA review and the FRAA’s next ASIC review, the FRAA will continue to refine the metrics framework, including through this public consultation process.

# Purpose of the metrics framework

The FRAA has developed the metrics framework to help inform its future assessments of APRA and ASIC’s effectiveness and capability in light of the regulators’ broad statutory mandates. As Australia’s prudential regulator, APRA is responsible for prudential regulation and promoting financial system stability.[[4]](#footnote-5) As the market conduct regulator, ASIC regulates the conduct of Australian companies, financial markets, financial services organisations and professionals who deal in and advise on investments, superannuation, insurance, deposit-taking and credit.[[5]](#footnote-6)

To continue to assess the regulators’ important roles in the financial system, the FRAA is enhancing its assessment toolkit with a list of metrics. The metrics can provide direct insights, in certain cases, on APRA and ASIC’s activities and whether they are achieving objectives. The metrics framework is expected to form part of the FRAA’s methodology in the future. The framework has been developed within a broader structure linking to the characteristics and expected outcomes of a well-functioning financial system. Given this broad structure, the framework has two key purposes, which are outlined below.

Firstly, the FRAA has developed metrics to provide another input during its future assessments of APRA and ASIC’s effectiveness and capability. The FRAA used its operational indicators of regulator effectiveness and capability when developing findings on the regulators’ effectiveness and capability in its 2022 ASIC and 2023 APRA reviews. When making judgments regarding the regulators’ effectiveness and capability against the operational indicators, the FRAA derives insights from stakeholder liaison, case studies and interviews. In future reviews, it is intended that the metrics could provide an additional source of information for the FRAA to draw on as part of its review process.[[6]](#footnote-7)

Secondly, as previously noted, some metrics are included to assist the FRAA to provide broader context and insights for its reviews. It is anticipated that data from the metrics could assist the FRAA in identifying significant changes or trends in relevant parts of the financial system, which might warrant deeper examination. In line with this purpose, some metrics are not intended to be explicitly used by the FRAA to directly assess the effectiveness and capability of the regulators. Rather, they are intended to provide information on the overall functioning of the financial system and the environment that APRA and ASIC operate within, which may assist the FRAA to provide context and to scope future FRAA reviews.

The metrics framework does not aim to assess the adequacy of the law or enable the FRAA to make recommendations regarding law reform. The framework excludes coverage of grey and black market activity, unregulated sectors, unregulated instruments, and new and emerging technologies not covered by legislation.

Indicative guidance on how the FRAA could use the metrics framework in future FRAA reviews is provided below.

|  |
| --- |
| **Indicative information on the FRAA’s use of metrics framework in future reviews***Example: Review of ASIC’s enforcement function* * Metrics relating to the volume, efficiency and results of ASIC surveillances, investigations and criminal, civil and administrative actions.
* Metrics on redress for consumers where relevant.
* Metrics providing context and potential insights relevant to the review, such as credit growth, Edelman Trust Barometer results, and investor survey trust results.

*Example: Review of APRA’s prudential supervision of the banking industry* * Metrics relating to Authorised Deposit-taking Institution (ADI) liquidity and capital ratios.
* Metrics providing context and potential insights on whole of financial system matters, which may be relevant to the review, such as ADI credit ratings, market shares for the top four banks, net interest margins for ADIs, Edelman Trust Barometer results, and consumer complaints relating to ADIs.
 |

## Enhancing regulator performance reporting

The FRAA’s 2022 ASIC report noted the difficulty of measuring a regulator’s effectiveness and capability. The report noted that the FRAA would develop measures to assess the effectiveness and capability of the regulators, and an expectation that the regulators do likewise. The FRAA encourages both regulators to continue enhancing their performance measurement. The FRAA believes it is important that the regulators’ performance measurement provide insights into outcomes of specific activities, as well as performance against their broader mandates and objectives.

The FRAA’s reviews are designed to complement the existing external accountability mechanisms that apply to the regulators under the Commonwealth Performance Framework.[[7]](#footnote-8) The FRAA’s metrics framework will operate separately from the regulators’ performance reporting but will incorporate some key metrics included from the regulators’ performance reporting.[[8]](#footnote-9)

APRA and ASIC currently measure and assess their performance through a range of quantitative metrics, as well as case studies and other qualitative measures.[[9]](#footnote-10) In 2021–22, ASIC published 87 metrics in their Annual Report and APRA published 29. The metrics primarily relate to APRA and ASIC’s performance and activities, summarising work conducted throughout the year in fulfilment of their respective mandates and corporate plans.

As noted in the FRAA’s 2022 ASIC review, ASIC’s measurements of its activities and outputs are useful in providing transparency and accountability but do not always offer insights into effectiveness and capability.[[10]](#footnote-11) To assess effectiveness and capability, metrics are required to look at the quality of the regulatory activities and outcomes delivered. The report also acknowledged the challenge in using individual metrics to assess broad regulatory outcomes. The FRAA noted work ASIC is already doing to assess the impact of individual regulatory interventions through its impact assessment methodology.[[11]](#footnote-12)

The FRAA notes that APRA and ASIC continue to review their performance metrics. Examples of new metrics being considered include the efficiency of ASIC’s enforcement actions, and the number of overdue prudential requirements relating to APRA’s supervision of entities. Some of the data underlying these new metrics will be developed by the regulators over time, such that the FRAA can draw on the data in its analysis when relevant. APRA and ASIC may also choose to publicly report the additional metrics once fully developed.[[12]](#footnote-13) Where APRA and ASIC report on any additional metrics, it is expected this will enhance their ability to self-assess their performance.

Not all the metrics are expected to be included in the regulators’ performance reporting. For example, metrics used by the FRAA to provide perspective on financial system matters, which are not intended to be explicitly used by the FRAA to directly assess the effectiveness and capability of the regulators (such as where there is no direct causal link with the regulators’ statutory mandates, stated objectives and activities).

## Challenges of using metrics to measure regulator performance

Internationally, there are only a small number of similar performance assessment initiatives underway. The UK Financial Conduct Authority (FCA) recently began developing a framework to self-assess the delivery of its statutory objectives and the outcomes it achieves for consumers and market participants.[[13]](#footnote-14) The World Bank and the IMF have designed sets of indicators that provide insights on the soundness of financial systems.[[14]](#footnote-15) The FRAA has integrated insights from these projects into the metrics framework.

It is challenging to identify causal links between developments in the financial system and regulators’ actions. Strong financial system performance may not necessarily indicate strong regulator performance, and conversely strong regulator performance does not guarantee strong financial system performance. Developments in the financial system can be influenced by many factors outside the regulators’ mandates, including decisions by government and other agencies, macroeconomic developments, technological changes, and other external influences.

The activities of other government institutions also have impacts on financial system outcomes including: the Reserve Bank of Australia (RBA), which sets monetary policy; the Australian Competition and Consumer Commission (ACCC), which regulates competition; the Australian Taxation Office (ATO), which oversees and enforces the tax system; and the Australian Transaction Reports and Analysis Centre (AUSTRAC). Decisions by the courts, and the operation of the Australian Financial Complaints Authority (AFCA), which considers complaints about financial firms’ products and services, are also key drivers of evolution in the financial system. The wide range of institutions that influence financial system outcomes provides a further challenge to assessing the impacts of APRA and ASIC’s activities.

Where metrics provide insights on different aspects of a regulator’s effectiveness and capability, they should be read together in some cases to assist the FRAA in forming a holistic picture with appropriate supporting narrative. For example, a number of metrics measure different aspects of ASIC’s enforcement activity, including the volume of actions, timeliness, efficiency and results. These metrics collectively, together with qualitative assessment of the actions undertaken, could provide insights on the effectiveness of ASIC’s enforcement function – however, they cannot do so in isolation of any relevant supporting narrative and consideration of other factors that provide appropriate context.

The FRAA is also mindful of temporal issues when assessing the impact of the regulators’ activities;
a well-performing financial system may reflect regulators’ past activities. The consequences of regulators’ activities may not be observable for many years. Similarly, major risks in the financial system may only become apparent after the risks have materialised. Noting these challenges, the FRAA intends to further refine the metrics framework and to use the metrics flexibly and as another input to inform its reviews.

# Structure of the metrics framework

## Characteristics of a well-functioning financial system

Efficiency, resilience and fairness were outlined in the *Financial System Inquiry* (2014) as characteristics of a financial system that operates to best serve the needs of its users.[[15]](#footnote-16) The FRAA
has used these characteristics as framing devices to develop its list of metrics and outcomes of a
well-functioning financial system.

Figure 1.1 below provides descriptions for each characteristic of a well-functioning financial system.

Figure 1.1: Characteristics of a well-functioning financial system

| **Characteristic** | **Description** |
| --- | --- |
| Efficiency | An efficient financial system allocates Australia’s scarce financial resources for the greatest possible benefit to the economy, supporting growth, productivity and prosperity. The concept of efficiency also covers minimisation of average production costs and innovation.[[16]](#footnote-17) |
| Resilience | A resilient financial system adjusts to changing circumstances while continuing to provide its core functions, even during severe shocks.[[17]](#footnote-18) Institutions in distress should be managed in an orderly way with minimal costs to depositors, policy holders, members, taxpayers and the real economy. The resilience of a financial system is maximised when financial institutions maintain adequate solvency and liquidity, correctly price risk, scan for emerging risks and plan for unforeseen negative events. |
| Fairness | Fair treatment occurs where participants act with integrity, honesty, transparency and non-discrimination.[[18]](#footnote-19) A financial system operates more effectively when participants can enter transactions with confidence that they will be treated fairly. Standards of fairness include compliance with the law, adherence to fiduciary duty and ethical behaviour, and equal and non-discriminatory access to financial services. |

It is important to note that there is no consensus as to the relative importance of these characteristics. For example, the pursuit of financial system efficiency could negatively impact fairness for financial system participants.

APRA and ASIC must balance trade-offs when performing their functions, particularly in determining how to allocate their resources to achieve their respective legislated objectives. As the prudential regulator, APRA’s mandate requires a strong focus on financial system resilience by ensuring the financial safety and soundness of banks, insurers, and superannuation entities. However, APRA does not pursue a zero-failure objective. APRA cannot eliminate the risk that an institution might fail, and it recognises that attempting to do so would impose an unnecessary burden on institutions and the financial system.[[19]](#footnote-20) ASIC uses a risk-based approach to direct its resources to address the areas of greatest harm to consumers, investors and markets. ASIC is not resourced to investigate every instance of alleged misconduct that comes to its attention, and so must make difficult choices and prioritise its regulatory and enforcement actions to ensure it has the greatest impact on the most serious harms within its remit. This requires a careful balance between supporting innovations that may materially contribute to better regulatory outcomes and reducing the costs and burdens of regulatory requirements, and it will not contribute to systemic or significant harms to consumers, investors, and the financial system.

How the regulators approach such trade-offs will change over time, including due to external influences and other circumstances.

## Outcomes of a well-functioning financial system

The FRAA has developed a draft list of indicative outcomes of a well-functioning financial system. The list of metrics that the FRAA has developed are linked to the indicative outcome statements, which are outlined on the following page. In future reports, the FRAA could comment on the extent to which the financial system is delivering the outcomes, and where APRA and ASIC may be influencing those outcomes where relevant to the scope of the review and to the respective regulator’s statutory mandate, stated objectives and activities. The FRAA does not intend to comment on all outcomes in each report.

Figure 1.2, below, summarises the structure of the FRAA’s metrics framework, with three characteristics of a well-functioning financial system, eight indicative outcome statements, and a range of metrics sitting underneath the indicative outcome statements.

Figure 1.2: The FRAA’s draft metrics framework

 

Figure 1.3 provides descriptions of each outcome, which the FRAA may consider in future reviews where relevant to the scope of the review.

Figure 1.3: Outcomes of a well-functioning financial system

| **Characteristic** | **Outcome** | **Description** |
| --- | --- | --- |
| Efficiency | Markets are competitive | Competition drives efficient allocation of financial resources, both within markets and across markets. When financial institutions allocate resources effectively, market participants benefit from lower costs. |
| New entrants are able to enter financial markets efficiently while meeting entry requirements | New market participants drive competition and product innovation. However, appropriate checks must also be in place to ensure that new market participants meet minimum entry requirements and barriers to entry are appropriate. |
| Finance is available | The availability of finance has an important bearing on current and future economic activity. |
| Resilience | The financial system is stable | Financial stability can be measured through the ability of financial institutions, non-financial firms and households to meet their financial obligations both now and in the future. Reducing collective exposure to poorly managed, overly risky or unduly burdensome assets and liabilities is a key preventative measure that maximises system stability. |
| Participants are confident in the financial system  | Confidence in financial system stability is a key driver of participants’ willingness to engage in the financial market, including but not limited to lending and borrowing activity, insurance and investing for retirement. |
| Fairness | Market participants adhere to standards of integrity and fairness | The conduct and integrity of market participants in complying with their legal obligations is crucial to the fairness of the financial system. |
| Regulators identify and act against misconduct | Dealing with misconduct sends a strong signal to industry that non-compliance with the law is unacceptable. This deters future non-compliance, as well as helping improve trust and confidence of consumers and other market participants in the fairness of the financial system.  |
| Where consumers suffer loss or harm because of misconduct, they can secure redress | Effective redress mechanisms ensure that consumers have recourse should a problem arise with the financial service provider. This also increases trust and confidence in the system and can support participation. |

# Metrics

The FRAA has developed a draft list of metrics that provide the FRAA with quantitative data. The FRAA can analyse the data where relevant to future reviews to provide perspective on financial system developments, and draw on insights as another input to complement other information and considerations in its assessments of APRA and ASIC’s effectiveness and capability.

Due to the complexity of APRA and ASIC’s activities, and the overall financial system, the FRAA has not at this stage explicitly listed which metrics are expected to provide direct insights on APRA and ASIC’s activities. The FRAA expects to identify these links where relevant during future reviews, with reference to the regulators’ statutory mandates, stated objectives and activities. However, as noted previously, in some instances it is challenging to isolate causal links between developments in the financial system and where these might be attributable to the regulators’ activities.

The FRAA has developed metrics for each indicative outcome statement. Where the FRAA believes APRA and ASIC have influenced an outcome as part of a FRAA review, the FRAA may comment on this.

The FRAA acknowledges it can be difficult to draw conclusions from some metrics without additional qualitative explanation, for example in interpreting the data (and implications for an outcome) or assessing the suite of metrics collectively rather than individually where there may be mixed effects and trade-offs.

Only a subset of metrics in the FRAA’s framework are expected to be used in any FRAA review of a regulator as another input to that review. Metrics that do not influence FRAA reviews will not be drawn on or published.

The FRAA notes there may be opportunities during development of the metrics framework to rationalise the list of metrics.

## Benchmarking and time series analysis

The FRAA has not developed targets for metrics. Setting targets poses challenges alongside the complexity of APRA and ASIC’s statutory mandates, stated objectives and activities, and the variety of ways regulatory activity may influence financial system outcomes. The FRAA has not developed other benchmarks or international comparisons for the metrics, but is open to exploring this in the future.

The metrics contained in this framework are expected to move over time. This is expected in a dynamic financial system adjusting to changes in the business cycle, competition and other developments such as technology and legislative change. In light of this context, the FRAA expects time series data can be used to analyse changes over time, including short term and longer term trends and dynamics. Some metrics could be analysed over a longer cycle, such as: Aggregate return on equity (ADIs); Risk adjusted rate of return (Superannuation entities); Underwriting result (Insurers); and Business insolvency rates.

## List of metrics

**Figure 1.4: List of metrics**

| **Metric** | **Description** ***Interpretation and use*** | **Data Source** |
| --- | --- | --- |
| *Outcome: Markets are competitive* |
| Bid/ask spreads (bonds, equities, foreign exchange) | A bid-ask spread can be used as a measure of transaction costs. The spread is the difference between the highest price that a buyer is willing to pay and the lowest price that a seller is willing to accept. *Lower bid-ask spreads may indicate a more liquid and efficient market.*  | RBA, Bloomberg |
| The Herfindahl-Hirschman Index (HHI) | The HHI is a common measure of market concentration and is used to determine market competitiveness.*The HHI is useful for comparing competition between different jurisdictions with similar financial markets and policy settings.* | World Bank |
| Aggregate return on equity (ROE) (ADIs) | The aggregate ratio of net profit/loss to shareholders' equity for the Authorised deposit-taking institution (ADI) industry.*Very high ROE may be an indicator of a lack of competition in a market*. | APRA |
| Aggregate net interest margin (NIM) (ADIs) | The difference between interest earnings and interest expenses, expressed as a proportion of interest-earning assets aggregated for the ADI industry.*Very high NIM may be an indicator of a lack of competition in a market.* | APRA |
| Risk adjusted rate of return (RARR) (Superannuation entities) | The rate of return (net earnings after tax divided by cash flow adjusted net assets) adjusted for risk.*Higher RARR may indicate a better net return for superannuation members. A superannuation fund with high RARR may attract more members subject to other factors, thereby increasing competition in the industry.*  | APRA  |
| Underwriting result (Insurers) | An insurer’s underwriting result is calculated from net premium revenue less net incurred claims and underwriting expenses. *Underwriting results are an indicator of profitability in the insurance industry. Very high underwriting results may indicate a lack of competition in insurance markets.*  | APRA |
| Global innovation index (developed by WIPO) | Includes a number of measures on innovation such as research and development, venture capital deals and technological advancement.*Innovation is an important component of market efficiency, particularly over the long term.* | World Intellectual Property Organization (WIPO) |
| Share of market (top 4 banks; top 4 super funds; top 4 insurers) | The percentage of a market's total assets held by the four largest firms in that industry. *A higher market share of the largest entities may indicate a lack of competition in that industry.*  | APRA |
| Number of MySuper members in a high fee, poor performing offering (Superannuation entities) | Number of MySuper members that are in products/options deemed or considered to be high fee and poor performing. *Lower fees in better performing MySuper products/offerings may generate greater efficiency in superannuation.* | APRA  |
| *Outcome: New entrants are able to enter financial markets efficiently while meeting entry requirements* |
| Licensing timeliness (to decision) (ASIC) | Measures how long it takes on average for ASIC to decide (i.e., reject, voluntary withdrawal or deemed withdrawal, grant or vary, refuse) a particular license. *Less time taken to grant or vary/transfer a licence indicates a greater speed in licensing decision-making. It does not, however, indicate the quality of licensing decisions.* *Note that ASIC also reports against a range of licensing performance metrics addressing volume, efficiency and regulatory outcomes.* | ASIC  |
| License applications are assessed within published service delivery / statutory timeframes (APRA) | Measures time taken to make a license decision in accordance with statutory timeframes and, for all other applications, within 3 months of receiving a ‘substantially complete application’.[[20]](#footnote-21) *Indicates efficiency of licensing decision-making. It does not, however, indicate the quality of licensing decisions*. | APRA |
| Percentage of regulated entities in Supervision Risk and Intensity (SRI) Stage 3 with licence granted within the last 2 years | Measures year on year percentage movement of APRA regulated entities who are classed at SRI Stage 3 and who had their licence granted within the last 2 years. *This metric is an indicator of the quality of licensing. However, the metric should be read with supporting narrative to provide additional context where needed.*  | APRA  |
| Number of licensees subject to a public complaint (i.e., a report of misconduct) or ASIC regulatory action within 2 years of licence being granted | This metric is currently an ASIC pilot initiative to determine an appropriate methodology and interpretation of results and test its feasibility as a measure of licensing quality.*Applications are point in time assessments. As such, this metric will need to be accompanied by a clear narrative setting out whether any of the reports of misconduct (ROMs)/subsequent investigations would have had any bearing on ASIC’s licensing decision, and thus the quality of decision. Any publication of this metric (or relevant alternative) will depend on the outcomes of the pilot.* | ASIC |
| The outcome of license applications refused but then escalated to an ASIC hearing delegate or Administrative Appeal Tribunal (AAT) | This metric is currently an ASIC pilot initiative to determine an appropriate methodology and interpretation of results*.**Where ASIC’s licensing team is minded to refuse an application, the decision of the ASIC hearing delegate in upholding or overturning to grant or refuse may be an indicator of the quality of ASIC Licensing’s decision.**Where ASIC decides to refuse an application and that refusal is appealed to the AAT, the AAT’s decision may be an indicator of the quality of ASIC’s licensing decision.**However, note that there may be some limitation to this measure, for example, if an applicant makes changes to its circumstances after the application is assessed by the Licensing team but before it is decided by a delegate or the AAT.**Any publication of this metric (or relevant alternative) will depend on the outcomes of the pilot*. | ASIC |
| *Outcome: Finance is available* |
| Credit growth | The annual percentage change in credit outstanding.*This metric is an important measure of financial activity. Credit growth can be broken down into business, household and personal credit. The metric may also provide insights about the accessibility and sustainability of finance.* | RBA  |
| Cost of capital for non-financial corporations  | The return a company needs to achieve to justify the cost of a capital project.*Cost of capital is an important determinant of company investments*.  | ABS, RBA, Refinitiv  |
| Share of businesses that obtained debt finance by employment sizes | This metric breaks down both secured and unsecured debt financing by the headcount size of the company.*This metric provides insight into the availability of debt finance across the financial system. Comparing debt-financed businesses by headcount can indicate where finance constraints might exist, for example smaller businesses may have less access to debt finance.*  | ABS  |
| Average lending rates and spread to cash rate (Housing, business and personal loans) | The difference between the average lending rate and the cash rate. This metric can be broken down into average housing, business and personal lending rates.*Provides insights on the cost of credit for different categories of borrowers.*  | RBA |
| Insurance penetration (Insurers) | The ratio of total insurance premiums to gross domestic product.*Provides insights on the maturity and popularity of insurance products. This metric complements the insurance density metric, as both indicate the significance accorded to insurance, as a risk management tool, within a financial system.*  | ABS or OECD |
| Insurance density (Insurers) | The ratio of total insurance premiums to the population. *Measures the maturity and popularity of insurance products within a country. This metric complements the insurance penetration metric, as both indicate the significance accorded to insurance, as a risk management tool, within a financial system.* | ABS or OECD |
| Capital raising as a share of market capitalisation  | Public companies (i.e., those with more than 50 non-employee shareholders) can raise funds from the public by issuing securities.*Provides insights into the degree to which firms are seeking new finance.*  | Bloomberg  |
| *Outcome: The financial system is stable* |
| Stress testing activities undertaken by APRA | Stress testing is used by APRA to provide forward-looking assessments of entities’ resilience to severe but plausible downturns, and complements APRA’s risk-based supervision approach.*APRA actively considers stress testing in its supervisory assessments.* | APRA  |
| Superannuation funds investment by assets type (Superannuation entities) | Indicates how superannuation funds’ assets are distributed. *Can indicate risk exposure associated with the superannuation sector and provides insight into the investment strategies employed.* | APRA |
| Superannuation members exposed to unsustainable funds | APRA measures the sustainability of a superannuation fund based on a number of factors including its operating expenses, size, growth rate, and returns relative to benchmarks. *A reduction in the number of members exposed to unsustainable funds indicates both improved outcomes for fund members overall and improvement in the resilience of the superannuation industry.*  | APRA  |
| Net foreign debt liabilities of private financial corporations to GDP | The ratio of net foreign debt liabilities of private financial corporations to gross domestic product.*A comparatively high ratio could indicate higher exposure to risks in international financial markets but could also indicate comparatively underdeveloped debt markets in Australia.* | ABS  |
| Aggregate non-performing loans (ADIs) | Non-performing refers to an exposure that is in default. A default is defined in paragraph 13 of *Prudential Standard APS 220 Credit Risk Management*. *This metric measures a key source of risk for the banking sector. Increasing non-performing loans negatively affect bank’s balance sheets, reduces their profitability, and could signal negative financial conditions.* | APRA  |
| Aggregate liquidity coverage ratio (ADIs) | The percentage ratio of stock of high-quality liquid assets to total net cash outflows over the next 30 calendar days aggregated for the ADI industry.*Liquidity ratios are central to ensuring that all Australian banks effectively measure and manage their liquidity risk, making the banking sector more robust and thereby protecting the interests of Australian depositors, and the stability of the broader financial system.* | APRA |
| Aggregate minimum liquidity holdings (ADIs) | Minimum liquidity holdings (MLH) refer to assets that are highly liquid and of a very high quality with regards to marketability and credit quality. APRA requires ADIs to maintain adequate stock of MLH to cater for unexpected liquidity pressures for fluctuations under adverse or normal operating conditions. *Holdings above the set ratio should indicate greater resilience but could also indicate inefficient resource allocation.* | APRA |
| Aggregate net stable funding ratio (NSFR) | The amount of available stable funding relative to the amount of required stable funding aggregated for the ADI industry. The NSFR is one of the quantitative global liquidity standards introduced by the Basel III regime. *APRA requires that ADIs maintain a NSFR of at least 100%. As**with the Liquidity Coverage Ratio, holdings of stable funding**above the set ratio should indicate greater resilience but could* *also indicate inefficient resource allocation.* | APRA |
| Money protection ratio (MPR) | The MPR indicates the incidence of loss in the financial sector, measured as the dollar value of liabilities to beneficiaries in Australia in a given year, less any losses due to prudential failures, divided by the total dollar value of liabilities to beneficiaries in Australia in APRA-regulated institutions.*APRA strives to protect the Australian community from financial loss and disruption. The higher the percentage, the lower the incidence of loss. A decease in this ratio could signal reduced financial system stability.* | APRA |
| Performing entity ratio (PER) | The PER indicates the incidence of failure amongst regulated institutions, measured as the number of regulated institutions that met their commitments to beneficiaries in a given year, divided by the total number of regulated institutions.*APRA strives to maintain a very low incidence of failure of APRA-regulated institutions. The higher the percentage, the lower the incidence of failure. A decease in this ratio could signal reduced financial system stability.* | APRA  |
| Volatility of bid/ask spreads (equity)  | Volatility is an important dimension of the bid-ask spread. Volatility may increase during periods of rapid market decline or advancement. *Markets with a wide bid-ask spread may be less liquid than markets with a narrow spread. Conversely, low volatility might indicate higher consensus among participants around risks and valuations and, therefore, a greater likelihood of stability.*  | Bloomberg  |
| Business insolvency rates  | The business is unable to pay their debts as they fall due.*Significant increases in insolvencies could signal financial system instability, particularly if insolvency correlates with unrecoverable loans.* | AFSA  |
| Aggregate capital ratios (ADIs, Insurers) | How much capital a bank/insurer has available reported as a percentage of a bank/insurers’ risk-weighted assets aggregated by industry. *Provides insights into the resilience of the banking and insurance sectors to shocks i.e., the more capital above the minimum requirement/regulatory capital buffers indicates greater resilience. However too much might indicate inefficiencies in capital management practices by institutions.*  | APRA |
| Household debt to disposable income ratio | A measure of household indebtedness and the average serviceability of that debt.*An increase in this ratio could signal increased vulnerability in the household sector and greater susceptibility to economic downturns.*  | ABS  |
| *Outcome: Participants are confident in the financial system* |
| APRA stakeholder survey responses | This metric aggregates responses to the following questions asked in APRA’s biennial stakeholder survey: APRA’s supervision helps protect the financial well-being of the Australian community; and in its supervision, APRA effectively pursues financial safety, balanced with considerations of efficiency, competition, contestability and competitive neutrality, and promotes financial stability.*Strong positive responses can indicate that APRA's supervision activities are enhancing confidence in the financial system.* | APRA  |
| Credit ratings(ADIs, insurers, sovereign debt) | A credit rating is an assessment of a borrower’s creditworthiness. Independent bodies known as credit rating agencies assess borrowers to determine their credit rating.*Higher credit ratings may indicate greater confidence in the financial system.*  | Bloomberg  |
| Average observed financial wellbeing score (CommBank/Melbourne Institute) | A survey of consumer's financial wellbeing. *These surveys cover a significant portion of the Australian population and provides an indication of survey participants’ financial positions. Saving levels and spending behaviour can also provide insights into consumer confidence.* | Commbank/Melbourne Institute |
| The percentage change of visitors to ASIC’s Moneysmart website or users who have used Moneysmart online | Moneysmart is a financial literacy website aimed at Australian consumers to help them take control of their money with tools tips and guidance. *Upward movement may indicate an improvement in consumer financial capability through the website providing useful information and tools. On the other hand, increased traffic could indicate increased concern about financial misconduct or uncertainty about consumers’ financial circumstances; this metric could be cross referenced against consumer complaints and other relevant data.*  | ASIC |
| Investor’s trust in financial services (CFA survey) | This metric aggregates responses to CFA survey questions on investors’ trust in financial services. *Greater trust of investors in financial services may indicate greater standards of integrity and fairness in the financial system.* | CFA |
| Edelman Trust Barometer | The barometer summarises survey participants’ trust in financial services industry.*Trends in this metric indicate the overall level of trust respondents feel towards financial intermediaries.*  | Edelman |
| Number of open requirements overdue by 90 days or more | Measures whether APRA-regulated entities have adequately addressed key findings raised by APRA in a timely manner.*A low number of open requirements overdue by 90 days or more indicates that APRA-regulated entities have addressed key findings raised by APRA in a timely manner and that APRA is responding to prudential risks in regulated entities.* | APRA |
| APRA returns all eligible deposits at ADIs declared under the Financial Claims Scheme, up to a total of $250,000 per account holder, and for non-complex accounts, within seven calendar days | The Australian Government’s Financial Claims Scheme (FCS) guarantees deposits of up to $250,000 per account holder per bank. The FCS is administered by APRA, including the prompt repayment of deposits insured under the scheme. *This metric signals APRA’s responsiveness to financial losses incurred by insured deposit-holders, which could be an important factor in maintaining public confidence during times of financial stress.*  | APRA  |
| *Outcome: Market participants adhere to standards of integrity and fairness* |
| Market cleanliness  | The level of insider trading and information leakage in the market. There are two measures. The first measure is in line with FCA and other international regulatory and academic literature, which is defined as the proportion of material price sensitive announcements preceded by significant abnormal movement in share price in the same direction. The second measure is an ASIC innovation using proprietary regulatory data, which has since been adapted by the FCA. *The measures provide insights into the proportion of suspicious and profitable accounts/volume that precede material price sensitive announcements. The measures are calculated across industry sectors, announcement and company types.* | [ASIC](https://cfas.org.au/2022-investors-trust-survey/) |
| The annual percentage change in complaints to AFCA regarding financial firms | This metric aggregates complaints received for banking and finance, superannuation, general and life insurance and reports the percentage annual change in each category.*The trends in this metric are a potential proxy for the perceived degree to which service providers act with integrity and fairness. An increasing percentage might signal growing consumer discontent with industry practices. It should not be taken as a perfect indicator, however, an increase in complaints may indicate greater consumer awareness of their rights, rather than necessarily an increase in the level of misconduct.*  | AFCA |
| The share of AFCA complaints decided in favour of the consumer | Total determinations made in relation to complaints and determinations made in favour of the complainant. *This metric complements the number of complaints made to AFCA regarding financial firms by showing the degree to which firms are failing to meet their obligations to their customers. Note that many AFCA complaints are resolved by agreement and do not progress to final Ombudsman or Panel decision.* | AFCA |
| Metrics relating to reportable situations (ASIC) | The reportable situations regime is aimed at ensuring more comprehensive and prompt identification and reporting of breaches by regulated entities. The regime also introduced an obligation for ASIC to publish information about reportable situations to enhance accountability and provide an incentive for improved behaviour. The data should provide insights on the volume, nature and distribution of breach reports, as well as the timeliness of reporting.*ASIC is currently undertaking work to improve the quality and consistency of reporting and will consult in 2023 on a framework for future publications of the reportable situations data.**Possible metrics will be considered once this matures.* | ASIC |
| *Outcome: Regulators identify and act against misconduct* *Note: The metrics framework includes a number of metrics that measure different aspects of APRA and ASIC’s enforcement activity, including the volume of actions, timeliness, efficiency and results. These metrics collectively, together with supporting narrative and qualitative assessment of the actions undertaken, describe the effectiveness of enforcement functions. Changes in individual metrics should be assessed in light of the overall suite of enforcement metrics.* |
| Enforcement actions completed (APRA) | This measure reports on APRA’s completed enforcement actions. *This measure indicates the volume of APRA’s enforcement activity.* | APRA |
| Surveillances completed (ASIC) | The number of surveillance activities completed by ASIC. *An increase may indicate that ASIC has increased its overall surveillance activity. Surveillance is an important part of ASIC’s regulatory toolkit, allowing ASIC to identify potential misconduct or harm, understand and influence behaviours, and drive compliance. ASIC’s surveillance is constrained by resource availability and targeted in nature, so a linear increase year on year would not necessarily be feasible or necessarily provide insight on the effectiveness of ASIC’s surveillance function or appropriate targeting of matters undertaken.*  | ASIC |
| Enforcement activity (ASIC) | The number of ASIC’s investigations, criminal, civil and administrative actions. *This metric reflects enforcement action taken by ASIC to act against misconduct. These activities are constrained by resources, the requirements of legal process, and the quality of evidence gathered. ASIC’s enforcement actions are constrained by resource availability and targeted in nature, so a linear increase year on year would not necessarily be feasible or necessarily provide insight on the effectiveness of ASIC’s enforcement function or appropriate targeting of matters undertaken.* | ASIC  |
| Enforcement timeliness (ASIC) | Average time for ASIC to complete an investigation and the average time taken to a decision.*Faster enforcement action is likely to have a greater impact against misconduct, both through stopping the harm earlier as well as potentially having a greater general deterrent effect.* | ASIC  |
| Enforcement prioritisation (ASIC) | ASIC publishes its enforcement priorities annually. ASIC is currently considering metrics to reflect the prioritisation and targeting of its enforcement activity in line with those priorities.*Further details on the interpretation and use of these metrics will be considered once an appropriate methodology and data collection is mature.* | ASIC |
| Enforcement efficiency measures (ASIC) | ASIC is currently developing efficiency measures regarding the average length of investigations, litigation and appeals. These measures will be supplemented by quality control measures on the distribution of case outcomes (e.g., % successful, unsuccessful, appealed, no further action - NFA). *Further details on the interpretation and use of these metrics will be considered once an appropriate methodology and data collection is mature.* | ASIC |
| Enforcement results (ASIC) | A composite metric summarising the number of people/companies convicted, dollar fines and penalties awarded due to ASIC enforcement actions. These metrics will be broken down into criminal, civil and administrative matters.*This metric reflects some aspects of the impact ASIC’s enforcement has on market participants engaging in misconduct. ASIC’s relative success via enforcement actions is key in deterring future misconduct, as well as ensuring consumers receive adequate redress.* | ASIC |
| Surveillance efficiency (ASIC) | ASIC is currently developing efficiency measures regarding the average time to complete a surveillance or thematic review.*Further details on the interpretation and use of these metrics will be considered once an appropriate methodology and data collection is mature.* | ASIC |
| *Outcome: Where consumers suffer loss as a result of misconduct, they are able to secure redress**Note: The FRAA encourages the regulators to develop measures on the timeliness of compensation.*  |
| Compensation via AFCA  | This metric summarises the dollar value of compensation awarded to complainants that filed complaints with AFCA.*AFCA can award compensation for losses suffered because of a financial firm’s error or inappropriate conduct. An increase in the value of compensation awarded may indicate an increasing volume of provable misconduct but also the proper functioning of AFCA’s remedial function. This metric includes both amounts awarded in decisions and amounts obtained through agreements.*  | AFCA  |
| Compensation or remediation agreed in court enforceable undertakings (ASIC) | This metric summarises the dollar value of compensation awarded as an outcome of ASIC’s pursuit of regulatory matters. *This metric addresses part of ASIC’s role in taking action against misconduct. An increase in the value of compensation awarded indicates both an increasing volume of misconduct but also the proper functioning of a component of ASIC’s law enforcement function.* | ASIC  |
| Internal dispute resolution (ASIC) | ASIC is currently developing metrics using information lodged under the internal dispute resolution (IDR) data reporting framework.*Further details on the interpretation and use of these metrics will be considered once an appropriate methodology and data collection is mature.* | ASIC |

# Selection of metrics

## Data availability

Metrics were only included in the framework where data are available or currently being considered. Data is sourced from recurring trusted publications, proprietary databases, or through collaboration with the regulators and other Government entities.

Conducting surveys of entities regulated by APRA and ASIC, as well as surveying Australian consumers on their experiences with the financial system – as the FCA and NZ Financial Market Authority currently do in their jurisdictions – could further enhance the ability of the FRAA to assess regulator performance. Such surveys may pose additional resourcing costs, however, and there are limitations associated with perception-based metrics.

## Coverage of APRA and ASIC’s functions

The FRAA has worked with APRA and ASIC to include metrics that provide insights across their respective functions, including licensing (APRA and ASIC), supervision (APRA), and surveillance and enforcement (ASIC), drawing on existing performance metrics where relevant.

## Coverage of the financial system

In selecting its metrics, the FRAA has sought to ensure wide coverage across different segments of the Australian financial system, in line with the regulators’ mandates and the FRAA’s intention to draw on data to set broader context to its reviews.[[21]](#footnote-22) Figure 1.5 outlines a variety of ways to monitor the functioning of a financial system.

Figure 1.5: Structural lenses of the financial system

| **Structural lens** | **Description** |
| --- | --- |
| Financial institutions | *Authorised deposit-taking institutions (ADIs)*: Banks, credit unions and building societies. |
| *Non-ADI financial intermediaries*: Money market corporations, non-money market corporations (also known as other financial intermediaries, OFIs), and securitisers.  |
| *Funds managers (financial auxiliaries) and insurers*: Life insurance companies, general insurance companies, health insurance companies, superannuation and approved deposit funds, public unit trusts, cash management trusts, common funds and friendly societies. |
| Markets | *Debt*: Commonwealth bonds, state and territory bonds, corporate bonds. |
| *Equities*: Listed and unlisted, domestic and foreign. |
| *Money*: Interbank, commercial paper, certificates of deposit, money market funds. |
| *Derivatives:* For example, interest rate, commodity, energy, environmental. |
| *Foreign exchange:* Spot, contracts, derivatives. |
| *Managed investments:* Superannuation, single asset, multi-asset. |
| **Participants** | *Households:* Private financial market participants. |
| *Non-financial firms:* Domestic and international, listed and unlisted. |
| *Financial firms:* APRA and ASIC’s regulated populations. |
| *Regulators and other relevant agencies:* ASIC and APRA; AFCA, RBA, ACCC, AFSA, the ATO and AUSTRAC.  |
| *Governments:* Australian Federal, State and Territory. |

## Comparisons with other performance assessment initiatives

The FRAA reviewed and considered other existing performance assessment initiatives when designing its metrics framework. There is currently no initiative internationally for an independent authority to use quantitative metrics to assess regulator effectiveness and capability.

Figure 1.6: Other performance assessment initiatives

| **Performance assessment initiative** | **Description** | **Implications for FRAA’s design of its metrics framework** |
| --- | --- | --- |
| Financial Conduct Authority (FCA) - *Outcomes and Metrics* | The FCA’s framework includes a series of outcome statements and metrics to self-monitor those outcomes. | The FRAA’s framework has some similarity, however the metrics and data sources are necessarily different given the mandates, scope and resourcing of the covered regulators. |
| IMF – *Financial Soundness Indicators (FSIs)* | The FSIs were created by the IMF to support international comparisons and macroprudential analysis of a financial market | The IMF’s framework includes a list of metrics that can be used to monitor the functioning of financial systems.  |
| World Bank – *Global Financial Development Database* | A dataset of financial system characteristics for 205 economies. The database includes measures of (a) size of financial institutions and markets (financial depth), (b) degree to which individuals can and do use financial services (access), (c) efficiency of financial intermediaries and markets in intermediating resources and facilitating financial transactions (efficiency), and (d) stability of financial institutions and markets (stability). | The World Bank’s framework includes a set of metrics that can be used to monitor the functioning of financial systems.  |

The FRAA also considered several other performance assessment initiatives, including:

* G20 Financial System Assessment Program
* ​Basel Committee on Banking Supervision – Regulatory Consistency Assessment Programme
* ​International Organisation of Securities Commission – Objectives and Principles of Securities Regulation
* ​Organisation for Economic Cooperation and Development – Framework for Regulatory Policy Evaluation
* ​​​​New Zealand Financial Market Authority – Consumer Experience with the Financial Sector Survey.

## Metrics considered but not included

In preparing its list of metrics, the FRAA identified and reviewed a wide range of potential metrics to inform its framework. The metrics include the performance assessment initiatives listed in Figure 1.6, data on the Australian financial system collected under the Economic and Financial Statistics (EFS) collection, and suggestions received during consultation.

## Consultation to date

The FRAA consulted with the following international organisations while developing the metrics framework:

* Financial Conduct Authority
* Organisation for Economic Co-operation and Development
* International Monetary Fund
* International Organisation of Securities Commissions.

The FRAA assembled a multidisciplinary roundtable of academics to provide views on the first iteration of the framework. The following academics participated:

* Susan Thorp, Professor, University of Sydney
* Andrew Grant, Associate Professor, University of Sydney
* James Cummings, Lecturer, University of Sydney
* Eliza Wu, Professor, University of Sydney
* Charles Littrell, Senior Advisor, Central Bank of the Bahamas
* Stephen Bottomley, Emeritus Professor, ANU
* Andrew Schmulow, Associate Professor, University of Wollongong
* Shuping Shi, Professor, Macquarie University
* David Orsmond, Professor, Macquarie University
* Pamela Hanrahan, Professor, UNSW.

Members of the FRAA, APRA and ASIC formed a metrics Working Group in the early stages of the project. The FRAA would like to thank APRA and ASIC participants for their valuable contributions.

The FRAA also consulted with the following stakeholders while developing the metrics framework:

* The Reserve Bank of Australia
* Productivity Commission
* The Department of Finance
* Australian Competition and Consumer Commission
* Australian Financial Complaints Authority
* CHOICE.

# Call for submissions

You can submit responses to this consultation up until 27 July 2023. Interested stakeholders are invited to provide written submissions in response to this consultation. Stakeholders are encouraged to provide responses not only to the key consultation questions outlined below, but also comment on the overall metrics framework, FRAA methodology, and various approaches to measuring financial system regulators. Responses are not required to address all key questions.

While submissions may be lodged electronically or by post, electronic lodgement is preferred.
For accessibility reasons, please submit responses via email in a Word or RTF format. An additional PDF version may also be submitted.

## Key consultation questions

1. Does the FRAA’s draft list of metrics enable the FRAA to obtain insights on financial system developments and provide a useful input to evaluating the effectiveness and capability of
APRA and ASIC? Are there metrics that the FRAA should consider including in or removing from the framework?
2. Are the FRAA’s characteristics and outcomes of a well-functioning financial system well-designed and useful framing devices for the development of metrics?
3. Should the FRAA note more explicitly the metrics that may provide direct insights on APRA and ASIC’s effectiveness and capability?

## Contact details

|  |  |
| --- | --- |
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1. KM. Hayne, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report*, Australian Government, 2019, p 41. [↑](#footnote-ref-2)
2. *Ibid*, p 477. [↑](#footnote-ref-3)
3. Financial Regulator Assessment Authority, *Effectiveness and Capability Review of the Australian Securities and Investments Commission*, Australian Government, 2022, pp 9–15. [↑](#footnote-ref-4)
4. APRA Act 1998, s 8. This includes the licensing and regulatory oversight of financial entities to protect the interests of depositors, insurance policyholders and superannuation fund members. In performing and exercising its functions and powers, APRA is to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, is to promote financial system stability in Australia. [↑](#footnote-ref-5)
5. ASIC Act 2001, ss 1, 11, 12. ASIC is also responsible for authorisations to operate in the industries it regulates. In performing its functions and exercising its powers, ASIC must strive to maintain, facilitate and improve the performance of the financial system and the entities within that system in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy. [↑](#footnote-ref-6)
6. The FRAA’s metrics framework has been developed in line with the FRAA Act (subsection 12(1)(e)): as a function that is incidental or conducive to the FRAA’s assessments of APRA and ASIC’s effectiveness and capability. [↑](#footnote-ref-7)
7. Department of Finance, *Commonwealth Performance Framework*, finance.gov.au website, 1 February 2023, accessed 10 May 2023. [↑](#footnote-ref-8)
8. The FRAA, an independent authority with its own enabling legislation, does not fall under the same legislative reporting requirements imposed on APRA and ASIC. [↑](#footnote-ref-9)
9. As regulators and Commonwealth entities, ASIC and APRA’s reporting requirements derive from their enabling legislation; the *Public Governance, Performance and Accountability* (PGPA) *Act 2013*; reporting requirements embedded in laws that they administer (for example in the Corporations Act); and from Government reporting guidance such as Regulator Performance RMG 128. Some key metrics from the regulators’ current reporting are included in the metrics framework, such as APRA’s Money Protection Ratio and Performing Entity Ratio, and ASIC’s reporting on its enforcement and surveillance activities. [↑](#footnote-ref-10)
10. Financial Regulator Assessment Authority, *Effectiveness and Capability Review of the Australian Securities and Investments Commission*, Australian Government, 2022, p 11. [↑](#footnote-ref-11)
11. *Ibid,* p 42. [↑](#footnote-ref-12)
12. Metrics that APRA and ASIC report in their performance reporting must conform with Commonwealth performance reporting requirements, including the *PGPA Act* and the Commonwealth Performance Framework. [↑](#footnote-ref-13)
13. Financial Conduct Authority, *FCA Outcomes and Metrics,* FCA.org.uk website, n.d., accessed 10 May 2023. [↑](#footnote-ref-14)
14. World Bank, *Global Financial Development Database*, Worldbank.org website, n.d., accessed 10 May. 2023; International Monetary Fund, *IMF Financial Soundness Indicators*, IMF.org website, n.d., accessed 10 May 2023. [↑](#footnote-ref-15)
15. D. Murray, K. Davis, C. Dunn, C. Hewson and B. McNamee, [*Financial System Inquiry Final Report*](https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf), Australian Government, 2014, p xv. [↑](#footnote-ref-16)
16. *Ibid*., p 4. [↑](#footnote-ref-17)
17. A. Bailey, *A resilient financial system: Speech by My Andrew Bailey, Governor of the Bank of England*, BIS.org website, 11 February 2022, accessed 10 May 2023. [↑](#footnote-ref-18)
18. D. Murray, K. Davis, C. Dunn, C. Hewson and B. McNamee, [*Financial System Inquiry Final Report*](https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf), Australian Government, 2014, p xv. [↑](#footnote-ref-19)
19. In its 2023 Statement of Expectations for APRA, the Government outlined an expectation that APRA take a risk-based approach to prudential regulation, with the goal of low incidence of failure in a competitive, efficient financial system and the understanding that APRA cannot and should not seek to guarantee a zero failure rate. APRA attempts to minimise the incidence of institutional failure wherever possible through forward-looking identification and response and orderly entity resolution. For further details, refer to https://www.apra.gov.au/statement-of-expectations, accessed 13 June 2023. [↑](#footnote-ref-20)
20. An application is determined to be substantially complete once an applicant has demonstrated it has sufficient financial and non-financial resources and has submitted all the expected supporting material, which is of sufficient quality and detail to allow APRA to complete its assessment. Further information is available on APRA’s website: <https://www.apra.gov.au/aprass-licensing-process>. [↑](#footnote-ref-21)
21. For example, the World Bank’s *Global Financial Development Database*, cited in previous footnotes, covers (1) financial institutions (for example banks and insurance companies), and (2) financial markets (such as stock markets and bond markets). [↑](#footnote-ref-22)