

Regulators: Australia

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This factsheet describes the key features of financial regulations in Australia

Introduction

Australia has a sound surveillance system that reflects a considered approach by government to prudential supervision and is based upon the international standards put forward by the Basel Committee of the Bank for International Settlements

Australia's financial sector is supervised by **3 MAIN** bodies:

- Australian Prudential Regulatory Authority (APRA)
- Reserve Bank of Australia (RBA)
- Australian Securities and Investment Commissions (ASIC)

Certain reports are also required by the Australian Bureau of Statistics (ABS) which provides national statistical service and the Sydney Futures Exchange (SFE).

The interlocking yet independent roles of the regulators are a stronghold of the Australian system.

The regulators

Australian Prudential Regulatory Authority (APRA)

A single prudential supervisor, the Australian Prudential Regulation Authority (APRA), was established to take over responsibility for the supervision of banks, life and general insurance companies and superannuation funds.

The banking system is regulated by the Australian Prudential Regulation Authority (APRA) and enforces capital adequacy requirements consistent with other developed countries. APRA is responsible for the prudential regulation of banks, life insurers, general insurers, superannuation, building societies, credit unions and friendly societies.

A foreign bank wishing to establish a representative office in Australia must obtain APRA's written consent.

Reserve Bank of Australia (RBA)

The Reserve Bank of Australia (RBA) is the central bank of Australia. While the Bank has no responsibility for the supervision of any individual financial institution, it remains the only agency which is able to provide emergency liquidity support in the event of any threats to the stability of the financial system. The new regulatory structure envisages close and effective co-ordination between the Bank and APRA in the discharge of their respective duties

Its objectives include regulating the monetary policy, promoting financial stability, ensuring sound banking operations, maintaining the stable internal and external value of the currency. Its operations include:

- **Monetary policy:** Using various policy instruments (including open market operations, required reserve ratios and re-deposits of financial institutions) to regulate financial conditions and to achieve monetary policy objectives, including achieving low and stable inflation over the medium term.
- **Foreign exchange management:** Regulating capital account transactions. The Bank will only step in when the foreign exchange market is disrupted by seasonal or irregular factors.
- **Clearing and settlement services:** Providing services for payments among banks.
- **Currency issuance:** Designing, planning and producing bank notes and coins, and destroying old notes that are no longer fit for use.
- **Bank examination:** Examining the operations of all financial institutions, to promote financial stability and guide sound banking operations.
- **Treasury agency function:** Handling receipts and disbursements of funds and properties for the Central Government and its agencies. Also, handling the issuance, redemption and interest payments of central government securities.
- **Statistics and research:** Compiling data on financial statistics and publishing these statistics. The Bank also conducts studies on economic and financial conditions of

major countries, including any impacts arising from the global financial markets.

Australian Securities and Investment Commissions (ASIC)

ASIC is Australia's corporate, markets and financial services regulator and supervises consumer protection in the financial services sector. It has responsibility for monitoring and reviewing the Electronic Funds Transfer Code of Conduct. ASIC is also responsible for registering companies, issuing Australian financial services licenses and monitoring fund raising.

Other Regulators

Other regulators to which Banks do submit some returns are as under:

- Australian Competition and Consumer Commission (ACCC)
- Australian Taxation Office (ATO)
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Australian Securities Exchange (ASX)
- The Office of the Privacy Commissioner (OPC)
- Foreign Investment Review Board (FIRB)

The Australian regulatory reports are less complex and more transparent when compared to other countries. The regulators are open to dialog and pro-active in setting the regulatory requirements. Information on regulatory requirements, report layouts and completion instructions is readily available on the regulators websites.

Reporting challenges

The key theme is that regulation of the financial services industry in Australia is fragmented: between the commonwealth and states and between organisation type and activity type. There have been concerns over margin lending, short selling and stock lending in Australia that have intensified the debate about the division of regulation between the country's federal and state jurisdictions. This has highlighted the fact that Australia is a federation of six states and two territories, all of which play a part in financial services regulation. This has inevitably led to a patchwork of different regulatory frameworks in some areas, not to mention the potential for gaps to appear. Of late, the concerns over these regulatory gaps and overlaps have forced the various levels of government to agree to reform this fragmented regulatory model. This regulatory overlap, under lap and duplication has become a priority for the federal Labor government that won office in December 2007.

In addition the sub-prime crisis and the ensuing credit crises has highlighted the need to tighten regulation in certain areas like ensure domestically that access to finance is governed by appropriate regulation.

Banks in Australia have adopted Basel II from 1 January 2008. Basel II is extremely complex; and whilst banks are expected to be compliant from 1 January 2008; the next 12 months will be a period of review and implementation.

In addition to the Capital Adequacy requirements, Banks in Australia are required to comply with the A-IFRS standards.

All these policies changes have increased the complexity and frequency of reporting requirements.

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