



Regulator Performance Framework


July 2015

Disclaimer and copyright

While APRA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

© Australian Prudential Regulation Authority (APRA)

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0).

 This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that APRA endorses you or your work. To view a full copy of the terms of this licence, visit www.creativecommons.org/licenses/by/3.0/au/.

The Regulator Performance Framework (the Framework) seeks to assess regulators' performance when interacting with business, the community and individuals while carrying out their functions.

The Framework principally relates to regulatory burden arising from the administration of regulation, rather than the process for and outcomes of regulatory policy making¹. To this end the Framework establishes six Key Performance Indicators (KPIs):

1. Regulators do not unnecessarily impede the efficient operation of regulated entities;
2. Communication with regulated entities is clear, targeted and effective;
3. Actions undertaken by regulators are proportionate to the regulatory risk being managed;
4. Compliance and monitoring approaches are streamlined and coordinated;
5. Regulators are open and transparent in their dealings with regulated entities; and
6. Regulators actively contribute to the continuous improvement of regulatory frameworks.

Regulators must establish metrics to support assessment against the KPIs.

APRA has established the following metrics as a base from which the annual assessment of APRA's performance will be made. In making its assessment APRA will draw on a range of data sources relevant to each metric. APRA will also complement the assessment with qualitative information that outlines the specific actions taken over the relevant period which relate to APRA's performance against each KPI. While this document does not list in detail the full range of supporting evidence that will be considered in respect of each assessment period, it provides context on the importance of the metric and provides examples of relevant evidence.

Reviewing performance

From 1 July 2015, APRA's performance will be assessed annually through externally validated self-assessments against the Framework. Assessment results will be published.

More information about the Framework can be found at www.cuttingredtape.gov.au/resources/rpf.

¹ Separate processes apply for regulatory policy making, including Regulation Impact Statement requirements.

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
KPI 1	<p>Regulators do not unnecessarily impede the efficient operation of regulated entities</p> <p><i>APRA's assessment of KPI 1 will broadly incorporate an assessment of whether we demonstrate understanding of our stakeholders, whether we allow sufficient time and listen to our stakeholders when making changes, how our practices benchmark internationally and what our stakeholders think of us.</i></p>	
1.1	<p>APRA publications address current and emerging issues or developments in the financial sector</p>	<p>Where APRA has a strong understanding of current and emerging issues or developments in the financial sector, it is more likely to make decisions that do not unnecessarily impede the efficient operation of regulated entities. APRA demonstrates its understanding in the material it publishes. For example the Insight publication provides information on APRA's main policy initiatives and on key developments in the industries that APRA supervises.</p> <p>In its assessment of performance against KPI 1 APRA will draw evidence from APRA's publications throughout the year. This will include assessing evidence of addressing current and emerging issues or developments across each of the APRA regulated sectors. It may include relevant quantification related to the release of speeches, statistical and other publications.</p>
1.2	<p>Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions</p>	<p>The Regulator Performance Framework assesses the administration of regulation, rather than the policy development process. Nevertheless, a comprehensive industry consultation process that includes wide engagement with stakeholders and which robustly assesses costs and benefits and clearly responds to stakeholder submissions is more likely to result in a framework that is administered in a manner that does not unnecessarily impede the efficient operation of regulated entities.</p> <p>The assessment of KPI 1 will draw from evidence on the consultation processes during the period such as:</p> <ul style="list-style-type: none"> • Number of response to submissions papers on relevant consultation papers • Number of Regulation Impact Statements undertaken that comply with Office of Best Practice Regulation (OBPR) requirements • Average timeframes provided for implementation of new policy initiatives during the period.

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
1.3	Publicly reported peer assessments against relevant international practices and standards and demonstrated engagement with relevant international bodies and offshore regulators	<p>There are benefits to the Australian financial sector in APRA maintaining practices founded on international standards and in APRA engaging with international bodies and offshore regulators to seek consistent and coordinated approaches to achieving outcomes internationally and to learn from peer experiences and share better practices.</p> <p>International bodies such as the International Monetary Fund (IMF), Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) set internationally-agreed minimum standards and provide a forum for discussion which strengthens coordinated and consistent approaches. These bodies are increasingly scrutinising national regulatory arrangements for adherence to internationally-agreed minimum standards. Many of these reports are published and include benchmarking against overseas regulators.</p> <p>In its assessment of performance against KPI 1 APRA will draw on evidence from international engagement and publicly reported peer assessments during the period. This is likely to include reporting APRA's performance against relevant benchmarks, reporting on APRA's MOUs and APRA's involvement in supervisory colleges and international bodies.</p>
1.4	Feedback collected and publicly reported from biennial stakeholder survey	<p>The stakeholder survey provides valuable feedback on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 1. For example the 2015 survey asked stakeholders to rate their level of agreement with the following statements:</p> <ul style="list-style-type: none"> • APRA considers issues relevant to industry and other stakeholders when developing its prudential standards and guidance material • APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material • Changes to APRA's prudential framework consider the costs of regulation imposed on industry • The survey also allows for qualitative feedback in each area. APRA will incorporate relevant qualitative comments into its assessment for each period.

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
KPI 2	<p>Communication with regulated entities is clear, targeted and effective</p> <p><i>APRA's assessment of its communication with regulated entities for KPI 2 will broadly incorporate an assessment of the guidance we provide on our standard practices and procedures, the information we provide where changes are proposed or developments occur, whether we allow time and listen to stakeholders when making changes and what our stakeholders think of us.</i></p>	
2.1	<p>APRA publishes up to date guidance on its framework, processes and activities on its external website</p>	<p>Regulated entities should be able to readily access clear and up-to-date information on the prudential framework and guidance on the expectations for key activities and decisions.</p> <p>APRA's assessment of KPI 2 will include an assessment of the information and guidance available on its website. For example APRA will assess availability of guidance on key processes and decisions such as supervisory activities, licensing and enforcement.</p>
2.2	<p>Timely communication on key developments or consultations are delivered electronically to all relevant APRA contacts and those stakeholders that register for notifications on APRA's website</p>	<p>Timely communication on key developments or open consultations is important in ensuring that stakeholders are well informed and effectively able to engage with developments or consultations on proposed changes.</p> <p>In assessing APRA's communication against KPI 2 APRA will consider the number of key developments or open consultations that were accompanied by notification to relevant stakeholders and the timeliness of these notifications.</p>
2.3	<p>Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions</p>	<p>The Regulator Performance Framework assesses the administration of regulation, rather than the policy development process. Nevertheless, a comprehensive industry consultation process which clearly communicates proposals to relevant stakeholders and responds to stakeholder submissions is more likely to result in a clear, targeted and effective framework.</p> <p>The assessment of KPI 2 will likely draw on evidence from the consultation processes during the period and assess the:</p> <ul style="list-style-type: none"> • Number of consultation packages • Average timeframes provided for consultation • Number of response to submissions papers on relevant consultation papers.

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
2.4	Feedback collected and publicly reported from biennial stakeholder survey	<p>The stakeholder survey provides valuable feedback for APRA on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 2. For example the 2015 survey asked stakeholders to rate their level of agreement with the following statements:</p> <ul style="list-style-type: none"> • APRA's guidance material is of value to your organisation • APRA is effective in communicating the findings of supervisory visits to your institution. <p>The survey also allows for qualitative feedback. APRA will incorporate relevant qualitative comments into its assessment for each period.</p>
KPI 3	<p>Actions undertaken by regulators are proportionate to the regulatory risk being managed</p> <p><i>APRA's assessment of KPI 3 will broadly incorporate an assessment of the expectations from Government and our intent for meeting those expectations, whether we demonstrate an understanding of the industry, whether our practices demonstrate a proportionate approach, and what our stakeholders think of us.</i></p>	
3.1	APRA publications address current and emerging issues or developments in the financial sector	<p>Where APRA has a strong understanding of current and emerging issues or developments in the financial sector, it is more likely to be able to take action proportionate to the regulatory risk being managed. APRA demonstrates its understanding in the material it publishes such as speeches on topical issues.</p> <p>The assessment of KPI 3 will draw evidence from APRA's publications throughout the year that demonstrate relevant understanding of risks.</p> <p>This will likely include assessing evidence that APRA has released material that demonstrates understanding of regulatory risks across each of the APRA regulated sectors and public information about regulatory actions. It may include relevant quantification related to the release of speeches, statistical and other publications.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
3.2	APRA publishes its supervisory and enforcement approaches on its website	<p>Where APRA applies a risk-based, proportionate approach to its supervisory and enforcement activities it promotes more efficient use of resources and reduces regulatory burden on regulated entities.</p> <p>Publication of APRA's approach to supervision and enforcement allows an external assessment of whether APRA seeks to apply a risk-based, proportional approach.</p> <p>APRA's assessment may include quantification against broad categories of supervisory stances, transition between these stances and publicly available information about enforcement actions undertaken.</p>
3.3	Statements of Expectations and Intent are published	<p>Publishing the Statement of Expectations from the Government and APRA's responding Statement of Intent is an important mechanism for transparency of the expectation on, and intent of, APRA in undertaking its role.</p> <p>For example the Government's Statement of Expectations may include its tolerance for regulatory risk in the financial system and APRA's Statement of Intent, issued in early July 2014, sets out its intention to ensure the Government's broad policy framework, including its deregulation agenda, is accommodated in the course of APRA performing its role and meeting its responsibilities.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
3.4	Feedback collected and publicly reported from biennial stakeholder survey	<p>The stakeholder survey provides valuable feedback for APRA on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 3. For example the 2015 survey asked stakeholders to rate their level of agreement with the following statements:</p> <ul style="list-style-type: none"> • APRA is effective in identifying risks across your industry in general • APRA identifies emerging industry issues in a timely manner • The APRA supervisory team responsible for your organisation is experienced in your industry. • APRA meets its stated approach of being primarily risk-based in its supervision • During supervisory visits to your institution, APRA supervisors focus on principles rather than detailed prescription • During supervisory visits to your institution, APRA supervisors focus on major risks or controls. <p>The survey also allows for qualitative feedback in each area. APRA will incorporate relevant qualitative comments into its assessment for each period.</p>
KPI 4	<p>Compliance and monitoring approaches are streamlined and coordinated</p> <p><i>APRA's assessment of its performance against KPI 4 will broadly consider whether we allow sufficient time and listen to stakeholders when making changes to the reporting framework, the information we share with other agencies and with the public and what our stakeholders think of us.</i></p>	
4.1	APRA collects and shares statistical information with other government agencies including RBA, ABS and ASIC	<p>APRA plays an important role as the central repository of statistical information on the Australian financial system, by means of its ongoing collection and publication of data. Data collected by APRA also assists the RBA, the ABS and ASIC to fulfil their roles. APRA also collects data to fulfil international reporting obligations to organisations such as the Bank for International Settlements.</p> <p>Much of the data APRA collects is shared between agencies to reduce the burden of duplicative reporting. APRA's assessment of KPI 4 will likely include consideration of whether its data collection processes are streamlined and coordinated with other agencies.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
4.2	Development of the reporting framework includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions	<p>The Regulator Performance Framework assesses the administration of regulation, rather than the policy development process. Nevertheless, a comprehensive industry consultation process which clearly communicates proposals to relevant stakeholders and responds to stakeholder submissions is more likely to result in a reporting framework that achieves the intended outcomes in a streamlined and coordinated manner.</p> <p>The assessment of KPI 4 will likely assess the impact of changes to the reporting framework on the streamlining and coordination for regulated institutions. It may draw on evidence from the consultation processes during the period such as the:</p> <ul style="list-style-type: none"> • Number of consultation packages on the reporting framework published and average timeframes provided for consultation • Number of response to submissions papers detailing APRA's response to submissions on consultation papers • Number of Regulation Impact Statements undertaken that comply with OBPR requirements • Average times provided for implementation of new reporting framework initiatives during the period.
4.3	APRA publishes non-confidential industry and entity level statistical information	<p>Publication of the statistical information APRA collects enhances understanding of the industries regulated by APRA, aids public discussion on policy issues, and supports well informed decision-making by regulated institutions, policy-makers, market analysts and researchers without undue burden on regulated entities.</p> <p>APRA's assessment of its performance against KPI 4 will include assessing its publication of statistical information.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
4.4	Feedback collected and publicly reported from biennial stakeholder survey	<p>The stakeholder survey provides valuable feedback for APRA on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 4. For example the 2015 survey asked stakeholders to rate their level of agreement with the following statements:</p> <ul style="list-style-type: none"> • APRA's prudential reviews of your institution are appropriately spaced apart in their timing • The effort required of your institution during APRA's prudential review is appropriate • The information that APRA collects in the course of supervision is adequate to assess risks in your institution • APRA provides sufficient opportunity for consultation with industry about proposed changes to prudential standards and guidance material • Changes to APRA prudential framework considers the cost of regulation imposed on industry • The amount of statistical data collected by APRA in order to supervise your institution is... 'Far too little', 'Too little', 'About right', 'Too much', 'Far too much'. <p>The survey also allows for qualitative feedback in each area. APRA will incorporate relevant qualitative comments into its assessment for each period.</p>
KPI 5	<p>Regulators are open and transparent in their dealings with regulated entities</p> <p><i>APRA's assessment of its performance against KPI 5 will broadly assess how transparent we are on our regulatory approach and key activities, our service charter expectations and what our stakeholders think of us.</i></p>	
5.1	APRA publishes its supervisory and enforcement approaches on its external website	<p>Where possible, it is important that APRA is open and transparent in the way it regulates to ensure regulated entities are clear on expectations and to ensure the confidence of those being regulated and the wider community.</p> <p>Regulated entities should be able to readily access clear and up-to-date information on APRA's supervisory and enforcement approaches.</p> <p>APRA's assessment of KPI 5 will include an assessment of the transparency of information and guidance available on its website on its supervisory and enforcement approaches.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
5.2	Demonstrated regular engagement with stakeholders.	<p>Open and transparent dealings with stakeholders contribute to a greater understanding of APRA's role by both regulated entities and the broader community. If regulated entities understand how and why they are being regulated, regulatory outcomes are more likely to be achieved.</p> <p>APRA will assess evidence of its regular engagement with stakeholders including through responsible supervisors and via speeches and liaison with industry associations.</p>
5.3	APRA publicly reports on its performance and provides detail on key aspects of APRA's activities	<p>Open and transparent reporting of performance increases the accountability of regulators. Accountability to both regulated entities and the wider community is likely to improve the overall performance of APRA and improve community confidence in APRA.</p> <p>In assessing itself against KPI 5 APRA will assess evidence of its performance reporting such as through its Annual Report and externally commissioned independent reviews.</p>
5.4	APRA's service charter is publicly available	<p>The service charter explains how APRA carries out its role and what those who deal with the prudential regulator can expect. Publication of the service charter forms part of APRA's on-going commitment to enhance transparency and accountability to its stakeholders.</p>
5.5	Feedback collected and publicly reported from biennial stakeholder survey	<p>The stakeholder survey provides valuable feedback for APRA on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 5. For example the 2015 survey asked stakeholders to rate their level of agreement with the following statements:</p> <ul style="list-style-type: none"> • APRA meets its stated approach of being consultative in its supervision • APRA meets its stated approach of being consistent in its supervision • APRA is effective in communicating the findings of supervisory visits to your institution • APRA's reports of prudential reviews provided to your institutions have the appropriate level of detail. <p>The survey also allows for qualitative feedback in each area. APRA will incorporate relevant qualitative comments into its assessment for each period.</p>

KPI Metric	Metrics	Rationale for metric and selected examples of evidence that may be included in APRA self-assessment.
KPI 6	<p>Regulators actively contribute to the continuous improvement of regulatory frameworks</p> <p><i>In assessing performance against KPI 6 APRA will broadly incorporate an assessment of whether we take on feedback, whether we allow sufficient time and listen to stakeholders when making changes and what our stakeholders think of us.</i></p>	
6.1	<p>Development of standards includes a consultation process consistent with the Office of Best Practice principles including preparing Regulation Impact Statements, public release of stakeholder submissions and a response to submissions</p>	<p>The Regulator Performance Framework assesses the administration of regulation, rather than the policy development process. Nevertheless, a comprehensive industry consultation process which clearly communicates proposals to relevant stakeholders, seeks feedback and responds to stakeholder submissions is more likely to aid continuous improvement of the regulatory framework.</p> <p>The assessment of KPI 6 will likely draw on evidence from the consultation processes during the period and assess the:</p> <ul style="list-style-type: none"> • Number of consultation packages published • Average times provided for consultation • Number of response to submissions papers detailing our response to submissions on relevant consultation papers published.
6.2	<p>Feedback mechanisms are available and made known to all stakeholders</p>	<p>Feedback is a valuable tool in ensuring continuous improvement of regulatory frameworks.</p> <p>In assessing itself against KPI 6, APRA will assess avenues for regulated institutions and the public to provide feedback and suggestions on its processes and activities to identify what it is doing well and opportunities to improve in other areas.</p>
6.3	<p>Feedback collected and publicly reported from biennial stakeholder survey</p>	<p>The stakeholder survey provides valuable feedback for APRA on stakeholder views of APRA's performance. For each survey the questions are somewhat modified however there are multiple questions that are relevant to KPI 6. The stakeholder survey itself also contributes to APRA's overall performance against KPI 6.</p> <p>The survey provides a channel that promotes a feedback cycle with regulated entities and other stakeholders. The information collected as part of the survey is used by APRA to inform improvements in its regulatory framework and supervisory practises.</p>



Telephone
1300 55 88 49

Email
info@apra.gov.au

Website
www.apra.gov.au

Mail
GPO Box 9836
in all capital cities
(except Hobart and Darwin)