The APRA Supervision Blueprint

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Australian Prudential Regulation Authority

Contents

Introduction

The APRA Supervision Blueprint provides the strategic direction for APRA's Framework for Prudential Supervision. It is designed to ensure that APRA's supervisory methodologies, processes and tools are aligned with the objectives of APRA's supervisory approach and support supervisors by providing an appropriate level of structure to guide them in the exercise of their professional judgement.

APRA's supervisory approach has strong foundations. The Blueprint explains the objectives of APRA's supervision, supervisory activities and components of APRA's Framework for Prudential Supervision. The Blueprint provides direction for the ongoing development and enhancement of APRA's Framework for Prudential Supervision and is a central reference document for the Supervision Steering Group's decision-making.

APRA's supervision activities are tailored to the specific risks and issues to which a regulated entity is exposed. APRA's Framework for Prudential Supervision requires supervisors to identify risks and take appropriate supervisory action to keep the risks to which an entity is exposed at an acceptable level. The PAIRS and SOARS systems provide a structured framework to guide supervisors in gauging risks and determining an appropriate supervisory response.

APRA's Framework for Prudential Supervision will evolve with changes in the regulatory regime and innovations in the industries we supervise. APRA will continue to enhance its supervisory tools as required, consistent with this vision. APRA is committed to the ongoing review of its supervisory processes and systems against our peers to ensure these are in line with international best practice.

Section 1: Principles and approach

APRA's mission and supervisory approach

Mission

APRA's mission is 'to establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions we supervise are met within a stable, efficient and competitive financial system'.

Supervisory approach

APRA's supervisory approach is forward-looking, primarily risk-based, consultative, consistent and in line with international best practice. This approach recognises that the Board and management of regulated entities are primarily responsible for financial soundness and prudent risk management.

Our approach to supervision involves identifying the key risks to which regulated entities are exposed, assessing whether these risks are adequately measured, managed and monitored and assessing the adequacy of entities to access financial resources to withstand potential losses. APRA undertakes its mission through appropriate risk analysis and supervisory actions/ responses.

APRA needs to be conscious of the impact of its supervisory interventions. These interventions may include imposing requirements (with or without legal force) on a regulated entity, making recommendations or suggestions and enforcement action. It is critical that APRA's interventions are proportionate to the prudential outcome desired.

Under our regulatory regime, regulated entities are also required to seek APRA's approval for certain transactions, documents and arrangements. APRA seeks to promote sound prudential practice by assisting regulated entities to interpret and understand its prudential requirements and guidelines. In its principles-based approach to regulation, APRA strives to respond to these requests for approval and interpretation in a consistent manner and on a timely basis. APRA's supervisory approach also recognises a regulated entity's particular circumstances (e.g. the approach to risk and risk management) and incorporates these in assessments.

Objective of APRA's Framework for Prudential Supervision

Objective of the Framework

APRA's Framework for Prudential Supervision balances the need to take a structured and methodical approach to implementation of APRA's prudential requirements against the need to maintain sufficient flexibility to respond to new and emerging risks.

The Framework provides guidance to supervisors on how to implement the key elements of our supervisory methodology while, at the same time, allowing sufficient flexibility for supervisors to use professional judgement. It encourages supervisors to think beyond minimum guidance material.

APRA's Framework for Prudential Supervision provides for a 'baseline', or minimum, level of supervisory activity. This 'baseline' level of activity seeks to give APRA sufficient information to adequately identify and assess the key risks affecting each of the regulated industries and entities. It provides an objective basis from which to determine our 'risk-based' priorities. These 'risk-based' priorities should attract the bulk of our attention.

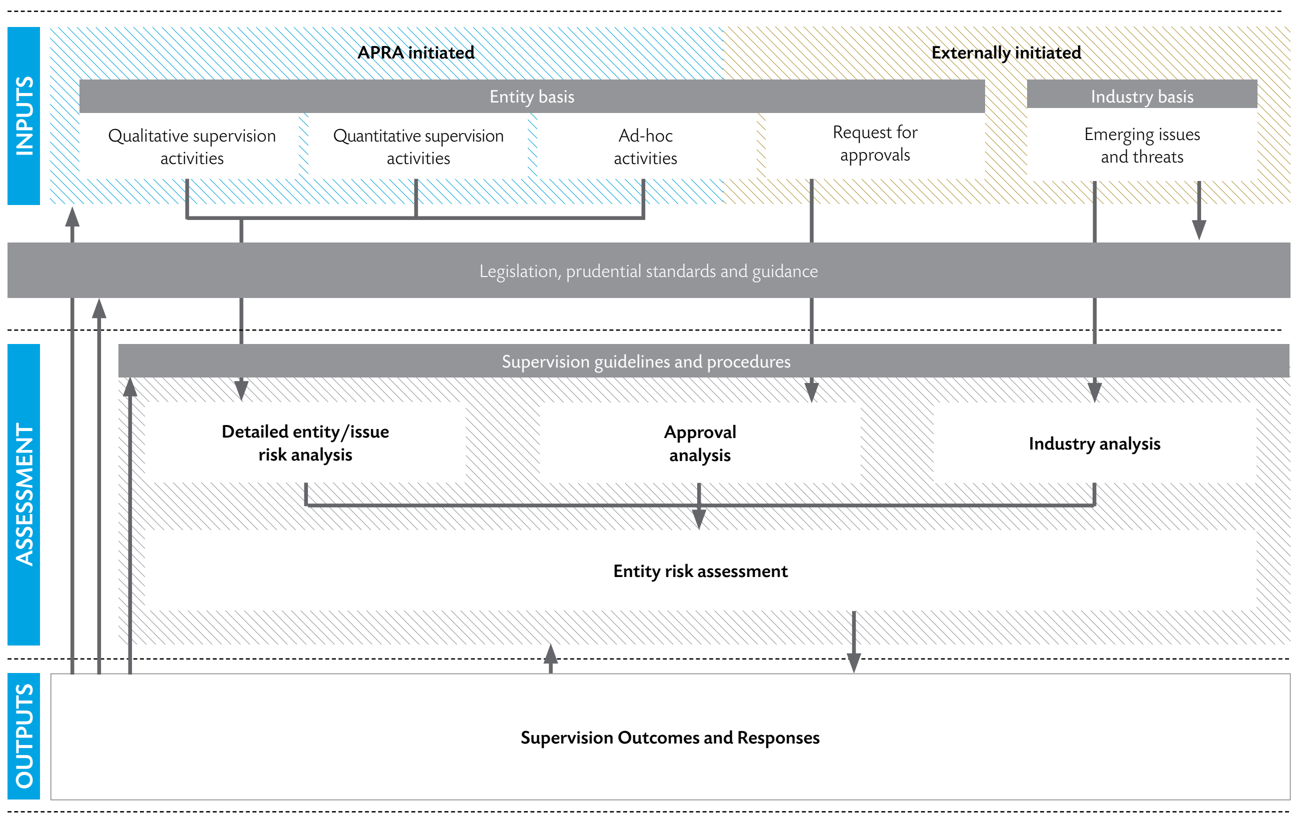
The Framework recognises that APRA will never have sufficient resources to undertake all the prudential activities that are potentially open to it. The Framework provides a basis for determining the most effective and efficient allocation of supervisory resources to prudential activities that will best achieve our objectives. This includes the process of review and maintenance of the Framework itself.

Scope of the Framework

APRA's Framework for Prudential Supervision encompasses all activities, supporting procedures, processes, systems and guidelines that are used by supervisors in forming risk assessments and supervision strategies designed to ensure, under all reasonable circumstances that regulated entities are able to meet their financial promises to beneficiaries.

Central to our supervision is the development of entity risk assessments and appropriate supervisory outcomes. To form these views, we complete activities in three primary assessment streams:

1. APRA-initiated supervisory activities related to individual regulated entities and supervisory action plans.
2. Entity-initiated requests for determinations against, or interpretations of, legal/prudential requirements. This is impacted by, and has an impact on, an individual regulated entity's risk assessment.
3. Overall assessments of regulated industries and the financial sector. This also impacts on individual regulated entity assessments and supervisory action plans.



Vision for APRA's Framework for Prudential Supervision

APRA's vision is to be a world-class prudential regulator, with excellence of supervision as our foundation. The Framework supports this vision by adopting an approach that is risk-based, outcomes-focussed, principles-based and consistent with APRA's values. In so doing, it provides an efficient and effective basis for supervising regulated entities. The processes that comprise the Framework are supported by user-friendly systems and tools.

Enterprise Risk

In response to the Government's *Statement of Expectations*, APRA's *Statement of Intent* places strong emphasis on an active program of prudential supervision which aims to ensure that risk-taking by regulated entities is conducted within reasonable bounds and that risks are clearly identified and well-managed.

APRA has established an Enterprise Risk Management (ERM) policy and associated procedures. The ERM policy and procedures provide a systematic and structured approach for identifying, assessing and monitoring all risks with the potential to materially affect APRA's ability to meet its vision, mission and associated objectives. The ERM policy includes APRA's risk appetite statement, which sets targets for the level of risk at which APRA, in most normal circumstances, is aiming to operate and establish tolerances for the maximum level of risk APRA is willing to accept.

APRA does not pursue a zero failure objective. Rather, APRA seeks to maintain a low incidence of failure of regulated entities while not impeding continued improvement in efficiency or hindering competition. APRA's objective is to identify potential threats to the viability of a regulated entity early enough so that corrective action can be promptly initiated or orderly exit achieved.

Consistent with this objective, APRA has established a 'baseline', or minimum, level of supervisory activity that is necessary to affirm entity risk assessments and ensure that supervisory action plans remain within established risk tolerances, and are current and appropriate. Supervisors are expected to pursue appropriate risk-based supervisory activities in addition to meeting 'baseline' requirements in order to strike a balance between achieving a desired level of comfort regarding a regulated entity's prudential soundness and the ability to pursue risk- based supervision.

APRA's 'baseline' supervisory requirements are reviewed periodically by the Supervision Steering Group (SSG) to ensure they remain appropriate and adequately reflect the current environment.

Risk-based supervision

To be risk-based is to direct supervisory resources and activities to areas of greatest risk or impact.

APRA takes a risk-based approach to supervision that is designed to identify and assess those areas of greatest risk to a regulated entity (or to the financial system as a whole) and then apply its supervisory resources and attention to these risks in a targeted and cost effective manner.

APRA manages its limited resources in a risk-based manner, which among other things implies that smaller and/or lower risk entities receive less attention than larger and/or higher risk entities. We are prepared to tolerate less frequent supervisory interaction with smaller and lower risk entities, provided there are no known issues or problems that require immediate attention. Supervisors focus their activities in areas where undetected or unresolved risks may be critical to an entity's ability to meet its financial promises.

Outcomes-focussed supervision

To be **outcomes-focussed** is to focus on substance over form; to look to the achievement of a supervisory outcome rather than merely follow a process.

A key part of APRA's supervisory framework are supervisory action plans for regulated entities. While these focus on activities aimed at the key risk areas for a regulated entity, in some cases, broader industry or process issues may be identified which also require action.

Principles-based regulation

To be **principles-based** is to give emphasis to the achievement of sound prudential outcomes in setting regulatory requirements and expectations, without necessarily seeking to specify or prescribe the exact manner in which those outcomes must be achieved.

Principles-based regulation recognises the complexity and diversity that exists among regulated entities and seeks to avoid a 'one-size-fits-all' approach. Adopting a principles-based approach to regulation allows regulated entities to use a variety of approaches to comply with high-level principles, rather than APRA seeking to control a regulated entity through detailed prescription. Although there are areas where some degree of prescription is required, our prudential assessments focus on the underlying principles for the requirement. This approach allows our prudential requirements to accommodate an ever-evolving financial sector.

Incorporating APRA's values

APRA's Framework for Prudential Supervision also reflects APRA's values: foresight, accountability, collaboration, integrity and professionalism.

- *Foresight* – our assessments are forward-looking and anticipate future events and a regulated entity's preparedness to handle them. These assessments include both entity- and industry-level perspectives and incorporate the expected impacts of such events in risk assessments and supervisory actions or responses.
- *Accountability* – APRA's Framework for Prudential Supervision provides processes, practices and supervisory guidance that ensure sufficient justification for our assessments and decisions.
- *Collaboration* – successful implementation of APRA's Framework for Prudential Supervision requires extensive collaboration and consultation, both within APRA and with regulated entities and industries. APRA's preferred approach where issues are identified is to work with regulated entities to resolve problems and improve risk management. This allows preventative or corrective action to be taken before the situation deteriorates to the point that entity failure is unavoidable. Collaboration also requires that supervisors have access to relevant expert advice and appropriate resource material when they encounter new, complex or difficult issues.
- *Integrity* – APRA's Framework for Prudential Supervision is conceptually sound and results in balanced and fair supervisory actions. This approach also enables supervisors to reach consistent outcomes.
- *Professionalism* – activities and assessments that are completed as part of our supervision are of a high quality. APRA's Framework for Prudential Supervision also provides supervisors with scope for appropriate levels of professional judgement to be applied.

APRA's Framework for Prudential Supervision evolves with changes to the regulatory regime and innovation in the industries we supervise. APRA is committed to the ongoing review of its supervisory activities and tools against international key peers to ensure these remain in line with international best practice.

Expectations of supervisors

APRA supervisors are expected to identify potential weaknesses in regulated entities as early as possible by high quality analysis and supervision. It is not enough for a supervisor just to identify risk. Supervisors must also respond appropriately to identified risks and, as far as possible, intervene early to address potential problems before they crystalise and expose beneficiaries to loss.

APRA's risk-based supervisory approach requires astute judgment by supervisory staff, based on their collective knowledge and experience. APRA expects supervisors to be insightful, forward-looking, outcomes-focused and consultative, and to vary their approach based on the size, nature, complexity and risk profile of regulated entities.

APRA's supervisors are expected to be professional and maintain integrity in dealing with regulated entities. Supervisors will be open but will not compromise on APRA's responsibilities or core values.

Supervisors will act in a timely manner and promptly escalate issues of concern with regulated entities.

Supervisors are expected to operate within APRA's statutory powers to promote prudent behaviour and work with independence and objectivity when conducting their supervisory work.

APRA's supervisors are also expected to maintain effective and collaborative working relationships with key peer prudential regulators in overseas jurisdictions to assist in our prudential oversight of APRA-regulated entities operating internationally and to avoid duplication of supervisory activities.

Expectations of regulated entities

APRA's approach to supervision is built on the premise that the board and management of an APRA-regulated entity is primarily responsible for the entity's financial soundness and prudent risk management. Regulated entities conduct their affairs as they see fit, provided they can demonstrate sound governance arrangements, robust risk management capabilities and adequate financial strength. APRA's Framework for Prudential Supervision encourages interactions with regulated entities at various levels and with varying frequencies to gain assurance in these key areas.

APRA expects productive and cooperative relationships with regulated entities, built on mutual respect. APRA expects the Board, senior executives and other representatives of regulated entities to be open and transparent in their dealings with APRA. We expect institutional representatives to be honest, candid, professional and courteous.

APRA also expects to be provided with timely and accurate information to be able to make informed judgements and be satisfied that appropriate processes are in place to respond to issues raised by APRA and remedial action is undertaken in a timely manner where required.

Opacity or failure of a regulated entity to cooperate with APRA will require APRA to adopt a more intrusive level of oversight.

Section 2: The phases of prudential supervision

There are three key phases of prudential supervision: licensing, ongoing supervision and enforcement. Supervision commences with the process of licensing an entity. APRA assesses licence applications to ensure that only those companies that meet prudential requirements and have the capacity to operate on an ongoing basis can operate in Australia.

After an entity is licensed, it moves to a phase of ongoing supervision. This accounts for the majority of APRA's supervisory activities. Supervisory action is focused on regulated entities continuing to meet financial promises made to beneficiaries. Through ongoing supervision, activities and assessments are undertaken commensurate with a regulated entity's risk profile and desired supervisory outcomes. This includes increasing supervisory intensity in line with SOARS stances. Where issues or concerns are identified, prompt corrective actions are pursued.

In some instances, APRA may have serious prudential concerns that must be rectified through specific intervention and remedial enforcement action. Distress and enforcement situations represent a serious threat to the financial security of beneficiaries and will result in two possible outcomes: either a regulated entity will take sufficient action and return to a phase of heightened ongoing supervision, or it will be actively managed by APRA to exit the industry.

APRA maintains a Financial Crisis Management Plan that guides APRA staff who may be involved in identifying, managing and responding to a financial crisis in an entity. The plan focuses on material and immediate issues that require consideration when there is a sudden and serious escalation resulting in an immediate doubt about the ongoing viability of an APRA regulated entity.

Section 3: APRA's Framework for Prudential Supervision

The Blueprint for APRA's Framework for Prudential Supervision considers:

- supervision outcomes and responses;
- the nature of analysis and assessments conducted by APRA;
- ownership of the Framework;
- the guidance and support provided to staff;
- the systems to support our processes; and
- quality assurance within the Framework.

Supervisors increase the intensity of supervisory intervention in line with a regulated entity's risk profile to ensure that any issues are addressed before they pose a threat to the regulated entity or its beneficiaries. The supervisory actions and responses we take are designed to ensure that the safety and stability of the regulated entity is maintained and that intervention and enforcement occurs as necessary (and on a timely basis) to ensure this is the case.

There are three key outputs from APRA's Framework for Prudential Supervision.

1. Supervision outcomes and responses

   A critical factor in implementing an outcomes-focussed regime is setting appropriate supervisory action plans that take into account the key risks facing a regulated entity/industry and determining supervision outcomes and responses that clearly address those key risks. The structure of the Framework is designed to focus on the importance of our supervisory actions and responses and provide clarity of purpose.

   Actions comprise ongoing supervision of a regulated entity and responses to particular issues. Supervision outcomes and responses can range from a normal cycle of review to a heightened supervisory stance that requires extra supervisory oversight, mandating improvements or restructuring a regulated entity. This may include enforcement action against a regulated entity or persons related to a regulated entity.

2. Review of APRA's Framework for Prudential Supervision

   Ongoing supervision activities may result in a conclusion that elements of the Framework are not operating as intended or require improvements. The Blueprint provides a mechanism for raising these issues and ensuring that it is continuously improved to meet supervisors' needs.

3. Review of regulatory regime

   Ongoing supervision activities may result in a conclusion that aspects of APRA's current regulatory regime are not operating as intended or require revision. The Blueprint provides a mechanism for raising these issues.

APRA's Framework for Prudential Supervision provides supervisors with the flexibility to decide and implement an appropriate course of supervisory action in relation to regulated entities based on risk profiles and areas of key concern.

Supervision outcomes and responses

A core element of APRA's Framework for Prudential Supervision is that APRA establishes a supervisory action plan resulting from its assessment of the key information available to it. In turn, this supervisory action plan impacts on future activities and information available for supervisory assessments.

APRA's supervision activities are tailored to the specific risks and issues a regulated entity faces. The Framework requires supervisors to identify and measure risks and take appropriate actions to ensure that the risks to which a regulated entity is exposed are at an acceptable level. Supervisors must be able to demonstrate that the activities that form part of a supervisory action plan are adequate and appropriate to the regulated entity's risk profile and desired supervisory outcomes.

In completing an entity risk assessment, supervisors form an opinion as to the financial soundness and viability of a regulated entity and its ongoing ability to meet its financial promises to beneficiaries. This assessment provides an overview of the key risk areas of a regulated entity and where our understanding of the regulated entity needs to be strengthened together with more granular ratings and judgements in key risk areas. The supervisory action plan has its basis in the judgements we make as part of our risk assessment and focuses on these areas.

APRA is committed to undertaking a level of 'baseline', or minimum, supervision involving both on-site and off-site activities so that regulated entities' risk assessments and supervisory action plans remain current and appropriate. Baseline supervision requirements also establish the need for APRA supervisors to liaise with the home regulator regarding the off-shore parent for foreign branches and/or subsidiaries operating in Australia.

Above and beyond these requirements, supervisors are expected to undertake activities that address key risks and issues with a focus on the capacity of regulated entities to continue to meet the financial promises they make. 'Baseline' requirements form a key component of APRA's Framework for Prudential Supervision and allow us to pursue our objective of risk-based supervision.

Entity risk assessment

The purpose of a dynamic, integrated risk assessment of a regulated entity is to ensure that supervisory judgements made about an entity are accurate, timely and robust, and the supervisory attention afforded to each entity is appropriate. These assessments are founded on high quality risk analysis. Risk assessments are central to APRA's allocation of supervisory resources and the implementation of risk- based supervision.

The main objectives of a risk assessment of a regulated entity are to:

- determine the probability that an entity will not meet its financial promises;
- measure the impact of the potential consequences of not meeting those promises; and
- determine an appropriate supervisory action plan incorporating actions to address key risks identified.

Entity risk assessments are completed using APRA's Probability and Impact Rating System (PAIRS). A PAIRS assessment articulates APRA's overall assessment of a regulated entity. It details our dynamic assessment of the key risks, management and controls and capital support for the regulated entity. The supervisory action plan gives consideration to the importance of the key risks and issues and the systemic importance of the regulated entity as well as heightened industry risks.

APRA's supervisory actions are driven by its Supervisory Oversight and Response System (SOARS). At a high level, SOARS assists in the risk based allocation of supervisory resources. APRA's four supervision stances are:

- Normal;
- Oversight;
- Mandated Improvement; and
- Restructure.

APRA's supervisory activities

The majority of the inputs into APRA's Framework for Prudential Supervision require detailed assessment of the implications of different types of information for a regulated entity. This involves a consideration of the issue or activity and the potential risks to which a regulated entity may be exposed. The level of detail in the assessment takes into account the nature of the information and regulated entity involved, consistent with APRA's risk-based approach.

Prudential reviews

A prudential review is a key supervisory activity that allows supervisors to form detailed assessments of a regulated entity's (or group's) key inherent risks and the adequacy of its management and controls to address those risks. Prudential reviews challenge and test the effectiveness of the regulated entity's processes and procedures and may involve both on-site and off-site components. The aim is to identify key risks and confirm that these are well-managed, or to identify areas for improvement and take supervisory action where those areas of risk may bring into question the regulated entity's ability to meet its financial promises to its beneficiaries.

Prudential consultations

In addition to prudential reviews that focus on specific risks or issues, 'baseline' supervision requires supervisors to hold prudential consultations – discussions with a regulated entity's Board or senior executives that focus on obtaining an update on key strategic and risk issues, and explaining APRA's supervisory assessment of the regulated entity and any prudential concerns.

Entity financial analysis

APRA analyses financial data based on the financial returns regularly provided by regulated entities. This financial data provides detail on areas such as financial strength, performance and operations. Supplementary financial information may also be available from other sources including a regulated entity's website or company announcements by listed entities. Supervisors analyse this information to ensure that any trends in business, earnings and/or capital are detected and assessed and appropriate supervisory actions are taken.

Financial analysis results in an assessment of a regulated entity's financial position and emerging trends or potential issues that should be monitored or followed up with the entity. These are critical inputs into a PAIRS assessment and supervisory action plan. The depth of financial analysis and areas to be reviewed depend on the nature and operations of the regulated entity, its size, complexity and risk profile. Appropriate supervisory actions are taken where a deterioration in financial performance or stability becomes evident.

Other off-site analysis

Off-site analysis covers a broad range of activities, including analysing specific information requested from a regulated entity, information provided under prudential standards and information that is requested from regulated entities to support industry analysis or specific research.

Ongoing interaction

There are many ways in which supervisors interact with regulated entities on an ongoing basis. These may include meetings with entity representatives at various levels, providing advice to a regulated entity (formally or informally), discussions about business changes within the entity, dealing with regulatory issues such as breaches and complaints, routine correspondence and market information.

Conglomerates and related regulated entities

A conglomerate group, for the purposes of APRA's Framework for Prudential Supervision, is one where there is more than one related regulated entity and potentially across more than one industry. Groups are defined as either Level 2 or Level 3 in accordance with the prudential framework.

A conglomerate group is usually headed by a regulated entity (either a non-operating holding company, ADI, general insurer, life insurer or RSE licensee). The assessment of the 'lead' regulated entity in the group considers the implications of, and relationships with, the other regulated entities in the group.

Industry analysis

Industry analysis involves research and assessments of the state of an industry with a view to enhancing our supervisory outcomes. APRA regularly reviews each industry it supervises and the general state of the macroeconomic environment for emerging issues and threats. These reviews may lead to actions relating to a specific regulated entity and/or a selection of entities and/or lead to a revision of our prudential requirements.

In addition to regular industry reviews, APRA completes regular peer group financial analysis and both proactive and responsive *ad hoc* reviews.

APRA's Industry Analysis team provides supervisors with up-to-date information on industry developments and emerging issues or trends that may adversely impact regulated entities' risk profiles. Supervisors are responsible for determining whether any risks or issues identified necessitate a change to their supervisory action plan for a regulated entity. Supervisory actions will vary by regulated entity and reflect APRA's risk-based approach.

Ad hoc reviews

In addition to regular analysis of key industry risks and issues, other ad hoc reviews may also be conducted by various areas of APRA on particular topics or themes.

Requests for approvals and interpretations

Regulated entities often approach APRA for approval of various requirements and for interpretations of legislation and prudential standards. Judgements are made against the prudential principles underlying the requirements, consistent with APRA's principles-based approach.

Although consistency in responses to industry is essential, APRA's Framework for Prudential Supervision maintains sufficient flexibility to vary responses depending on the individual circumstances of a regulated entity. In most cases, the application requirements are set out in legislation or prudential standards and are supplemented by internal guidelines. In considering requests, APRA considers whether the regulated entity will operate in a sound and prudent manner and, on an ongoing basis, is able to meet its financial promises to beneficiaries.

The main types of approvals/ interpretations are:

Structural approvals

These involve changes to an existing regulated entity structure and may arise through acquisitions or changes in ownership. Structural change may affect the future business of regulated entities and has the potential to impact on the current and future security of financial promises.

Prudential approvals

There are some areas/activities within the prudential framework where specific APRA approval is required. Particular issues or potential areas of concern may be identified as part of the policy development process and need to be subject to an appropriate degree of review by APRA to ensure activities are conducted in a manner which protects the financial interests of beneficiaries.

Interpretations

Part of APRA's role is to promote sound prudential practice by assisting regulated entities to understand and implement our prudential requirements appropriately. Communicating the rationale for our requirements and clarifying their intent is an important APRA function. APRA seeks to interpret its requirements consistently and the Framework supports staff to give 'the APRA line' when responding to requests for policy interpretation.

Licensing

APRA licenses regulated entities to ensure that only those that can meet prudential requirements and have the capacity to meet their financial promises on an ongoing basis can operate in Australia.

Licensing applications are assessed by frontline supervisory teams and involve consultation with risk or technical specialists as required. Assessments of licence applications ensure that if an entity is successfully licensed, it can move directly to ongoing supervision. A procedure is in place that outlines key steps in the process for assessing a licence application.

APRA has established a cross-divisional Licensing Committee to ensure consistency in approach to the assessment of licensing applications, to assist staff making assessments with suggestions and commentary, to provide constructive challenge to their assessment of the application and to assist in finalising recommendations to the delegated decision-maker.

Enforcement

Enforcement refers to a special category of supervisory activity, in which specific intervention and remedial actions are pursued, usually because APRA does not believe that a regulated entity has the ability or willingness to rectify serious identified weaknesses that threaten financial viability or safety. Enforcement action is also taken, as relevant, in respect of individuals who have been involved in the activities of one or more regulated entities. Enforcement activities are an important component of APRA's Framework for Prudential Supervision.

APRA maintains a separate Forensic Analysis & Enforcement (FA&E) team, supported by Legal Services, to undertake enforcement activities and such activities are governed by the Enforcement Steering Group.

Supporting material and infrastructure

The key principles for the material and infrastructure supporting APRA's Framework for Prudential Supervision are that it is:

- flexible;
- efficient (minimises duplication); and
- effective (supports APRA's risk-based, outcomes-focussed and principles-based approach to supervision).

The main support components of the Framework include its applications, procedures, guidance and reference material.

Quality assurance within APRA's Framework for Prudential Supervision

Adopting an outcomes-focussed approach to supervision is central to increasing the quality of our prudential assessments. By embedding a mindset which is risk-based, outcomes-focussed and principles-based, and ensuring all elements of APRA's Framework for Prudential Supervision support this, we improve the quality of our prudential assessments and actions.

Improving the quality and consistency of the use of the Framework occurs at four main levels:

- APRA management;
- the Supervision Framework Team;
- Internal Audit; and
- independent review.

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