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General Manager, Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority

By email: PolicyDevelopment@apra.gov.au

Dear General Manager

Response paper – strengthening prudential requirements for remuneration

The Union movement is disappointed that in issuing its response paper for *consultation on remuneration requirements for all APRA-regulated entities*, APRA has capitulated to overpaid executives rather than take the opportunity to progress real reform. That legislation requiring more oversight of financial executives was necessary shows that many of these entities have failed community expectations in the setting of pay and the awarding of bonuses. It is unsurprising that when asking the overpaid and unaccountable their views on whether their pay should be lowered or if they should be accountable for the impact of their decisions, they have resisted. What is surprising, though, is APRA's craven submission to these criticisms proposing to apply minimum standards to executives. Self-regulation has not worked. It led to irreparable harm for working people and their families which was exposed by the Banking Royal Commission.

Each of the criticisms the ACTU made in its submission to the original consultation draft are now more urgent with this less prescriptive approach. The capacity to harm has not reduced, nor has the financial sector truly demonstrated contrition, or compliance with existing laws. The banks which charged fees to the dead and rewarded their executives with bonuses and promotions for doing so have not had a culture shift to justify any lowering of standards. The way remuneration is set at the executive level creates the culture for those at all levels. The lack of attention by APRA to pay-setting for frontline staff in this framework demonstrates a lack of understanding of the causes and effects of the scandals uncovered by the Banking Royal Commission. The removal of the cap on financial metrics for the variable portion of pay is evident of APRA kowtowing to executives' interests over consumer welfare, societal expectations, and members' best interests. Remuneration standards for all staff should be improved, and once again APRA should reconsider implementing benchmarks which encourage

developing remuneration frameworks based around variable pay when their impact has been shown time and again to be pernicious.

APRA has taken less than two years to step away from core recommendations of the Banking Royal Commission with this report and has reverted to a soft approach which prioritises the concerns of banking executives over working people.

The ACTU urges APRA to reconsider this opportunity for real reform.

Yours sincerely,



Assistant Secretary