



27 November 2024

Observations from the implementation of the Financial Accountability Regime for the banking industry

To: All APRA-regulated entities

The Financial Accountability Regime (FAR) commenced for the banking industry on 15 March 2024 and takes effect for the insurance and superannuation industries on 15 March 2025. It imposes a strengthened responsibility and accountability framework on APRA-regulated entities, their directors and most senior executives. A key objective of the FAR is to improve the risk and governance cultures of those entities.

This letter shares observations on the registration and notification lodgements made by banking entities since FAR commencement, and:

- identifies areas that require further consideration by banking entities; and
- reiterates and highlights for banking, insurance and superannuation entities specific aspects consistent with previously released FAR guidance.

Accountable entities should have robust frameworks in place to ensure that registration and notification submissions are complete and comply with applicable obligations under the FAR. APRA and ASIC (the Regulators) expect an accountable entity's board to be able to demonstrate appropriate oversight and to be prepared to attest to the adequacy of the entity's FAR framework and its compliance with FAR obligations.

Banking, insurance and superannuation entities are all encouraged to review the observations and areas for further consideration provided in the appendix to this letter. The appendix aims to help accountable entities comply with their obligations under the FAR. Where entities fail to comply with their obligations under the FAR, the Regulators may take further action, including once the FAR takes effect for the insurance and superannuation industries.

Please direct any queries in relation to this letter to the far@apra.gov.au mailbox.

Yours sincerely

Margaret Cole
Deputy Chair
Australian Prudential Regulation Authority

Sarah Court
Deputy Chair
Australian Securities and Investments
Commission

Appendix

General and prescribed responsibilities

Observations	Further consideration for accountable entities
Possible gaps in the assignment or notification of prescribed responsibilities, including responsibilities associated with prescribed positions	<p>An accountable entity must ensure that all prescribed responsibilities, including responsibilities associated with the prescribed positions, are covered by an accountable person: see s23(1)(a)(ii)–(iii) of the <i>Financial Accountability Regime Act 2023</i> (FAR Act). Relevant information in relation to these responsibilities must be notified to the Regulators via the relevant FAR forms.</p> <p>Entities should reconcile for completeness the responsibilities of their accountable persons with those set out in the Financial Accountability Regime (Minister) Rules 2024 (Minister rules).</p>
Consideration of general responsibilities	<p>Accountable entities must consider whether an individual holds general responsibilities that cause them to be an accountable person under s10(1) and 10(5) of the FAR Act. Accountable persons may hold general responsibilities in addition to any prescribed responsibilities and positions, and these responsibilities should be separately identified in the relevant FAR forms. For example, both general and prescribed responsibilities could be allocated to:</p> <ul style="list-style-type: none">- the CEO of an accountable entity who may:<ul style="list-style-type: none">o have actual or effective senior executive responsibility for management or control of the accountable entity under s10(1) of the FAR Act; ando hold the prescribed senior executive responsibility for management or control of the business activities of the accountable entity and its significant related entities (SREs), if any, under s5(2)(a) of the Minister rules; and- relevant individuals who have:<ul style="list-style-type: none">o actual or effective senior executive responsibility for management or control of a significant or substantial part or aspect of the operations of an accountable entity's relevant group under s10(1) of the FAR Act; ando specific prescribed responsibilities under the Minister rules.
Possible gaps in the assignment or notification of accountable persons of, and accountable persons with responsibility in respect of, SREs	<p>Where an accountable entity has SREs, it must identify any accountable persons of those SREs under s10(6) of the FAR Act, as well as any accountable persons who have general responsibility for those SREs under s10(1)(b)(ii) or 10(5)(a) of the FAR Act.</p> <p>If an accountable person of an accountable entity has relevant responsibility for the accountable entity and its SREs and the same person is also an accountable person of one or more of those SREs, this should be separately identified in the relevant FAR forms.</p>

Observations	Further consideration for accountable entities
Multiple accountable persons jointly holding prescribed responsibilities	<p>The Regulators consider individual accountability to be the clearest form of accountability. Apart from board members, jointly held responsibilities should be kept to a minimum. Where a prescribed responsibility has elements applicable to multiple accountable persons, an accountable entity should consider whether:</p> <ul style="list-style-type: none"> - it is appropriate for multiple accountable persons to hold the prescribed responsibility, which may result in joint accountability for that responsibility; or - changes should be made so that a single accountable person holds the prescribed responsibility. <p>In the event that a certain element of a responsibility lies with multiple accountable persons, this should be clearly articulated in the relevant FAR forms.</p>

Key functions

Observations	Further consideration for accountable entities
Notification of applicable key functions	<p>Where a key function is undertaken by an accountable entity and an accountable person has actual or effective senior executive responsibility for management or control of the whole of or a significant or substantial part or aspect of the key function, the accountable entity must notify the Regulators of this information for inclusion in the register of accountable persons. The accountable entity must also notify the Regulators of any material changes to such information.</p> <p>Entities should undertake a reconciliation of the key functions against their operations and their accountable persons.</p>
Inappropriate allocation of key functions	<p>Accountable entities should only allocate key functions to their accountable persons when the relevant requirements are met. For example, the assignment of key functions to directors or senior officers outside Australia who have no senior executive responsibility would not be expected as key functions are senior executive responsibilities.</p>

Other

Observations	Further consideration for accountable entities
Ceasing of accountable persons and material changes to their responsibilities	<p>Accountable entities must submit timely notifications to the Regulators, via the approved FAR forms, when persons cease to be an accountable person under the FAR or when there is any material change to their responsibilities.</p> <p>Where possible, entities should also ensure that they submit FAR notifications for persons who cease to be an accountable person, before any transfer of business or licence revocation date.</p>

Primary FAR guidance materials are available on the [APRA website](#) and [ASIC website](#).