



Not So 'Far' Out – The Extended Financial Accountability Regime in Australia

On 15 March 2025, the Financial Accountability Regime (FAR) will be extended to the insurance (including their non-operating holding companies) and superannuation industries in Australia, joining the banking industry, where the FAR has applied since 15 March 2024.

For the insurance and superannuation industries, the extended regime will impose a strengthened responsibility and accountability framework to improve the risk governance cultures of entities regulated by the Australian Prudential Regulation Authority (APRA), their directors and most senior executives.

From BEAR to FAR

Prior to the implementation of the FAR, in February 2018, Australia introduced the Banking Executive Accountability Regime (BEAR), that established heightened expectations of accountability for authorised deposit-taking institutions (ADIs), their directors and senior executives.

The BEAR set out clear consequences in the event of a material failure to meet those expectations. The accountability regime commenced on 1 July 2018 for large ADIs and on 1 July 2019 for medium and small ADIs.¹

Extending FAR

However, on 4 February 2019, the Australian Government announced it would implement [recommendations 3.9, 4.12, 6.6, 6.7 and 6.8](#) of the Financial Services Royal Commission to extend the BEAR to all APRA regulated entities and provide joint administration to the Australian Securities and Investments Commission (ASIC), as the conduct regulator.

In a Proposal Paper², published on 22 January 2020, the Australian Government outlined its proposed model and sought targeted feedback from stakeholders.

The Proposal Paper explained that the FAR will extend this responsibility and accountability framework across all APRA regulated industries. In doing so, the FAR is intended to increase the transparency and accountability of financial entities in these industries and improve risk culture and governance for both prudential and conduct purposes.

Adding, that the FAR will also require financial entities to clarify responsibilities attaching to particular officers and positions. As a result, individuals will be held to account for failure to perform their obligations.

Similar to the BEAR, the Proposal Paper explained that FAR will impose the following obligations:



Accountability obligations;



Key personnel obligations;



Accountability map and accountability statement obligations;



Notification obligations; and



Deferred remuneration obligations.

However, the Proposal Paper highlighted that although the FAR adopts the essential structure of the BEAR, there are differences:

- That APRA and ASIC will jointly administer the regime, and that many detailed aspects will be set by APRA and ASIC to allow greater flexibility in recognition of the broader range of industries and number of entities subject to the FAR; and
- The commencement of the stronger penalty framework for corporate and financial sector misconduct.

The FAR Bill was passed by the Australian Parliament on 5 September 2023. Also, on 3 October 2023, APRA and the ASIC published an information package³ to support the financial services industry in implementing FAR. The information package comprised the Joint Administration Agreement between APRA and ASIC setting out the framework within which APRA and ASIC (the regulators) will work together to administer the FAR.

It also contained a joint information paper providing guidance for ADIs on transitioning from the BEAR to the FAR, supported by the ADI accountability statement guidance and template.

Final rules

On 8 March 2024, ASIC and APRA released final rules and further guidance to support the financial services industry in implementing the FAR. The package included:

- The regulator rules, which prescribe information for inclusion in the FAR register of accountable persons;⁴
- The transitional rules, which prescribe information to be provided by ADIs in relation to their existing accountable persons under the BEAR at the transition point to the FAR;⁵
- Descriptions of ADI key functions to assist banking entities in the allocation of key functions; and
- Reporting form instructions to assist banking entities in providing the required information to ASIC and APRA.

ASIC and APRA also issued a joint letter⁶ summarising key issues raised during consultation and their response, including the collection of information and data for the FAR register and the concept and application of key functions.

What's in the FAR?

On 11 July 2024, the regulators published 'FAR: Information for accountable entities' (information paper).⁷ Explaining that FAR introduces four core sets of obligations:

- Accountability obligations for accountable entities and accountable persons;
- Key personnel obligations;
- Deferred remuneration obligations; and
- Notification obligations.

The regulators state that the information paper helps accountable entities, and their accountable persons understand and comply with their obligations under the FAR.

Also, that FAR recognises that it is the actions of the directors and the most senior and influential executives within a business that shape the conduct of the business itself. Improving accountability within the business, therefore, requires strengthening and clarifying individual accountability.

On that basis the regulators state they expect accountable entities will embed elements of the FAR into their internal accountability framework and continue to refine their accountability framework and practices to establish and maintain clear and strong accountability.

The information paper explains that the role each regulator plays under the FAR is consistent with their broader purpose under the twin peaks model for financial regulation in Australia.

In administering the FAR, ASIC focuses on market integrity and consumer protection in the financial system and payments system; APRA focuses on the prudential soundness of regulated entities as well as the financial stability of the overall system. The regulators are collaborating so that the FAR is administered in an efficient and consistent way.

Whilst APRA and ASIC each have responsibility for the general administration of FAR, ASIC can perform certain functions and exercise certain powers only in relation to:

- Accountable entities that hold an Australian financial services licence or Australian credit licence;
- The significant related entities (SREs) of such accountable entities; and
- Accountable persons of such accountable entities and their SREs.

Accountable entities

In determining whether an entity is core or enhanced, FAR only requires accountable entities that meet the enhanced notification threshold (enhanced entities) to submit accountability maps and statements and to notify the regulator of material changes to these documents.

Determination of whether an entity is classified as enhanced, or core, is based on their total asset value:^{*}

- ADIs (AUS\$20 billion).
- General insurers and life companies (AUS\$10 billion).
- Private health insurers (AUS\$3 billion).
- RSE licensees (AUS\$30 billion).

^{*}There are no enhanced notification thresholds prescribed in the Minister rules for foreign accountable entities.

Additionally, the Minister rules provide that if one accountable entity within a corporate group is an enhanced entity, all accountable entities within that group will also be enhanced entities (regardless of their own total asset size).

The information paper also outlines the reasonable steps accountable entities must take, as well as the key personnel obligations of accountable entities, which amongst other things, includes ensuring that the responsibilities of accountable persons collectively cover all areas of the business operations of the accountable entity and its relevant group.

Accountable entities will also need to identify all their SREs. The FAR imposes obligations on accountable entities to take reasonable steps to ensure that each of their SREs complies with the relevant accountability, key personnel, deferred remuneration and notification obligations as if they were an accountable entity, and foreign accountable entities must identify whether they have any SREs.

For further details please see section 2 of the information paper.

Accountable persons

This section of the information paper lists out:

- Accountability obligations of accountable persons.
- Identification of accountable persons.
- Accountable persons of accountable entities.
- Accountable persons of significant related entities.
- Registration of accountable persons.
- Assigning key functions to accountable persons.
- The concept of key functions.
- Application of key functions.

In relation to the assigning of key functions to accountable persons, the regulator rules prescribe certain key functions for inclusion in the FAR register for the purposes of [s40\(4\)\(g\) of the FAR Act](#). Key functions are functions or functional areas that are deemed to be of particular importance from a prudential and conduct perspective.

The information paper states that accountable entities are expected to know where senior executive responsibility for any applicable key functions lies as part of the processes that support compliance with their key personnel obligations. The information in relation to the assignment of these key functions will assist the regulators to have visibility over, and clarity in relation to, accountability for those functions.

For further details please see section 3 of the information paper.

Notification obligations

Here the information paper outlines core and enhanced notification obligations. All accountable entities must notify the regulators when certain events that impact their accountability framework or compliance with the FAR have occurred.

Accountable entities must submit the relevant FAR notification form(s) in [APRA Connect](#) within 30 days after the occurrence of a notifiable event.

For enhanced notification obligations, the FAR only requires enhanced entities to prepare and submit accountability maps and statements and to notify the regulators of material changes to these documents:

- The initial accountability statement of an accountable person needs to be provided as part of the application for registration of the accountable person; and
- The initial accountability map of an accountable entity needs to be provided within 30 days after the entity becomes an accountable entity and accompanied by submitting the relevant FAR notification form in [APRA Connect](#).

Where there are material changes to any accountability statement or the accountability map, the accountable entity must submit the revised accountability statement or map together with the relevant FAR notification form in APRA Connect within 30 days after those changes.

For further details please see section 4 of the information paper.

Deferred remuneration obligations

The information paper sets out, for deferred remuneration, an accountable entity must:

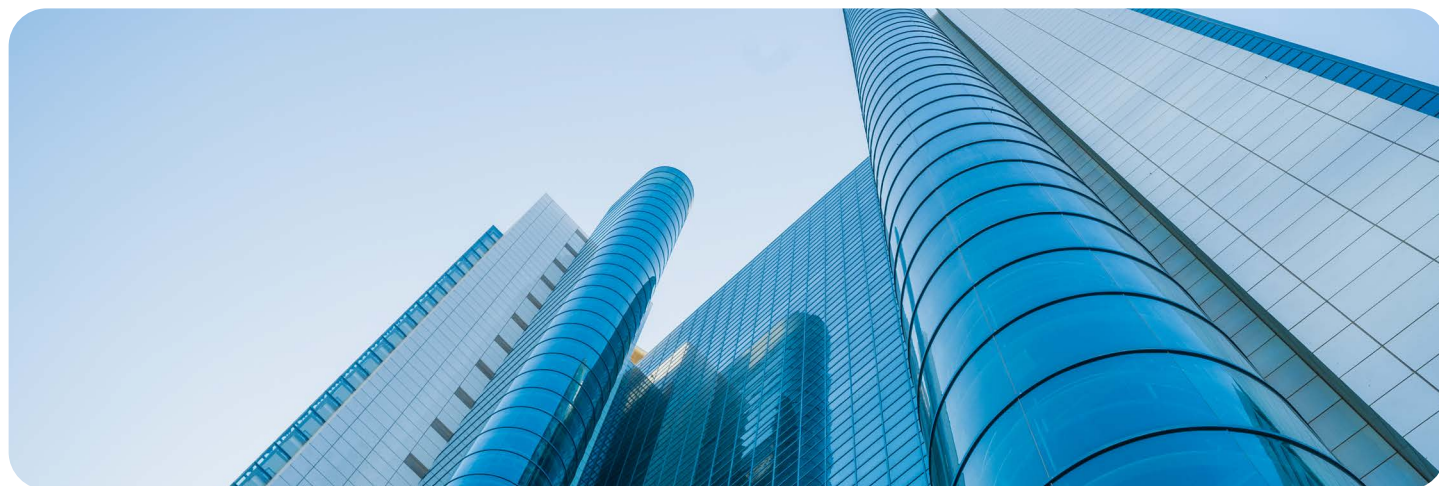
- Defer payment of at least 40% of an accountable person's variable remuneration for a minimum of four years;
- Have in place a remuneration policy that requires a reduction in an accountable person's variable remuneration if they fail to comply with their accountability obligations;
- Ensure that any required reduction of variable remuneration is not paid or transferred to the accountable person; and
- Take reasonable steps to ensure that each of its SREs complies with the deferred remuneration obligations.

When the FAR deferred remuneration obligations will start to apply depends on the industry.

For ADIs and their authorised non-operating holding companies, the deferred remuneration obligations apply to remuneration decisions that occur in the first financial year that begins after 15 September 2024 (i.e. six months after the FAR commences for these entities).

For all other accountable entities, the deferred remuneration obligations apply to remuneration decisions that occur from 15 March 2025 (i.e. when the FAR commences for these entities).

For further details please see section 5 of the information paper.



Enforcement

The regulators set out their enforcement approach in the information paper. It states that the FAR will be enforced by both APRA and ASIC. The regulators will work together on investigations and enforcement of the FAR, and focus on proactive engagement and cooperation; early and regular consultation with one another; open and timely sharing of information and expertise; and coordinated and timely use of powers.

For further details please see section 6 of the information paper.

Also, in the information paper, Appendix A sets out the key functions' descriptions. This appendix provides descriptions of each ADI Key Function, Insurance Key Function and RSE licensee Key Function referred to in the Regulator rules.

What's the latest?

On 11 July 2024, the ASIC and the APRA published new information to help insurers and superannuation trustees prepare for the commencement of the FAR on 15 March 2025.

In addition to the information paper discussed above, the regulators latest package included an amendment to the regulator rules and a joint ASIC and APRA letter summarising key issues raised during consultation and their response, including the concept and application of key functions.⁸

The package also updates other previously released information to reflect the final regulator rules, including:

- An updated accountability statement guide and template to help entities subject to the FAR enhanced notification obligations to prepare accountability statements; and
- Reporting form instructions to assist insurance and superannuation entities in providing the required information to ASIC and APRA.

The regulators state that guidance materials for the new information package are available at: [Financial Accountability Regime](#) on ASIC's and APRA's websites. For the regulators' response and non-confidential submissions to the consultation, please refer to the [FAR consultation](#) page.

The regulators state that this information completes the total package of FAR guidance materials and that further details on proposed industry engagements and implementation timeframes are available on the new [FAR implementation for insurance and superannuation entities](#) page on APRA's website.

What should insurers and superannuation trustees be doing now?

On 9 April 2024, APRA and ASIC held a joint webinar 'Superannuation: FAR webinar and Q&A.'⁹ The webinar provided superannuation entities with an overview of the FAR, the recent information and consultation packages, and a question-and-answer session.

It also included a section on how entities can prepare for FAR implementation, and the regulators stated that entities are encouraged to be proactive and undertake the following key implementation activities:

All entities

- Finalise internal review/discussion on accountability arrangements (i.e., a whole of business mapping exercise).

- Determine FAR entity profile and classification.
- Identify which subsidiaries or connected entities may become SREs.
- Identify potential accountable persons.
- Allocate prescribed responsibilities to potential accountable persons.
- Allocate applicable key functions to potential accountable persons.
- Develop internal accountability documentation.
- Review and implement changes to remuneration arrangements with 'accountable persons' as applicable. This should be done at a holistic level.
- Develop or expand breach notification system specifically for FAR.
- Introduce or expand existing training schedule for accountable persons, but also staff engaged in governance, risk, and compliance of FAR.

Enhanced entities*

- Develop draft accountability statements and map.

*The enhanced notification thresholds are detailed in the final Minister rules.

¹ See <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-152mr-asic-and-apra-issue-final-rules-and-information-for-the-financial-accountability-regime>

² See <https://treasury.gov.au/sites/default/files/2020-01/c2020-24974.pdf>

³ See <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-265mr-apra-and-asic-commence-joint-administration-of-the-new-financial-accountability-regime>

⁴ See <https://www.legislation.gov.au/F2024L00285/latest/text>

⁵ See <https://www.legislation.gov.au/C2023A00068/latest/text>

⁶ See <https://download.asic.gov.au/media/s43kcigm/far-apra-and-asic-joint-letter-response-to-submissions-on-regulator-rules-and-transitional-rules-consultation-published-8-march-2024.pdf>

⁷ Source document provided by the Australian Prudential Regulation Authority. 'Financial Accountability Regime: Information for accountable entities | APRA'. This e-briefing provides a summary of the Financial Accountability Regime: Information for accountable entities. The document is available for use under a Creative Commons Australia Attribution 3.0 Licence. See [Deed - Attribution 3.0 Australia - Creative Commons](#)

⁸ See <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-152mr-asic-and-apra-issue-final-rules-and-information-for-the-financial-accountability-regime>

⁹ See <https://www.apra.gov.au/far-presentations>



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