

MEMORANDUM OF UNDERSTANDING ON CRISIS MANAGEMENT

Objectives of crisis management

1. This Memorandum of Understanding (MOU) between the members of the Council of Financial Regulators (the Council) sets out the Council's crisis management framework, including objectives, principles and processes.
2. The MOU is intended to facilitate collective responses to a range of circumstances involving potential or actual instances of financial instability. These circumstances include material stresses in financial institutions; disruptions in financial markets; interruptions to the smooth functioning of financial market infrastructures or payment systems; and major operational disruptions affecting the provision of financial services.
3. In such circumstances, member agencies will seek where possible to balance the following objectives:
 - Maintaining the stability of, and confidence in, the financial system.
 - Resolving the stress or disruption effectively and as quickly as practicable.
 - Protecting depositors, policyholders and superannuation fund members where possible, and promoting market integrity for participants.
 - Ensuring that the owners, directors and management of a stressed or failed institution bear appropriate responsibility.
 - Minimising the economic and fiscal risks of any crisis management response, and maintaining appropriate market discipline.

Principles that guide actions

4. Private sector or market-based solutions are generally the Council's preferred means of crisis management, but there may be circumstances, including where systemic risk could materialise, where a public sector response is required.
5. In determining and implementing a public sector response, member agencies agree to consider the following principles:
 - The response will be guided by the objectives outlined above in this MOU and the relevant statutory objectives of each member.
 - The response will take into account short- and long-term benefits, costs and risks, including the impacts on the broader economy.
 - Communication will be coordinated and focused on supporting confidence in the financial system and promoting market integrity.
 - The response will take into account cross-border implications where relevant, including in particular coordination with New Zealand authorities for financial groups that operate in both Australia and New Zealand.

6. These principles will be embedded in the Council's crisis management playbooks and used to inform the planning and implementation of member agency's individual and collective crisis responses.

Crisis management responsibilities and processes

Monitoring and identification of stress

7. Member agencies have the following responsibilities for monitoring and identifying emerging stress in the financial system:
 - The RBA has lead responsibility for monitoring systemic risk, including in financial markets, clearing and settlement facilities (in conjunction with ASIC), and the payments system.
 - APRA has lead responsibility for prudentially supervising authorised deposit-taking institutions, insurers and superannuation funds. It also has statutory responsibilities to advise the Treasurer in the event that a supervised institution is unable, or about to become unable, to meet its financial obligations.
 - ASIC has lead responsibility for monitoring financial service providers and for advising on emerging vulnerabilities in this area and in financial markets, as well as (in conjunction with the RBA) monitoring clearing and settlement facilities.
 - The Treasury has lead responsibility for keeping the Treasurer and other Government departments apprised of the situation.
8. Once a member agency becomes aware of an emerging stress situation that is relevant to the responsibilities of the other agencies, it will advise the other agencies as a matter of urgency. Member agencies will monitor conditions and share information through Council sub-groups as relevant, and convene a meeting of the Council if necessary.
9. Collective advice to the Treasurer on developments and any proposed steps to be taken, both in regard to a stressed institution and potential threats to financial stability and the economy, will be coordinated by the Treasury.

Coordination of response

10. The Council serves as a coordination forum for assessing and responding to situations of potential or actual stress. In assessing and responding to stress, member agencies have the following responsibilities:
 - The RBA has lead responsibility for assessing and advising on the nature and scale of stress in financial markets, clearing and settlement facilities and payment systems, including the systemic impact. The RBA is responsible for evaluating and, where appropriate, implementing response options that involve liquidity support and financial market intervention. The RBA is also responsible for the supervisory response for clearing and settlement facilities, in coordination with ASIC (which has separate, but complementary, responsibilities) and for the resolution of clearing and settlement facilities. The RBA also has responsibility for certain actions in relation to the payments system.

- APRA has lead responsibility for assessing and advising on the nature and scale of financial or operational stress in a supervised institution, and for determining and implementing any supervisory response or resolution. In particular, APRA is responsible for decisions relating to the investigation of a supervised institution, giving directions to such an institution, appointing a statutory manager to a bank, giving directions to a statutory manager, and recommending to the court that a judicial manager be appointed to a general insurer or life insurer. APRA also has responsibility for administering the financial claims scheme (FCS) in respect of a bank or general insurer, if the FCS has been invoked.
 - ASIC has lead responsibility for assessing and advising on the regulatory implications of the situation for financial markets and investors, the disclosure implications of any response option, and for liaising with market operators. ASIC has responsibility for the supervisory response for clearing and settlement facilities, in coordination with the RBA (which has separate, but complementary, responsibilities). ASIC is also responsible for decisions relating to public disclosure statements by institutions that are subject to the *Corporations Act 2001* as well as the implications for customers of affected financial institutions.
 - The Treasury has lead responsibility for providing policy advice to the Treasurer and other Government departments as relevant on any responses, including those that involve Government action.
11. The Council will coordinate a collective response, where more than one member agency has responsibility in a situation. The Council will maintain playbooks and protocols to support this coordination, as relevant.
 12. The Treasury will keep the Treasurer and the Government informed on the progress of the implementation of a response. Where the Treasurer or the Government makes a decision on a response action, the Treasury will inform the other member agencies of that decision as early as possible.
 13. The Council will coordinate its response and communication with other government departments and agencies as relevant to the circumstances, including in particular where there are disruptions that impact other areas of Australia's critical infrastructure.
 14. Each member agency has responsibility for liaising and coordinating with its equivalent agencies in other countries in situations where financial instability has cross-border implications, including as set out in the Memorandum of Cooperation on Trans-Tasman Bank Distress Management. Member agencies will also endeavour to assist each other in meeting cross-border cooperation obligations.

Coordination of communication

15. Each member agency will develop and implement communications with stakeholders, including public communications, in its respective areas of responsibility. Where the response involves actions by more than one Council member, communications are to be coordinated across member agencies and with the Government.
16. Subject to their statutory obligations, member agencies have the following particular responsibilities:

- The RBA has responsibilities for public communications on liquidity support, market intervention, and supervisory and resolution actions taken by it with respect to clearing and settlement facilities.
 - APRA has responsibilities for public communications on supervisory and resolution actions taken with respect to supervised institutions and implementation of the FCS.
 - ASIC has responsibility for public communications relating to the Corporations Act, and its regulatory actions taken in relation to financial markets and clearing and settlement facilities.
 - The Treasurer (or other Government Minister as relevant) has lead responsibility for communicating to the public any resolution options that involve a Government decision.
17. Where a collective public statement is to be made, such as where the response incorporates more than one of the areas of responsibility outlined above or where the crisis is systemic in nature, the Council would expect that this is typically delivered by the Treasurer and/or the RBA Governor as chair of the Council with the APRA Chair.

Testing of crisis management coordination

18. The Council oversees a range of crisis simulation exercises, which are conducted on a regular cycle to test the readiness of key crisis management tools and response protocols. Lessons learned from these exercises are used to inform the Council work program.

Review

19. This MOU is facilitative, and is not intended to create legally enforceable rights or obligations or to affect the responsibilities of member agencies. It was approved by the Council on 24 July 2025 and replaces the previous MOU dated 18 September 2008. It will be reviewed on a three-year basis, with the next review to be completed by 24 July 2028.

Michele Bullock
Governor
Reserve Bank of Australia

John Lonsdale
Chairman
Australian Prudential Regulation Authority

Joseph Longo
Chairman
Australian Securities and Investments
Commission

Jenny Wilkinson
Secretary
The Treasury