



7 April 2020

**TO: ALL LICENCE APPLICANTS**

**COVID-19: APRA'S APPROACH TO LICENSING**

This letter is to inform you about a material update in relation to your company's application for an Australian Prudential Regulation Authority (APRA) licence.

The global COVID-19 virus has led to a fundamental change in the economic and social environment in Australia and globally. In this current environment, APRA will temporarily suspend the issuance of new APRA licences, except in the rare case that the granting of a licence is necessary for APRA to carry out its mandate.

Financial institutions, particularly those that take customer deposits, look after superannuation funds or issue insurance, occupy a unique position of trust. The financial safety of these institutions is key to the financial stability and well-being of the community and, as a result, these institutions are subject to higher standards than many sectors of the economy. This includes higher entry standards. The process of granting an APRA licence is intended to help ensure that a new entrant will be able to honour the financial promises it makes under all reasonable circumstances.

In licensing new entrants to the prudentially-regulated segments of the financial system, APRA aims to achieve an appropriate balance between financial safety and other important considerations to the community – efficiency, competition, contestability and competitive neutrality. In doing this, APRA is also asked to promote financial system stability in Australia.

Experience has shown that it is challenging for new entrants to succeed even under normal economic conditions, which is why APRA does not consider it prudent to license APRA-regulated entities at this time.

As the operating environment stabilises, APRA will keep its approach under review and advise current applicants when the granting of licences will restart. However, APRA expects this temporary hold could last at least six months and delay APRA licences by at least this timeframe. During this time, APRA will continue to assess current licence applications so the delay on launching when the hold is lifted is minimised.

APRA recognises the importance of keeping you informed while we navigate the next few months. If you wish to discuss the content of this letter, please let your case officer know and they will arrange a teleconference.

Yours sincerely

Melisande Waterford  
General Manager, Regulatory Affairs and Licensing