



Amazon Web Services Australia Pty Ltd ▪ Level 37, 2 Park Street ▪ Sydney, Australia 2000

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General Manager, Regulatory Affairs and Licensing
Policy and Advice Division
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Email: licensing@apra.gov.au

Consultation on revisions to APRA’s approach to licensing and supervising new entrant authorised deposit-taking institutions (ADIs)

Amazon Web Services (AWS) welcomes the opportunity to make a submission in respect of the draft information paper ‘ADI: New entrants – a pathway to sustainability’ (2021 Information Paper). We welcome APRA’s intention to “to strike an appropriate balance between supporting entities to both enter and thrive in the banking sector, while ensuring financial stability and protecting the interests of depositors.”

Usage of cloud computing services is a key enabler for aspiring banking licence applicants, at both restricted and full ADI levels. There are several reasons for this, including greater agility, increased ability to innovate, and reduced total cost of ownership – particularly the avoidance of significant capital expenditure during the start-up phase, which can be a major barrier to entry. Further advantages of a cloud-native model include levels of security, availability and resilience which exceed what individual entities – particularly new market entrants – would typically be able to achieve in a traditional ‘on-premises’ data centre model.

AWS provides cloud services and solutions for some of Australia’s leading fintechs, and helps startups to evolve their business models and create new opportunities for success and growth. Accordingly, AWS is involved in numerous discussions with aspiring fintech companies and banking licence applicants, and has drawn on this experience in preparing this submission.

Clear guidance re modified IT prudential standards

The May 2018 information paper ‘ADI Licensing: Restricted ADI Framework’¹ (2018 Information Paper) - which this 2021 Information Paper is proposed to replace – includes a page specific to information

¹ ‘ADI Licensing: Restricted ADI Framework’, APRA information paper, May 2018 - <https://www.apra.gov.au/sites/default/files/information-paper-adi-licensing-restricted-adi-framework-20180504.pdf>

technology (IT) (p.42-43) with clear guidance as to what is required at each relevant stage of the licensing process. The 2021 Information Paper replaces this guidance with Attachment B: Restricted ADI Prudential Framework (p.42), which indicates in Table 4 that CPS 231 - Outsourcing, CPS 232 - Business Continuity, and CPS 234 - Information Security (the key prudential standards applicable to IT) will be applied in a modified form to Restricted ADIs at the point of licensing. The text following the table provides only a high-level view of how each of these prudential standards may be modified and applied to Restricted ADIs.

AWS recommends the 2021 Information Paper include greater specificity and certainty as to how each IT-related prudential standard will be modified and applied to Restricted ADIs. Without this detail and clarity up front, there is some risk of confusion among aspiring ADIs as to the required IT standards, which may lead to investment in sub-optimal IT solutions (unnecessarily complex, more expensive, or higher-risk) that may need to be reworked at a later date leading to further unnecessary costs and effort. In this way, any lack of clarity as to how IT standards will be modified and applied may deter or hinder new entrants, or affect their viability, thereby working against APRA's intention to support entities to enter and thrive in the banking sector.


Broader IT guidance

In the same way that the 2021 Information Paper formalises the evolution over the previous three years of APRA's approach to licensing new entrants in areas such as capital, product mix, and exit strategy, it would also benefit from reference to how APRA has evolved and updated its IT expectations, and any relevant observations or experience, over the same period.

AWS recommends the 2021 Information Paper also provide clear linkage to APRA's broader IT-related guidance contained in Prudential Practice Guide CPG 234 - Information Security, Prudential Practice Guide CPG 235 - Managing Data Risk, and APRA's information paper on Outsourcing Involving Cloud Computing Services (Cloud Information Paper), as is included in the 2018 Information Paper (p.43).

Thank you for the opportunity to contribute to this important consultation. AWS would welcome the opportunity to expand on our submission in a discussion with APRA, or to provide any further information.

Yours sincerely,


Head of Public Policy, Australia & New Zealand
Amazon Web Services