

**GENERAL FEEDBACK**

NO	COMMENT	REASONING
1	It may be beneficial to provide applicants with the history of the licensing framework, be it diagrammatic or narrative.	It is not well understood that an ADI licensing has been in existence since supervision was assumed and applicants are responding to the most recent iteration. There is a general view that the entry hurdle is high whereas it is quite the opposite.
2	There could be merit announcing that the Supervisory Risk and Intensity (SRI) Model will be progressively replacing the Probability and Impact Rating System (PAIRS) and the Supervisory Oversight and Response System (SOARS).	It should encourage, if not direct new applicants to read and understand the documents relating to the supervisory approach to gain a better understand why there are certain inclusions in the information paper, become familiar with certain supervisory language and consider how to best address in their application.
3	Considering the above comment, it might be of use when providing guidance to applicants to use language in the information paper or when providing feedback, such as: suggestion, requirement, or recommendation.	It would be beneficial for applicants to get a better understanding of minimum application expectations and early insight of the supervisory approach.
4	It may be of some benefit to be more directive with pre-applicants, that is adopt a more prescriptive or rules-based approach as opposed to principles-based.	The principles and application of the prudential standards do not become completely effective until you are operating as an unrestricted ADI. It could be useful to provide far more specific guidance on application and documentation expectations (refer to Specific Feedback).
5	It may also be of some benefit to set expectations of when to start behaving like an ADI.	It is not just a requirement to know how to build and then run an ADI, but it is also imperative that you behave like an ADI as early as practicable. Notwithstanding that supervision and prudential standards apply once an entity is granted a restricted ADI licence, it is important that an applicant can demonstrate or evidence that they can behave like one well before a restricted ADI licence is granted.
6	Consistently provide context and examples.	The information paper has advanced considerably in this regard but there is ambiguity that if addressed would provide considerably better guidance for applicants.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	COMMENT	REASONING
6	Co-develop an indicative assessment and licensing project plan with the applicant.	One of the challenges for an applicant is to explain the process to stakeholders and bring them on the journey from application to licensing, this is particularly the case when shareholders and non-executive directors have limited banking and licensing experience. The project plan would also be a useful tool to be able to explain the assessment and licensing process to staff and partners / vendors.
7	Provide the latest RADI Required documents list on the APRA website.	It is not understood early enough that there is a prescribed minimum set of documents APRA requires to be submitted and it would be a useful guide for prospective applicants to understand the skills required to submit an application.
8	Focus on Information Paper is on consumer products.	While the Information Paper makes reference to alternative business model it definitely has a consumer bent. It would be beneficial to provide examples of alternative business model to demonstrate objectivity.

**SPECIFIC FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
1	Contents	3	Table of Contents	'Attachment B: Restricted ADI Prudential Framework'	Note that Attachment B is also referred to as Appendix B and suggest applying consistently.
2	Glossary	4	Table		Suggest including a third column and provide a reference to where the definition is used throughout the information paper
3	Glossary	4	Definitions	'Banking Executive Accountability Regime (BEAR)'	Set high level expectations for application and submission of BEAR requirements noting that it will change considerably as board composition and management team and structure changes. Provide a hyperlink to BEAR information paper.
4	Glossary	4	Definitions	'Banking Business'	Provide better clarification as this has not been well understood in the past as legislation refers to both borrowing and lending however in this context, applicants have thought it applies to deposits only as you do not need an ADI licence to lend. Provide a hyperlink to the legislation and state current at the time of publishing in the footnote.
5	Glossary	4	Definitions	'Established ADI'	A 'period of time' should either be defined or reference to where the context is provided in the information paper (Sections 3.1, 3.2, 3.3).
6	Glossary	5	Definitions	'New ADI'	Either provide clarification on how long a New ADI will be subject to an adjusted supervisory approach or reference to where the context is provided in the information paper (Sections 3.1, 3.2, 3.3)

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
7	Executive Summary	6	Para 4.	'The purpose of this information paper is to set clear expectations for current and prospective new entrants'	An applicant would not consider that the information paper sets clear expectations as there is minimal reference on the licensing engagement and consultation approach.
8	Executive Summary	6	Para 5.	'APRA's approach to new entrants covers the progression of an entity through APRA's pre-application engagement stage, the licensing process, and finally the application of APRA's prudential and supervisory framework as a licensed entity....'	There is considerable uncertainty from an applicant on the licensing engagement and consultation approach. It would go a long way to assisting applicants (and their stakeholders) by developing an illustrative program plan to which an applicant would be expected to follow based on expectations and milestones being met. It could also serve to demonstrate how an application could take 9 months versus up to 18 months based on a series of caveats or qualifications.
9	Executive Summary	6	Para 6.	'...particular risk profiles....'	There is reference to risk profiles, low-risk and high-risk which is quite subjective. It would be beneficial to provide a table of what a low-risk profile is relative to a high-risk profile based on different business drivers or metrics. Perhaps another opportunity to introduce supervisory approach.
10	Executive Summary	7	Figure 1.	'Summary of the key differences in applying APRA's prudential framework to each category of ADI'	The general view would be that a restricted ADI licence has little or no value unless it has built technology, launched products and acquired customers on both sides of the balance sheet. Unless that has occurred, which is a new directive, the credible option for exit is to return deposits, in the event they have been raised. APRA would be well served to be prescriptive that there is a single option only unless otherwise demonstrably proven.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
11	Background	8	Para 2.	'... APRA is to balance the objectives of financial safety and efficiency, competition, contestability and competitive neutrality and ....'	It would be in the applicants interests to understand what financial safety and efficiency, competition, contestability and competitive neutrality mean and how their application meets these objectives.
12	Background	8	Para 4. Dot point 2.	'A prudential framework intended to manage the prudential risks of banking activities....'	Applicants to demonstrate their understanding of the material risks (i.e., a risk register) that could arise from their business model and the associated controls before developing a comprehensive Risk Management Framework
13	Background	8	Para 4. Dot point 4.	'This information paper explains APRA's approach for new entrants. It should be read in conjunction with other guidance and material on APRA's approach to ADIs such as Licensing: Locally incorporated ADIs which set out APRA's licensing process for ADIs as illustrated in Figure 2.'	Provide embedded hyperlinks wherever possible as it is not always simple to locate reference material. It also allows applicants to digest other relevant material simultaneously and comprehensively.
14	Chapter 1 ADI Licensing	10	Para 1.	'The pathway that is suitable will depend on each applicant's circumstances.'	Suggest adding 'as determined by APRA'.
15	Chapter 1 ADI Licensing	10	1.1.	'...it meets APRA's prudential framework from the point of licence ....'	Suggest restating as 'The applicant must demonstrate that it is able to meet ....'
16	Chapter 1 ADI Licensing	10	1.1. Dot point 1.	'...at least one income-generating asset....'	This is ambiguous and should clearly state it is a customer loan (may also be off-balance sheet e.g., guarantee)

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
					product. This could infer it is an MLH product which should not be the objective of restricted ADI.
17	Chapter 1 ADI Licensing	10	1.1. Dot point 2.	'...be operationally ready to launch deposit products shortly after being authorised....'	It would be beneficial to provide an indicative or expected timeframe e.g., within 3 months.
18	Chapter 1 ADI Licensing	10	1.1.1.	'...that have the existing resources and capabilities....'	This is too ambiguous and would be useful to provide expectations around minimum resources and capabilities e.g., roles or headcount or office.
19	Chapter 1 ADI Licensing	10	1.2. Para 1.	'...that do not have the resources and capabilities...'	Again, this is too ambiguous and would be useful to provide expectations around minimum resources and capabilities.
20	Chapter 1 ADI Licensing	10	1.2. Para 2.	'...the restricted phase is for a maximum period of two years.'	Even though it is obvious, suggest restating to say '...the restricted phase is granted for a minimum period of two years'.
21	Chapter 1 ADI Licensing	11	1.2 . Para 3. Dot point 2.	'...a credible exit plan that can be executed if needed....'	History would suggest that during the restricted phase that the only credible option is to return deposits. It is unlikely an applicant is going to know what an alternative exit plan is until such time that the trigger event occurs. Applicants should be engaging with APRA at that time to present credible options but should be able to provide some insights into what they may be at the time of application even if not how to execute as conditions will change dynamically.
22	Chapter 1 ADI Licensing	11	1.3. Para 2.	'The application process may take 9-18 months for a licensing decision depending on the readiness of the applicant and complexity of the business.'	It would be beneficial if APR could provide an illustrative example of what a 9-month consultation process may look like versus an 18-month consultation process. It would also be beneficial if APRA could provide examples of reasons for delays from both a regulatory and an applicant perspective.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
23	Chapter 1 ADI Licensing	12	1.3. Figure 3.	'APRA's ADI licensing process'	This is a great illustrative example of the licensing process but could be enhanced by provide an example of a typical project plan / consultation process.
24	Chapter 1 ADI Licensing	12	1.3. Para 3.	'Potential applicants should speak to APRA about the most appropriate licensing pathway for their business.'	This implies that the applicant has a choice of which path to pursue where Section 1.2.1 states that APRA will determine the appropriate pathway.
25	Chapter 1 ADI Licensing	12	1.3 . Para 3.	'The level of engagement and guidance provided by APRA is the same for either pathway.'	This implies that the restricted and unrestricted licensing pathways will take a similar time to granting. Am not entirely sure if that is the case.
26	Chapter 2 Restricted ADIs	13	Para 1.	'...low risk or traditional banking business...'	This is not well understood. It would be prudent to provide example of low-risk business across a number of supervisory metrics [think PAIRS risk assessment].
27	Chapter 2 Restricted ADIs	13	2.1. Para 1.	'...which include the Banking Executive Accountability Regime (BEAR)'.	It may be worth mentioning other legislation as found on the APRA website, or provide a hyperlink to that page.
28	Chapter 2 Restricted ADIs	13	Table 1. Requirements	'Conducting business during the restricted phase'	Refer to earlier point 16. This is ambiguous and should clearly state it is a customer asset product.
29	Chapter 2 Restricted ADIs	13	Table 1. Requirements	'Governance'	The bar for Governance at this stage is too low. It is imperative to have wide-distribution of control and nominal non-executive directors to ensure improved management of conflicts and decision-making. The board composition needs to favour independent non-executive directors as early as practicable.
30	Chapter 2 Restricted ADIs	14	Table 1. Requirements	'Exit Plan'	Supported but needs to be explicit that Return of Deposits is the expected exit subject to an approved alternative as presented on a case by case basis.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
31	Chapter 2 Restricted ADIs	14	Table 1 Requirements	'Disclosure'	It should be stated that APRA is to approve disclosures prior to being published to ensure consistency of language.
32	Chapter 2 Restricted ADIs	14	Table 1 Requirements	'Reporting'	Suggest providing a link to the ARF 199.
33	Chapter 2 Restricted ADIs	14	2.1.1. Conducting Business	'.... applicants business plans and financial projections ....'	There should be an independent sign off on the financial model to validate assumptions and formulas.
34	Chapter 2 Restricted ADIs	15	2.1.1. Requirement to launch products	'....income-generating asset product....'	Refer points 16 and 28.
35	Chapter 2 Restricted ADIs	15	2.1.1. Requirement to launch products	'....new personal and lower risk banking business products....'	Refer point 26.
36	Chapter 2 Restricted ADIs	15	2.1.1. Requirement to launch products	'....to a limited number of customers....'	The definition of customer is ambiguous and suggest that the type and number of customers to be onboarded during the restricted phase is to be approved by APRA as there are different drivers on either side of the balance sheet based on \$2 million and \$100 million cap respectively.
37	Chapter 2 Restricted ADIs	15	2.1.1. Requirement to launch products	'....and their families and friends....'	It would provide greater clarity if footnote 5 was added to this sentence in the body of the information paper.
38	Chapter 2 Restricted ADIs	15	2.1.1. Requirement to launch products	'....adequate resources and capabilities....'	Refer point 18 and 19.



**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
39	Chapter 2 Restricted ADIs	16	2.1.1. Box 1 Launching Products	'Often those customers are staff, their family members or close associates of the entity.'	Refer to point 37.
40	Chapter 2 Restricted ADIs	17	2.1.1. Deposit Limit	'...will be subject to a deposit limit of \$2 million on the aggregate balance...'	Refer to point 36.
41	Chapter 2 Restricted ADIs	17	2.1.1. Disclosure and Marketing Para 1.	'APRA requires that Restricted ADIs take all reasonable steps to ensure that it is clear to all stakeholders, including customers and potential customers, that they are operating under a restricted licence and do not yet meet the ADI prudential framework'	Refer to point 31. Either provide example wording or stat that pre-approval is required prior to publishing any disclosure.
42	Chapter 2 Restricted ADIs	18	2.1.1. Disclosure and Marketing Para 4.	'All staff, representatives and employees of the Restricted ADI should be reasonably trained about the restrictions applicable to the Restricted ADI and the conditions under which it operates ...'	Suggest that APRA states here that it will require evidence of the design and operating effectiveness of a Training and Competency Policy.
43	Chapter 2 Restricted ADIs	18	2.1.1. Disclosure and Marketing Para 6.	'....wait-list of customers....'	This is hugely advantageous to an applicant and is fraught with risk. Should this state that the wait-list of customers is limited to the products being offered during the restricted phase as opposed to being a wait-list of pipeline unbuilt, untested products.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
44	Chapter 2 Restricted ADIs	20	2.1.4. Governance Requirements Para 1. Dot point 1.	'Instead of a majority of independent directors...'	Adopting strong governance principles from incorporation are the foundation of success. It is imperative that there a majority of independent directors, one of which is Chair, prior to being granted a restricted ADI. The composition of the board is critical when founders could assume the role of owner-controller, director and executive management and conflicts need to be managed when some of the earliest decisions are the most critical e.g., executive management, technology partners.
45	Chapter 2 Restricted ADIs	20	2.1.4. Governance Requirements Para 1. Dot point 1 b).	'one independent director to be eligible....'	Refer to point 44.
46	Chapter 2 Restricted ADIs	20	2.1.5. Exit Plan Requirements Para 1.	'Restricted ADI applicants must have a credible exit plan identifying the avenues it would take to cease its banking business and exit the banking industry.'	Refer to point 21 and 30.
47	Chapter 2 Restricted ADIs	20	2.1.6. APRA's supervisory approach to Restricted ADIs Para 2.	'APRA will use an entity's 'strategy to ADI' during the restricted phase to track the entity's progress towards meeting the prudential framework applicable to new ADIs.'	Refer to point 6 under General Feedback. It would be in APRA's interests to convey that applicants are expected to behave like an ADI prior to the granting of a restricted ADI licence and that Strategy to ADI should apply prior to restricted ADI phase.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
48	Chapter 2 Restricted ADIs	21	2.1.6. APRA’s supervisory approach to Restricted ADIs Reporting. Para 1.	‘This reporting standard will apply during the restricted phase. Subsequently, as an ADI, the standard range of ADI reporting standards will be applicable.’	Provide example of, or hyperlink to, ARF 199 as it will assist applicants to understand what data is required to be captured and will assist with technology selection and architecture
49	Chapter 2 Restricted ADIs	21	2.1.6. APRA’s supervisory approach to Restricted ADIs Reporting. Para 2.	‘A Restricted ADI will be required to report to APRA on a monthly basis....’	set expectations for how many days after month end that report needs to be submitted. it may also be worth introducing concept of Level 1, 2 and 3 reporting.
50	Chapter 2 Restricted ADIs	21	2.2.1. Progression to an ADI Licence. Para 1.	‘Once a Restricted ADI has developed its resources and capabilities....’	Refer to points 18, 19 and 38.
51	Chapter 2 Restricted ADIs	21	2.2.1. Progression to an ADI Licence. Para 2.	‘ADI’s business model...’	APRA would be well served by providing better context or guidance between the examples in business model that would vary the timing on licensing.
52	Chapter 3 New ADIs	23	3.1. Characteristics of new ADIs. Para 1.	‘Through this period of growth; in the business, in resourcing needs and in its risk management capabilities, the new ADI will face a period of	It is important that these are well understood and articulated in the business plan and on initial application even absent of a board approved Risk Management Framework and Risk Appetite Statement.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
				heightened uncertainty and risk ...'	
53	Chapter 3 New ADIs	23	3.1. Characteristics of new ADIs. Para 2. Dot point 5.	'A dynamic balance sheet which changes in size and composition very rapidly....'	This is an important point and it is not well understood that this may result in breach or non-compliance with prudential standards on product launch e.g. Large Exposures, so a good opportunity to communicate this.
54	Chapter 3 New ADIs	24	3.2.1. Capital Requirements Para 4.	'...BEAR accountabilities...'	It is probably worth flagging that BEAR accountability map and statement are dynamic as board composition changes and management team and their roles & responsibilities expands.
55	Chapter 3 New ADIs	29	3.2.1. Capital Requirements Excess capital over minimum requirements Para 2.	'...APRA expects that entities will seek to operate with capital well above their PCR level...'	It would be useful to provide guidance on what that buffer may be to assist with capital management planning.
56	Chapter 3 New ADIs	30	3.2.2. APRA's supervisory approach to new ADIs	'APRA's supervisory approach to new ADIs'	There is an opportunity to provide a brief explanation of the practical application of the supervisory approach.
57	Chapter 3 New ADIs	30	3.2.2. APRA's supervisory approach to new ADIs Para 2.	'A higher frequency of engagement ....'	Refer to points 2 and 3 under General Feedback. There are seemingly many applicants that have not been exposed to supervision from APRA and have little or no comprehension what the frequency of engagement may be. Any guidance would be beneficial.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
			Dot point 1.		
58	Chapter 3 New ADIs	30	3.2.2. APRA's supervisory approach to new ADIs Para 2. Dot point 2.	'More regular/frequent / repeated constructive challenge....'	Refer to point 57.
59	Chapter 3 New ADIs	30	3.2.2. APRA's supervisory approach to new ADIs Para 2. Dot point 2.	'...particularly where a new ADI proposes significant changes to its business strategy....'	It is not well understood that APRA expects consistency and continuity. it should be communicated that a change in strategy, board, management, partners may have a consequential delay in licensing timeframes.
60	Chapter 3 New ADIs	31	3.2.2. APRA's supervisory approach to new ADIs Para 2. Dot point 5.	'A more directive approach....'	I believe that this should occur from the outset for new applicants as a principles-based approach is better applied to an unrestricted ADI.
61	Chapter 3 New ADIs	31	3.2.2. APRA's supervisory approach to new ADIs Para 2. Dot point 6.	'Heightened scrutiny of the adequacy of the new ADI's risk control and compliance frameworks....'	If possible, it would be useful to provide an example of what heightened scrutiny may look like.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
62	Chapter 3 New ADIs	31	3.2.2. APRA's supervisory approach to new ADIs Para 2. Dot point 7.	'APRA may require a new ADI to commission an independent external review and....'	This should be mandatory with a pre-agreed scope as self-assessment is extremely subjective.
63	Chapter 3 New ADIs	31	3.2.3. Exit Plan Para 4.	'APRA's expectation for a new ADI is that its exit plan will include a return of deposits option, even if that is one of several options....'	Refer to points 21, 30 and 46.
64	Chapter 3 New ADIs	33	3.2.4. Deposit Restrictions Para 4.	'APRA will advise each applicant before the grant of a licence of any likely post-authorisation deposit restrictions.'	This needs to be communicated earlier as has implications for technology decisions, product specifications, customer acquisition strategy
65	Chapter 4 General requirements for all new entrants	34	4.1. When can an entity call itself a 'bank'?	'When can an entity call itself a 'bank'?'	It may be worth pointing out that an applicant is expected to have early engagement with ASIC on registration and licensing matters
66	Chapter 4 General requirements for all new entrants	34	4.1. When can an entity call itself a 'bank'? Para 5.	'...refer to Appendix B for more information on the specific disclosure requirements.'	Reference to Appendix B needs to be made earlier in the Information Paper as there are repeated references prior to this point.
67	Chapter 4	35	4.2. Structural Considerations	'ownership structure....'	Ownership Structure is fundamental to potential control issues and capital raising limitations. This deserves wider

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
	General requirements for all new entrants		Para 1. Dot point 2.		guidance from APRA and expectations / requirements outlined from FSSA given their delegation.  It is also important that applicants understand this as the share register will change demonstrably over the licensing pathway which could have implications for success of their application.
68	Chapter 4 General requirements for all new entrants	35	4.2.1. Complexity and opacity	'For each – capital, ownership and legal structure - an important consideration for APRA is complexity and opacity.'	I believe that these three issues are so fundamental to an applicant that this section should be brought forward
69	Chapter 4 General requirements for all new entrants	35	4.2.1. Complexity and opacity	'...complex or opaque arrangements....'	If possible, provide examples of complex or opaque arrangements as it can be both ambiguous and subjective.
70	Chapter 4 General requirements for all new entrants	35	4.2.2. Capital structure	'The prudential framework has detailed requirements that ensure this.'	One specific characteristic with the capital structure of new entrants is that on incorporation the founders typically own 100% of the issued capital albeit at a nominal value and there has been no material seed capital raising.  There is an APRA expectation that real capital will be injected so there needs to be more emphasis on setting expectations for ownership and capital structure.
71	Chapter 4 General requirements for all new entrants	36	4.2.3. Ownership structure	'The owners of an ADI can influence its strategy and play a key role in its access to additional capital support.'	The challenge for the new entrants is that the prudential governance requirements do not apply until a licence is granted. This is where APRA may 'recommend' that applicants behave like a bank as early as practicable to demonstrate their ability to comply on licence being granted.

**INFORMATION PAPER – ADIs: New entrants – a pathway to sustainability – FEEDBACK**

NO	SECTION	PAGE	REFERENCE	APRA WORDING	FEEDBACK
72	Chapter 4 General requirements for all new entrants	36	4.2.4. Legal Structure	'The legal structure of a group has important impacts on how the prudential and supervisory framework applies to entities and key activities within the group.'	Refer point 49.
73	Attachment A: Summary comparison of ADI requirements and expectations	38	Table 3 Asset product launch	'Needs to achieve a limited launch of an income-generating asset product during the Restricted ADI phase.'	Refer to points 16, 28 and 34.
74	Attachment B: Restricted ADI Prudential Framework	43	Table 4. Prudential Standards	APS 330 Public Disclosure	This should be applied in a modified form to provide transparency to the marketplace.