



6 December 2022

[REDACTED]  
General Manager, Policy  
Australian Prudential Regulation Authority

By email: [REDACTED]

Dear [REDACTED]

### **Strengthening crisis preparedness:**

#### **Draft guidance on financial contingency and resolution planning**

We welcome APRA's release 1 December 2022 of the final version of CPS 190 and the general exclusion of foreign ADI branches. This represents the further introduction of operational efficiencies without detriment to regulatory oversight and commend APRA's recognition of the need for cooperative cross border regulatory oversight. This reflects the views we expressed in our April 2022 submission relating to the Standards 190 and 900.

#### ***Cross-border regulatory oversight harmony***

AFMA's foreign ADI branch members continue to want to emphasise the importance of avoidance of regulatory duplication based on the principle that reliance on the home jurisdictions regulation provides equivalent coverage. This is consistent with APRA's statements, particularly the *August 2021 Overseas Banks: Operating in Australia guidelines*, where it points out APRA needs to be satisfied that the overseas bank's home supervisor adopts a regulatory regime consistent with the Core Principles of Banking Supervision set out by the Basel Committee on Banking Supervision (BCBS).

This approach to equivalence brings clear benefits by avoiding duplicated effort and confusion in having to meet two sets of standards without detriment to regulatory outcomes. We commend APRA for adopting this approach as applicable to CPS 190 and CPS 900 and we further encourage APRA to apply this principle generally to other prudential standards in respect of foreign bank branches.

#### ***CPG 900 resolution planning***

While the underlying Standard does not apply to non-SFIs that do not have critical functions, we ask that APRA give consideration to removing the residual element of contingency by fully excluding foreign ADI branches from this standard, as it has now for

CPS 190, given that the branch is subject its parent's home jurisdiction resolution arrangements if action is warranted.

### ***Timing***

As a general comment for all entities subject to these and other Standards, we also emphasise the importance of ensuring adequate lead time is provided in order that reporting entities may appropriately design, document and test internal operational protocols, which can be a lengthy process. As with implementation of these and other Standards, AFMA suggests that a minimum two-year preparation and implementation period be allowed following the release of any final standard.

We note also that, while APRA retains the discretion to apply these Standards to foreign ADI branches, the requirements pertaining to such application will not need to be met until APRA advises a particular entity that the Standards now apply to it, and that APRA intends to engage with entities well before the Standards apply. AFMA suggests that, to provide further assurance to foreign ADI branches, a minimum two-year preparation and implementation period be allowed should APRA exercise this discretion.

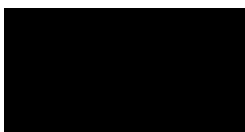
### **Concluding remarks**

We appreciate the helpful clarifications provided in the guidance (and now in the final CPS 190) for foreign banks which have a branch operation in Australia.

AFMA recommends that APRA give its consideration to extending the exemption of foreign ADI branches from other prudential standards when it is satisfied that the overseas bank's home supervisor adopts a regulatory regime consistent with the Core Principles of Banking Supervision set out by the BCBS.

We thank you for considering this recommendation.

Yours sincerely



Director Policy and Markets