

6.12.2022

General Manager, Policy
Policy and Advice
Australian Prudential Regulatory Authority

By email: [REDACTED]

Dear APRA Policy and Advice Team,

Draft CPG 190 Financial Contingency Planning
Draft CPG 900 Resolution Planning

Thank you for the opportunity to provide feedback on Draft CPG 190 Financial Contingency Planning and Draft CPG 900 Resolution Planning (Guidance). Medibank Private Limited (Medibank) has reviewed the draft Guidance and wishes to provide the following feedback.

Medibank previously provided commentary on draft versions of CPS 190 and CPS 900 (see Medibank's letter to APRA dated 26 April 2022). The feedback set out below contains some additional feedback on specific paragraphs from CPS 190 and CPS 900 in light of the references to those documents made within the Guidance.

Feedback on New Integrated Format

Medibank considers the new format of the integrated Guidance, in which sections of the Standard are included in the body of the Guidance, to be an improvement on the previous format as it provides a central point of reference and is easier to apply.

Guidance related to specific paragraphs provides clearer linkage between the Standards and the Guidance which could assist APRA-regulated entities to understand the Standards' requirements.

Feedback on Draft CPG 190 Financial Contingency Planning

- **Paragraph 20** - The majority of requirements relate to Significant Financial Institution's whereas Medibank's position is that some of the requirements could apply to all licencees – e.g., paragraph 20 (a) to (d) and paragraph 21 could be considered fundamental components of a recovery plan and applicable to all licencees.
- **Paragraph 22** – Medibank considers that ultimate accountability for including particular recovery actions in the recovery plan rests with its Board – and that the proposal to allow APRA to enforce the inclusion of specific actions in an entity's recovery plan may dilute Board accountability.
- **Page 7** – The draft document states "...For ADIs and insurers, there are important linkages to the Internal Capital Adequacy Assessment Process (ICAAP), contingency funding plans and risk appetite." It

would be helpful for APRA to provide more prescriptive commentary on how the ICAAP process could be linked to an entity's recovery plan.

Feedback on Draft CPG 900 Resolution Planning

- **Page 6** – The draft document states “Entities would only be subject to the requirements of CPS 900 when informed by APRA that it is commencing resolution planning.” It would be helpful for APRA to provide greater clarity about how APRA would make decisions to commence resolution planning and communicate such decisions (including associated timeframes) to entities.
- **Page 7, Table 1, “Stages of resolution planning”** – It would be helpful for APRA to provide further guidance on whether the “Determination of the Resolution Plan” is to be a consultative process with management, or based on APRA's independent view.
- **Paragraph 14** – The draft document states “APRA may determine a resolution plan for an APRA-regulated entity or a cohort of APRA-regulated entities, setting out the steps APRA would take to protect beneficiaries and maintain financial system stability in the event of entity non-viability. This may include resolution options such as a solvent wind-down, transfer, or recapitalisation of the entity or entities.” It would be helpful for APRA to provide further information on how this may be enacted for an ASX-listed company – including how it may relate to actions a Board may take and communicate.
- **Paragraph 15** – The draft document states “An APRA-regulated entity must support APRA in the development and implementation of a resolution plan.” It would be helpful to provide further guidance on how an entity would be expected to practically support APRA for the purposes of this paragraph.
- **Page 9, Table 3, “Potential resolution options”** Medibank believes it would be helpful to include additional Potential Resolution options – in particular, for option one (for larger organisations) for recapitalisation to be included as a desired outcome for entities that do not have hybrid capital.
- **Paragraph 17** – the draft document states “The Board of an APRA-regulated entity is ultimately responsible for ensuring the entity is resolvable. The Board must ensure that there are clear roles and responsibilities at a senior executive level for the purpose of meeting the requirements in this Prudential Standard.” Medibank considers it is possible that divergent views may arise between a Board and APRA regarding whether an entity is resolvable. With this scenario in mind, it may be helpful for the document to include greater clarity about how cases of divergence would be resolved – and when and by whom decisions about resolution outcomes would be made.
- **Paragraph 19** – The draft document states “APRA may require an APRA-regulated entity to conduct a resolvability assessment.” It would be beneficial to include further guidance on what circumstances might trigger a resolvability assessment.
- **Paragraph 22** – The draft document states “APRA may require an APRA-regulated entity to develop and implement a pre-positioning plan to remove barriers to the execution of resolution options and mitigate execution risks.” It would be beneficial to include further information about how this links to the recovery plan (CPG190/900) to ensure alignment – e.g., is the prepositioning plan triggered when a recovery plan is deemed to have not been effective?
- **Paragraph 25** – The draft document states “An APRA-regulated entity must develop and maintain the capabilities required to execute a resolution plan. This includes but is not limited to: a) crisis governance arrangements; b) operational capabilities; c) data and systems; and d) a post-crisis stabilisation plan.” It would be beneficial to include further guidance on what a post-crisis stabilisation plan involves and how it links with the recovery plan – e.g., does it use similar strategies and options as the recovery plan?
- **Paragraph 27** – The draft document states “An APRA-regulated entity must maintain the financial resources required to operationally execute resolution actions.” To accommodate the scenario of an entity going into resolution and being no longer viable, it would be beneficial to include further guidance on how the entity should consider impact on capital to execute resolution actions.

- **Paragraph 28** - Given the new capital framework will provide for additional capital types to be considered (e.g., Tier 2 debt), it would be beneficial to include further guidance on whether those other types of capital could be considered as part of loss-absorbing capacity for insurers.

General Comments

- Medibank considers that the CPG 900 could make clear whether there is a restriction on disclosures regarding resolution planning and how this aligns with disclosure requirements for ASX organisations.

Yours sincerely



Chief Risk Officer, Medibank Private Limited