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**By email:** [PolicyDevelopment@apra.gov.au](mailto:PolicyDevelopment@apra.gov.au)

Dear [REDACTED]

Google Cloud welcomes the opportunity to provide a submission on the draft Prudential Standard CPS230.

Google Cloud is supportive of the approach being developed and will continue to engage with policymakers and the financial institutions whom we serve to ensure they can achieve the desired outcomes. We understand the myriad complexities of technologies used in financial services, and the journey ahead for cloud service providers to supply the products and services that financial institutions need, whilst addressing the requirements for operational resilience. We further applaud the effort to streamline regulations for financial services and to create harmonisation and reduce duplication amongst prudential standards.

We are committed to ensuring that Google Cloud solutions for financial services are designed to address these requirements in a manner that best positions the financial sector in all aspects of operational resilience. Furthermore, we recognise that this is not simply about making Google Cloud resilient: the sector needs autonomy, sovereignty and survivability.

We share our feedback below on a few specific issues with the objective of working with the financial sector on how to translate policy objectives into guidelines that can be reliably implemented by all relevant stakeholders.

**An explicit definition of operational risk incidents will lead to greater clarity on reporting requirements**

The reporting of operational risk incidents is of paramount importance. However, if certain operational risk incidents need to be reported, there needs to be a clear definition of what constitutes an operational risk incident. The term is not defined in the current draft which could lead to differing approaches amongst regulated entities. We recommend creating a

definition coupled with examples of operational risk incidents, leading to consistent reporting amongst regulated-entities.

**Tolerance levels set by APRA for a critical operation should be set so that they are commensurate with the criticality of the operation**

We suggest that any tolerance levels set by APRA as outlined in paragraph 38 be set so that they are aligned with the criticality of the operation. Further, we suggest APRA consult the APRA-regulated entity prior to requiring the APRA-regulated entity to change its tolerance levels, to ensure all parties are clear on the impact of the proposed changes. This will allow for a shared and accepted understanding of tolerance between APRA and the regulated entity.

**Not all required information will be available to an entity at the time of notification**

Given the nature of business continuity events, not all the required information may be available (or fully available) within the 24-hour time period. In particular, APRA-regulated entities will find it challenging to accurately predict the full impact on their business operations or the timeframe for returning to normal operations in just 24 hours. This could lead to incorrect reporting, which can be more harmful than helpful, especially if APRA is going to use the reported information to assess and respond to the potential broader impact on the financial system. Inaccurate information may erode quality decision-making.

Given this, we suggest caveating the notification requirement to state the notification must provide the required information to the extent possible at the time of notification.

**We recognise that third- and fourth-party risk is a significant component of a regulated entity's overall operational resilience posture**

Financial institutions will seek to ensure that their critical third parties can provide equal, if not better, operational resilience. As a cloud service provider, we provide transparency to financial institutions through various mechanisms including on-site audits and compliance certifications such that they can build the necessary assurance.

But we also recognise that from a financial institution's perspective, achieving its desired operational resilience may include solving for situations where its third parties are unable, for any reason, to provide the services contracted. Google Cloud believes in an open cloud that supports multi-cloud and hybrid cloud approaches, which if implemented through the use of open-source based technologies, can provide financial institutions with the levels of portability, substitutability and survivability required to fit their operational resilience risk appetite.

The breadth of the current definition for fourth party providers may lead to a disproportionate burden on regulated entities. Relating to the requirement for a

comprehensive service provider management policy in paragraph 47(d), we recommend specifying that the requirement applies to the entity's approach to managing the risks associated with any material fourth parties that material service providers rely on. This will be more consistent with similar provisions in the draft (e.g. paragraph 53(d) on sub-contracting), which focus on material fourth parties, as opposed to any fourth parties regardless of how immaterial their contribution. We suggest this definition also be used to provide clarity in paragraph 52(b).

**APRA should take a principled approach when requiring APRA-regulated entities to classify service providers as material, which should include consultation with regulated entities**

We believe that paragraph 51 should be clarified to note that APRA should take into account the definition of material service providers in paragraph 48 when requiring APRA-regulated entities to classify service providers as material. Further, we suggest amending CPS230 so that APRA first consult with the regulated entity before classifying a service provider as material, to ensure there is common understanding between the financial institution and APRA.

**Assessing the 'systemic importance' of a provider is difficult and may lead to inconsistencies between financial institutions**

Assuming "systemically important" refers to the provider's importance to Australia's financial system, it is not possible for a single financial institution to assess the systemic importance of the provider in a meaningful way on its own. Such an assessment is best done by the relevant authorities in collaboration with the financial sector, as the authorities would have oversight of the sector (and potentially the broader ecosystem), whereas the individual financial institution is unlikely to have visibility of providers used by other financial institutions. We therefore recommend removing this requirement. In the event this is not removed, we recommend a clearer definition of "systemically important" and examples of "reasonable steps" that financial institutions are expected to take. In implementing this requirement, we also suggest that APRA provide financial institutions with relevant information to facilitate this assessment.

**The proposed offshoring requirements may create uncertainty for financial institutions**

The draft requirement requires a financial institution to notify APRA prior to entering into any offshoring agreement with a material service provider, or when there is a significant change proposed to the agreement. This may create uncertainty on whether this is simply a notification or a formal submission process. Without greater clarity, the entity may hesitate proceeding with the agreement.

We suggest amending paragraph 58(b) to specify that the APRA-regulated entity must report in 'not fewer than 20 business days' prior to entering into any offshoring agreement with a material service provider or making a significant change to the agreement, including in circumstances where data or personnel relevant to the service being provided will be located offshore. Further we recommend that the APRA-regulated entity shall proceed with the agreement only if it does not receive a letter of objection from APRA within the said period.

We have proposed the above amendments to the draft Prudential Standard CPS230 with the aim of providing greater certainty and at the same time ensuring that APRA retains its right to exercise its supervisory authority.

We welcome the opportunity to discuss our experience and to engage with APRA as it considers the development of CPS230.

Yours sincerely

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Government Affairs and Public Policy