



# Conditions on banking authority 2024 – Challenger Bank Limited

## *Banking Act 1959*

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To: Challenger Bank Limited ABN 54 087 651 750 (the ADI)

SINCE the ADI holds a section 9 authority under the *Banking Act 1959* (the Act) to carry on banking business in Australia (the authority) that is subject to conditions, as specified in the schedule (the existing conditions),

I, Renée Roberts, a delegate of APRA, under paragraph 9AA(1)(b) of the Act, VARY the conditions on the authority by replacing the existing conditions with the conditions specified in the schedule (the varied conditions).

This instrument commences on the day it is made.

Dated: 29 April 2024

Renée Roberts  
Executive Director  
Banking Division

### **Interpretation**

In this instrument:

**APRA** means the Australian Prudential Regulation Authority.

**ADI, banking business** and **section 9 authority** have their respective meanings given in subsection 5(1) of the Act.

### **Notes**

APRA is required to publish this instrument in the *Gazette*.

A decision to impose conditions or additional conditions, or vary the conditions, on a section 9 authority is a decision to which Part VI of the Act applies. You may request APRA reconsider the decision in accordance with subsection 51B(1) of the Act. The request for reconsideration must be made in writing, must state the reasons for the request, and must be given to APRA within 21 days after the day on which you first received notice of this decision, or within such further period as APRA allows. If you are dissatisfied with the outcome of APRA's reconsideration of the decision, you may, subject to the *Administrative Appeals Tribunal Act 1975*, apply to the Administrative Appeals Tribunal for review of the reconsidered decision. The address where written notice may be given to APRA is Level 12, 1 Martin Place, Sydney NSW 2000.

## Schedule – the existing conditions

1. The ADI must consult with APRA prior to commencing any new line of business (on- or off-balance sheet).
2. The Board of the ADI must have at least:
  - (a) one independent director who is not also a director of any other company in the Challenger group; and
  - (b) one other director who is not also a director of any other company in the Challenger group.
3. From 1 March 2022, the Board Risk Committee and the Board Audit Committee of the ADI must each have at least one independent director who is not also a director of any other company in the Challenger group.
4. The ADI must maintain a first line credit underwriting function located within the ADI at all times.
5. From 1 November 2021, the ADI must maintain a second line credit risk function located within the ADI at all times.
6. The funds and other assets of the ADI and its subsidiaries must not be used to directly or indirectly fund, or provide security for, the purchase of financial products issued or underwritten by a member of the Challenger group that is not a subsidiary of the ADI except with the written agreement of APRA.
7. The ADI may outsource its treasury management functions to CIP Asset Management (part of Challenger Limited) only to the extent that the functions are already outsourced as at the commencement of this instrument and provided that the value of the total assets of the ADI does not exceed \$1 billion.

### Interpretation

In this schedule:

**Challenger group** means Challenger Limited ABN 85 106 842 371 and its subsidiaries (within the meaning of section 50 of the *Corporations Act 2001*)

**total assets** means the total assets worked out in accordance with the method for calculating total assets under *Reporting Standard ARS 320.0* as in force from time to time and, if *Reporting Standard ARS 320.0* is replaced by a different Reporting Standard, that Reporting Standard as in force from time to time

## Schedule – the varied conditions

1. The ADI must consult with APRA prior to commencing any new line of business (on- or off-balance sheet).
2. The Board of the ADI must have at least two independent directors who are not also directors of any other company in the Heartland Group.
3. The Board Risk Committee and the Board Audit Committee of the ADI must each have at least one independent director who is not also a director of any other company in the Heartland Group.
4. The funds and other assets of the ADI and its subsidiaries must not be used to directly or indirectly fund, or provide security for, the purchase of financial products issued or underwritten by a member of the Heartland Group that is not a subsidiary of the ADI except with the prior written agreement of APRA.
5. The ADI must not accept funds and other assets of a member of the Heartland Group to directly or indirectly fund, or provide security for, the purchase of financial products issued or underwritten by the ADI and its subsidiaries except with the prior written agreement of APRA.
6. Except for the outsourcing agreements in Section 4 of the Operational Plan submitted to APRA in December 2023:
  - (a) until 30 June 2025, the ADI or subsidiaries of the ADI must seek APRA's approval prior to entering into an outsourcing agreement or offshoring arrangement involving material business activities with a member of the Heartland Group or a related body corporate. 'Material business activities' has the meaning contained in *Prudential Standard CPS 231 Outsourcing*; and
  - (b) from 1 July 2025, the ADI or subsidiaries of the ADI must seek APRA's approval prior to entering into an outsourcing agreement or offshoring arrangement involving critical operations with a member of the Heartland Group or a related body corporate. 'Critical operations' has the meaning contained in *Prudential Standard CPS 230 Operational Risk Management*.
7. The Board of the ADI must take reasonable steps to ensure that Australian banking business and other Australian financial activities of the Heartland Group must be conducted within the ADI or subsidiaries of the ADI and, where controlled, consolidated at Level 2.

### Interpretation

In this schedule:

**Heartland Group** means Heartland Group Holdings Limited (New Zealand company number 6937955) and its subsidiaries (within the meaning of section 50 of the *Corporations Act 2001*)

**Level 2** has the meaning given in *Prudential Standard APS 001 Definitions*.

**related body corporate** means a related body corporate within the meaning given in section 50 of the *Corporations Act 2001*.

Unless the contrary intention appears, a reference in this schedule to an Act or Prudential Standard is a reference to the Act or Prudential Standard as in force from time to time.