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General Manager, Policy
Policy and Advice Division
Australian Prudential Regulation Authority
Via email: policydevelopment@apra.gov.au

20 February 2026

Dear Sir/Madam,

Re: Consultation submission - A more proportionate banking prudential framework

RegCentric is pleased to provide feedback on APRA's consultation on formalising a more proportionate banking prudential framework. In general, RegCentric agrees with the intent of the proposals as the enhanced tiering will more appropriately recognise the risks different ADIs pose to the Australian financial system, and limit the burden on some ADIs that are less able to absorb the costs and complexity of regulatory compliance and change.

RegCentric is an Australian regulatory technology company providing APRA prudential reporting solutions through our Reg360 platform, serving ADIs, insurers, and superannuation funds. Our combination of purpose-built software and deep consulting expertise in regulatory reporting gives us direct insight into how compliance requirements are absorbed across institutions of different sizes – and what proportionate regulation looks like in practice.

RegCentric would like to provide specific feedback on the following items of the proposed amendments:

1. Enhancing tiering

Introduce a new tier i.e. MSFI - for the largest ADIs with assets greater than \$300 billion:

RegCentric supports the creation of the new MSFI tier and the threshold proposed. The ADIs captured by this tier have a complexity of business model far greater than the largest institution in the proposed second tier. They pose the largest risk to the Australian banking system due to this complexity and size of operations, and so it is appropriate that the most stringent regulatory obligations apply to this cohort.

Raise the asset threshold of the existing SFI tier (\$20 billion to \$30 billion) to keep it fit-for-purpose:

RegCentric supports the proposal to raise the SFI threshold, but suggests that a higher threshold of \$50 billion may better serve the intent of the reform.

ADIs currently sitting between \$20 billion and \$30 billion are already SFI-compliant, having invested in the governance, risk management frameworks and reporting infrastructure the regime requires. In practice, reclassifying this cohort as non-SFIs is unlikely to deliver substantive relief. At prevailing system growth rates, many would also breach a \$30 billion threshold within a relatively short period, creating a

reclassification cycle that imposes compliance and systems costs without delivering the sustained relief proportionality is intended to provide.

A \$50 billion threshold would create a more meaningful non-SFI cohort with genuine runway before approaching the SFI trigger, reduce the frequency of reclassification over the intended life of the framework, and better reflect the CFR Review's intent to support competition and sustainability in the mid-tier. RegCentric notes that APRA's proposed discretion to classify an ADI as an SFI based on complexity or interconnectedness, regardless of asset size, provides an appropriate safeguard.

RegCentric also notes that APRA is working with Treasury on a possible fourth tier for the smallest ADIs. We invite APRA to consider whether it would be preferable to defer the changes proposed in this paper until the fourth-tier design is further advanced. Implementing the three-tier framework and then shortly after introducing a fourth tier could create confusion and uncertainty across the industry, particularly for smaller ADIs managing already constrained compliance resources.

2. Providing more time

More time for non-SFIs to comply with new or revised requirements:

RegCentric supports the proposal to allow non-SFIs more time to implement new or revised requirements. We observed during the new Pillar 3 disclosure implementation process that several existing smaller SFIs found it particularly helpful to refer to the Pillar 3 documents of larger banks that were required to release the annual or semi-annual disclosures earlier than the smaller ADIs, which generally have 30 June balance dates. A longer time-frame to implement future changes will allow smaller ADIs to reference larger ADIs and should lead to higher quality reporting/disclosures by the smaller institutions, and soften some regulatory burden.

A transitional period of at least 12 months as ADIs move to a higher tier:

RegCentric supports a minimum 12-month transition period for ADIs crossing a threshold, and agrees that APRA should retain discretion to vary timeframes on a case-by-case basis.

3. Embedding into APRA's policy development protocol

APRA will explore opportunities to more explicitly differentiate prudential requirements by tiers:

RegCentric supports APRA's proposal to update its policy development protocol to ensure that each time a new standard is created, or an existing standard is revised, APRA will look for opportunities to more explicitly differentiate prudential requirements across the proposed three tiers. We agree that this approach will ensure prudential requirements and implementation arrangements for each tier is commensurate with each respective ADI's risk profile, business complexity, and impact on the Australian financial system. It will also make it easier for each ADI to understand their specific obligations under each change, and to assess the magnitude of the change to their respective organisations.

In addition to this, and to further reduce complexity in the compliance landscape, RegCentric recommends APRA consider implementing a program to extend the compliance and reporting requirements of the three-tier structure across all regulatory obligations, to provide consistency of approach. Currently, thresholds across different

regulatory domains are inconsistent and do not map cleanly to the proposed tiers, creating unnecessary complexity for ADIs trying to determine their obligations. For example:

- Reporting thresholds for EFS returns vary significantly, with some Category B returns applying to ADIs with assets as low as \$200 million (ARS720_0B), which is not consistent with the proposed tiering logic.
- In Financial Resilience and Risk Management, the distinction between ADIs required to apply more sophisticated techniques is not consistently aligned with the proposed framework. In some cases there is no asset-based threshold at all, with APRA determining applicability directly – for example, the distinction between MLH and LCR treatment under APS210 Liquidity.
- Operational Risk reporting currently uses an SFI/non-SFI distinction. RegCentric recommends APRA consider updating APS 115 as a consequential amendment if the new SFI threshold is adopted.
- APS 117 contains three levels of compliance (non-SFI, SFI without internal model approval, SFI with internal model approval). RegCentric recommends the Application wording be updated as a consequential amendment to reference non-SFI, SFI and MSFI respectively, for clarity and consistency.

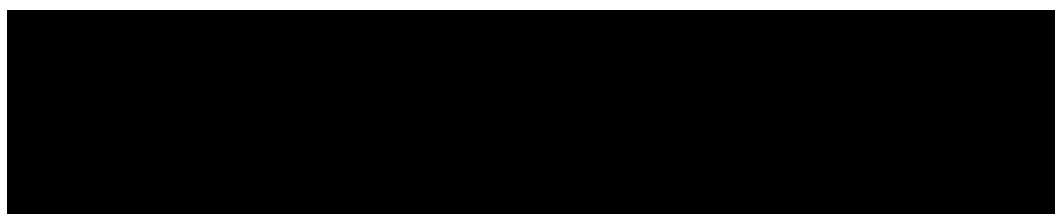
We believe that stating applicability requirements for all standards in the language of MSFI, SFI and non-SFI across the full spectrum of regulatory obligations would make it easier for individual institutions to determine which standards apply to them.

RegCentric welcomes APRA's commitment to a more proportionate banking prudential framework and supports the direction of the proposals. Our key recommendations are:

- That APRA consider a \$50 billion SFI threshold to deliver more meaningful and durable proportionality for the mid-tier;
- That APRA consider aligning the implementation of the three-tier framework with the development of the fourth tier to avoid successive rounds of structural change for the industry;
- That APRA undertake a broader program to align existing reporting and compliance thresholds across the regulatory framework with the new tiering structure, including consequential amendments to APS 115 and APS 117.

RegCentric would welcome the opportunity to discuss any of the above further and is happy to participate in any working groups or follow-up consultation APRA may convene.

Yours Faithfully



Founder | CEO

Principal Consultant



Sydney | Melbourne | Brisbane