



3 November 2016

To all RSE licensees

Governance arrangements for RSE licensees: Update

Prudential Standard SPS 510 Governance (SPS 510) and *Prudential Practice Guide SPG 510 Governance* (SPG 510) were introduced over three years ago, as part of APRA's package of new prudential standards and prudential practice guides (PPGs) applying to RSE licensees.

APRA has recently reviewed SPS 510 and SPG 510 and is now releasing final versions of both the prudential standard and PPG, reflecting changes to support better governance practices by RSE licensees. These changes were the subject of consultation in 2015 and submissions received at the time were largely supportive.

The changes to SPS 510 and SPG 510 include requiring RSE licensees to have in place a governance framework which sets out policies and procedures to support effective governance practices. Revised SPS 510 also requires RSE licensees to have in place policies on appointing, nominating and removing directors, director tenure and board size.¹

APRA remains firmly committed to enhancing governance practices across the superannuation industry, and these refinements to the prudential framework for superannuation support that objective. The revised SPS 510 (attached to this letter), including the new requirements, commences on 1 July 2017.

A minor change has been made to SPS 510 in response to industry feedback, clarifying that the RSE licensee's governance framework must, in addition to specifying the maximum period of tenure for individual directors, also define the director terms in office. Further, APRA expects that RSE licensees will assess each director's tenure with reference to the date of their original appointment to the board, rather than when the new requirements formally take effect on 1 July 2017.

SPG 510 clarifies APRA's expectations regarding governance practices, including the new requirements set out in SPS 510. Specifically, SPG 510 now includes further guidance on better practices in relation to board renewal and processes relating to the nomination, appointment and removal of directors.

Please contact your APRA responsible supervisor if you require further information.

Yours sincerely

Helen Rowell
Deputy Chairman

¹ For further information about APRA's requirements and response to consultation refer to <http://www.apra.gov.au/Super/Pages/Governance-arrangements-August-2015.aspx>