



**WAYNE BYRES**

Chairman

## **TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS, LIFE INSURANCE COMPANIES AND GENERAL INSURERS**

### **FINANCIAL SECTOR (SHAREHOLDINGS) RULES 2019**

The *Treasury Laws Amendment (Financial Sector Regulation) Act 2018* (the amending Act) amended the *Financial Sector (Shareholdings) Act 1998* (FSSA) from 1 April 2019 to introduce a streamlined approval path for applications to hold a stake of more than 20 per cent in a new or recently established domestically-incorporated financial sector company with assets below the relevant threshold<sup>1</sup>.

Under the streamlined approval path, applicants are not assessed against the current national interest framework. Instead, FSSA approval will be granted if the applicants are 'fit and proper'. Approvals granted under the streamlined path require the holder of the approval to provide relevant information to APRA annually.

#### **Who is eligible for the streamlined approval path?**

The eligibility criteria for the streamlined approval path are set out in section 14A of the FSSA. In brief, the streamlined approval path is available for applications to hold a stake in a company:

- (1) that has:
  - (a) applied to be licensed by APRA as an authorised deposit-taking institution (ADI), general insurer or life company, but whose application has not yet been decided; or
  - (b) been licensed by APRA as an ADI, general insurer or life company for less than five years; and
- (2) whose total resident assets are less than:
  - (a) \$200 million, for an ADI or life company; or
  - (b) \$50 million, for a general insurer.

Applications to hold a stake in a holding company of a company to which the above applies may also be made under the streamlined approval path.

Paragraph 45A(1)(a) of the FSSA as amended provided APRA with the power to make rules by legislative instrument prescribing matters required or permitted by the FSSA. To this end,

<sup>1</sup> Where 'financial sector company' means:

- (a) an authorised deposit-taking institution as defined in the *Banking Act 1959*; or
- (b) a company authorised under the *Insurance Act 1973* to carry on insurance business; or
- (c) a company registered under section 21 of the *Life Insurance Act 1995*; or
- (d) a holding company of a company covered by paragraph (a),(b) or (c).

APRA released for consultation the draft *Financial Sector (Shareholdings) Rules 2019* (FSSA Rules) prescribing:

- matters that must be considered in determining whether a person is fit and proper for the purposes of the FSSA (subsection 14A(2) of the FSSA);
- the meaning of ‘total resident assets’ used to determine whether a financial sector company’s assets are less than the relevant assets threshold (subsection 14A(5) of the FSSA); and
- the information to be provided to APRA annually, as a condition of approval (paragraph 16A(5)(b) of the FSSA).

APRA sought submissions on the proposed rules. The [consultation](#) was open from 26 March to 27 May 2019. APRA received one submission in response to the consultation that proposed amendments be made to the FSSA or, in the alternative, that approvals or exemptions be granted, in relation to an ADI which is also a charity registered with the Australian Charities and Not-for-Profits Commission. This proposal falls outside of the power given to APRA to make rules under the FSSA; and APRA notes that any changes to the FSSA to amend its application are a matter for Government.

The final rules are as consulted on (apart from minor wording changes) and are available on APRA’s website here: <https://www.apra.gov.au/financial-sector-shareholdings-rules-2019>

Yours sincerely,

Wayne Byres  
APRA Chairman