WealthVantage Partners

APRAs Enhanced Governance Proposals.

Our Feedback

By: [redacted] Principal Consultant

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Executive Summary

This submission provides comprehensive feedback on APRA's eight enhanced governance proposals, offering both strong support for the reform direction and specific recommendations to strengthen implementation effectiveness for Australia's financial services sector.

Key Position and Recommendations

We strongly endorse APRA's modernisation of governance standards, particularly the focus on practical implementation, accountability, and proportionality across entity types[1]. However, we recommend five critical enhancements to maximise regulatory impact:

Priority 1: **Enhanced Skills Validation** - Mandate annual independent validation of board skills and capabilities for all entities, not just SFIs, to prevent "tick-box" compliance and ensure ongoing competency alignment with emerging risks.

Priority 2: **FAR Integration** - Streamline the overlap between APRA's fit and proper requirements and the Financial Accountability Regime by requiring entities to integrate FAR accountability mapping into their governance processes.

Priority 3: **Cross-Industry Conflict Standards** - Implement a unified conflicts management framework across all APRA-regulated sectors with mandatory public disclosure and annual independent reviews for SFIs.

Priority 4: **Strengthened Independence** - Require at least two independent directors (including the chair) to have no other group board roles, with expanded independence criteria covering all material security holdings.

Priority 5: **Comprehensive Performance Reviews** - Mandate triennial independent board performance reviews for SFIs, with the chair accountable for implementing recommendations and driving cultural change.

Breaking the Board Room Echo Chamber

Beyond APRA's proposals, we recommend five additional mechanisms to address systemic governance insularity:

- 12-month cooling-off period before directors can move between APRA-regulated entities in the same sector.
- Two-board maximum for concurrent APRA-regulated directorships.
- Cross-sector diversity quota requiring at least one director from outside financial services.
- Annual network mapping of director relationships and affiliations.
- Outsider index targeting 20-30% of directors with less than five years of sector experience.

Implementation Priorities

Immediate Actions Required: Entities should begin skills matrix updates, succession planning reviews, and conflict management framework assessments to prepare for the 2028 implementation timeline.

Transitional Support Needed: APRA should provide detailed guidance and resources for managing director transitions, particularly where significant board turnover is anticipated due to tenure limits and independence requirements.

Proportionality Framework: The tiered approach appropriately balances rigorous oversight for SFIs with practical flexibility for smaller entities, though additional support may be needed for mutuals and cooperatives.

Expected Impact

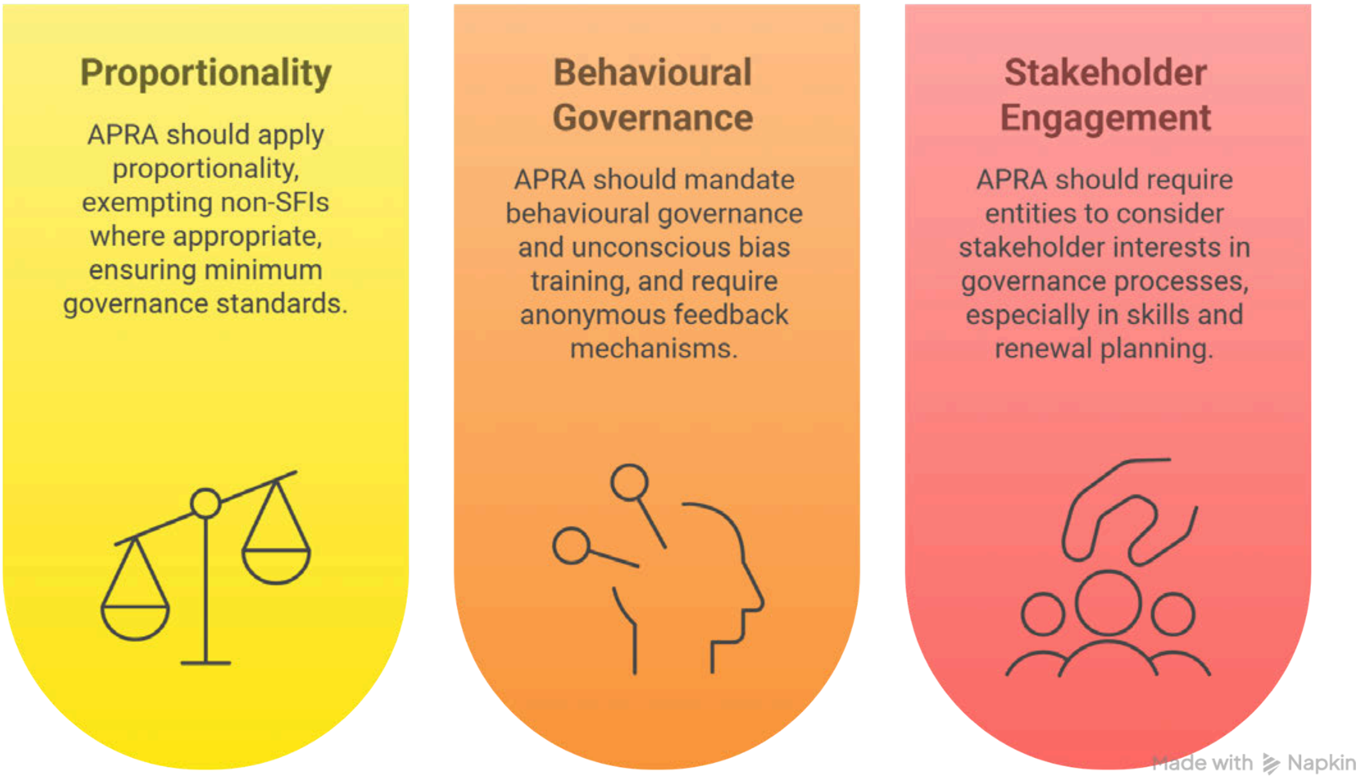
These reforms address critical governance weaknesses identified in nearly 80% of entities under APRA's heightened supervision[2]. The comprehensive approach will strengthen risk management, reduce misconduct potential, and enhance stakeholder protection across Australia's $9.1 trillion in APRA-regulated assets.

Cost-Benefit Assessment: While implementation costs will primarily impact smaller entities with weaker existing governance practices, the long-term benefits of enhanced risk oversight and reduced regulatory intervention significantly outweigh transitional expenses.

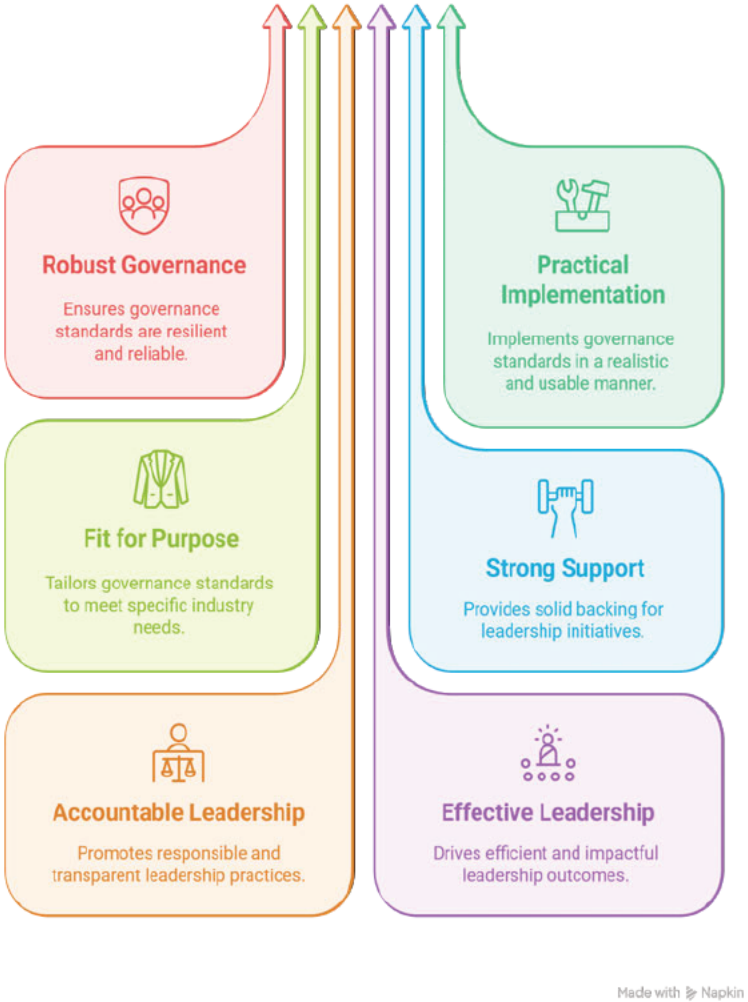
International Alignment: The proposals align with global best practices while maintaining Australia's proportionate regulatory approach, positioning our financial system competitively.

This submission represents the perspective of experienced industry practitioners committed to elevating governance standards while ensuring practical implementation that serves the interests of all stakeholders in Australia's financial services ecosystem.

Overarching Recommendations



These recommendations are designed to ensure APRA's updated governance standards are:



These six design characteristics make an excellent foundation for standard design because they collectively address the essential pillars of effective governance and leadership.

Robust Governance, the key to standards that can withstand external pressures and remain dependable, building trust among stakeholders. By being "**Fit for Purpose**", standards are tailored to the unique context and needs of different aspects of industries, increasing their relevance and adoption. **"Accountable Leadership"** establishes clear responsibility and transparency, which are critical for maintaining integrity and driving continual improvement. On a practical level, **"Practical Implementation"** grounds these standards in reality, ensuring they are not just aspirational but also actionable and sustainable. **"Strong Support"** equips leaders and organisations with the necessary resources and backing to champion change, while **"Effective Leadership"** channels these efforts into meaningful, measurable outcomes.

Together, these characteristics create standards that are not only **resilient and credible** but also **adaptable, actionable, and capable** of delivering lasting impact across diverse settings.

Detailed Submission Recommendations

1. Skills and Capabilities

Recommendation:

APRA should require not only the identification and documentation of required board and director skills, but also mandate regular, independent validation of these skills and capabilities for all regulated entities, not just significant financial institutions (SFIs).

This validation should include both technical and behavioural competencies and be benchmarked against contemporary industry standards. Entities should be required to maintain a forward-looking skills matrix that is updated annually and used to guide board appointments, succession planning, and professional development.

Rationale:

This approach ensures that skills assessments are robust and not reduced to a "tick-the-box" exercise. It also addresses the risk of skills gaps persisting due to over-reliance on self-assessment or outdated criteria, and supports APRA's objective of boards being equipped to manage emerging risks and strategic challenges.

2. Fitness and Propriety

Recommendation: APRA should clarify and streamline the overlap between its fit and proper requirements and the Financial Accountability Regime (FAR). Entities should be required to integrate FAR accountability mapping into their fit and proper processes, ensuring that all responsible persons are assessed for both regulatory compliance and alignment with the entity's values and risk culture. For SFIs and non-SFIs under heightened supervision, APRA should require early engagement on succession planning and appointments, with clear triggers for reassessment if concerns arise.

Rationale:

This will reduce duplication, ensure a holistic view of director and executive suitability, and reinforce the importance of both technical fitness and cultural alignment. It also supports APRA's intent to move away from cursory compliance and towards substantive, outcome-focused assessments.

3. Conflict Management

Recommendation:
APRA should mandate a single, cross-industry conflicts management standard that requires all regulated entities to proactively identify, document, and manage actual, potential, and perceived conflicts of interest. This should include public disclosure of registers of duties and interests, and annual independent reviews of the conflicts management framework for SFIs. Entities should also be required to provide regular training on conflict identification and management, including unconscious bias and reputational risk.

Rationale:

A harmonised approach will address inconsistencies across sectors and ensure that all entities meet a high standard of transparency and integrity. Regular training and independent review will help embed a culture of proactive conflict management and reduce the risk of conflicts undermining board effectiveness.

4. Board Independence

Recommendation:
For banks and insurers, APRA should strengthen independence requirements by mandating that at least two independent directors (including the chair) have no other board roles within the group and sector. The definition of independence should be expanded to include all material security holdings, not just equity, and apply to subsidiaries of APRA-regulated parents. APRA should also provide clear guidance on managing intra-group conflicts and offer transitional support for entities needing to restructure boards.

Rationale:

This will address persistent intra-group conflicts and ensure that independent directors are genuinely free from influence, supporting robust challenge and objective oversight. Transitional support will help entities manage any short-term disruption to board composition.

5. Board Performance Review

Recommendation:
APRA should require SFIs to conduct comprehensive, independent board, committee, and individual director performance reviews every three years, with the chair accountable for implementing recommendations. These reviews should include an assessment of board dynamics, engagement with management, and the effectiveness of risk oversight. Non-SFIs should be encouraged to adopt similar practices, with proportionality in review scope and frequency.

Rationale:

Regular, independent evaluation will help ensure continuous improvement in board effectiveness and accountability. Making the chair responsible for acting on review findings will help drive cultural change and ensure that recommendations lead to tangible improvements.

6. Role Clarity

Recommendation:

APRA should provide detailed guidance on the core responsibilities of the board, chair, and senior management, including explicit examples of which APRA requirements may be delegated to committees or management. The standards should emphasise the board's responsibility for strategic direction, risk appetite, and oversight of culture, while empowering the chair to lead on board performance and succession planning.

Rationale:

Clear delineation of roles will reduce confusion, prevent over-delegation, and allow boards to focus on strategic priorities. This will also support more effective delegation and accountability, especially in larger and more complex entities.

7. Board Committees

Recommendation: APRA should require SFIs (including SFI RSE licensees) to maintain separate risk and audit committees, with only full board members as voting members. For non-SFIs, APRA should allow flexibility in committee structure but require a clear rationale for any deviation from best practice. All entities should be encouraged to hold at least one annual joint session of key committees to promote integrated risk oversight.

Rationale:

This approach balances the need for rigorous risk oversight in larger entities with flexibility for smaller ones, while ensuring that board accountability is not diluted by reliance on external advisers. Joint sessions will help break down silos and improve holistic governance.

8. Director Tenure and Board Renewal

Recommendation:
APRA should implement a firm 10-year lifetime tenure limit for non-executive directors, with a clearly defined process for seeking limited extensions in exceptional circumstances. Entities should be required to integrate board renewal with succession planning, skills matrix updates, and board performance review outcomes. APRA should provide guidance and support for managing director transitions, especially where significant turnover is anticipated.

Rationale:

A hard tenure limit will promote regular board refreshment, reduce the risk of entrenchment, and encourage diversity of thought. Integrating renewal with other governance processes will ensure that board composition remains aligned with strategic needs and emerging risks.

Breaking the Board Room Echo Chamber

Five Proposals to Enhance Director Independence and Diversity in APRA-Regulated Entities

Reference	Proposal	Key Mechanism	Regulatory Objective Addressed
1	***Sector-Wide Cooling-Off Period***	Require a minimum 12-month "stand-down" before a director who has reached the 10-year cap at Entity A can accept appointment at another APRA-regulated entity in the same sector (ADI, insurer, or RSE).	Ensures genuine time away, limits immediate transfer of legacy mindset, and reduces network contagion risk.
2	***Concurrent Board Limit***	Restrict directors to a maximum of two APRA-regulated boards in the same sector at any one time, regardless of classification (SFI vs non-SFI).	Reduces over-extension, mitigates information-sharing and cartel-like behaviour, and allows sufficient focus on entity-specific risks.
3	***Cross-Sector Diversity Quota***	Require every board to include at least one director whose immediate past three-year employment/board history is outside the financial services industry.	Injects "fresh blood" and non-financial perspectives (digital, consumer, ESG) and counters sectoral echo-chambers.
4	***Relationship-Density Disclosure***	Mandate an annual public "network map" of each director's current APRA and non-APRA directorships, plus the top five professional affiliations.	Gives APRA and stakeholders visibility of board interlocks and potential soft conflicts; facilitates more rigorous independence testing.
5	***Skills Matrix "Outsider Index"***	Boards must report the proportion of directors with <5 years of cumulative experience in the entity's sector. Target range: 20–30 %.	Provides a quantitative KPI for diversity of sector experience, enabling APRA to benchmark and intervene where boards remain insular.