Banking (authorisation criteria) determination No. 1 of 2026 – locally incorporated ADI

Banking Act 1959

I, Therese McCarthy Hockey, a delegate of APRA, under subsection 9(2A) of the *Banking Act 1959* (the Act), SET criteria for the granting of an authority to carry on banking business in Australia, in the form set out in the schedule.

This instrument commences on the day after it is registered on the Federal Register of Legislation.

Dated: 5 November 2026

Therese McCarthy Hockey
Deputy Chair
APRA

Interpretation

In this instrument:

APRA means the Australian Prudential Regulation Authority.

banking business has the meaning given in subsection 5(1) of the Act.

Schedule – criteria for the granting of an authority to carry on banking business in Australia

Introduction

1. These criteria are made under subsection 9(2A) of the *Banking Act 1959* (the Act). They apply to a body corporate which applies for an authority to carry on banking business in Australia under subsection 9(2) of the Act as a locally incorporated ADI.

Note **Matters to consider before lodging a formal application**

Applicants are encouraged to discuss a proposed application with APRA and to familiarise themselves with APRA's licensing process before lodging a formal application. Information on APRA's licensing process is available on APRA's website.

Applicants may also require licences, approvals or exemptions from other regulatory bodies in order to carry on their proposed business. For example, all ADIs require an Australian Financial Services Licence (AFSL) or an exemption from ASIC.

Applicants are expected to have considered any necessary approvals from other regulatory bodies and be suitably advanced in obtaining them before lodging an ADI application. This includes approvals under the *Financial Sector (Shareholdings) Act 1998*, where relevant.

It is the applicant's responsibility to ensure all necessary approvals are obtained. Applicants should be aware that delays in obtaining required approvals may impact APRA's ability to complete its assessment within the 12-month licensing assessment timeframe and, accordingly, the applicant may fail to meet the timeframe criteria.

Authorisation criteria for a locally incorporated ADI

2. A body corporate which applies for authority to carry on banking business in Australia as a locally incorporated ADI must demonstrate that it:
    (a) is structured and operates in a manner that APRA can effectively supervise. At a minimum, this would include:
        (i) dealing with APRA in an open, constructive and cooperative way;
        (ii) providing complete and accurate information to APRA within specified timeframes;
        (iii) reasonable assurance that the granting of the authority would not result in a breach of the *Financial Sector (Shareholdings) Act 1998* by any person;
        (iv) a corporate group structure that does not hinder APRA's ability to exercise its powers and functions; and
    (b) has sufficient financial and non-financial resources to prudently conduct banking business. At a minimum, this would include:
        (i) a Common Equity Tier 1 Capital amount equal to the greater of:
            (A) $15 million; or
            (B) the body corporate's forecast operational expenditure for the following nine months;

(ii) credible plans covering at least the two years following authorisation that demonstrate how the body corporate will maintain Common Equity Tier 1 Capital at least equal to the greater of:

(A) $10 million;

(B) the body corporate's forecast operational expenditure for the following six months, recalculated quarterly; or

(C) the percentage, as determined by APRA, of Risk-Weighted Assets calculated in accordance with *Prudential Standard APS 110 Capital Adequacy*;

including under stress scenarios;

(iii) liquid assets that meet minimum requirements under *Prudential Standard APS 210 Liquidity*;

(iv) credible plans that demonstrate how the body corporate will maintain, in the three years following authorisation, liquid assets that meet minimum requirements under *Prudential Standard APS 210 Liquidity*, including under stress scenarios;

(v) being operationally ready to generate revenue through at least one financial product;

(vi) being operationally ready to accept deposits;

(vii) having IT systems that are fit for purpose and have been tested and independently validated; and

(c) has suitable skills and experience to prudently conduct banking business. At a minimum, this would include:

(i) responsible persons who are fit and proper;

(ii) a Board of at least five directors, with a majority being independent and a majority being ordinarily resident in Australia;

(iii) a Board with the necessary skills and experience, collectively, to prudently oversee banking business operations;

(iv) Accountable Persons under the *Financial Accountability Regime Act 2023* who have the necessary skills and experience to deliver the business plan and discharge their allocated accountabilities, which must be clearly defined and documented; and

(d) has a risk management framework to prudently conduct banking business. At a minimum, this would include:

(i) having a risk management framework that is proportionate to the strategy, business mix, risk profile, size and complexity of the body corporate's business model;

(ii) having controls in place for key operational risks, including risks related to critical operations and the use of material service providers; and

(e) has credible plans for effectively responding to a stress event that threatens its viability. At a minimum, this would include:

(i) recovery options that would be relevant and plausible during stress;

(ii) at least one credible option for an orderly and solvent exit from banking business; and

(iii) being operationally ready for the activation of the Financial Claims Scheme.

Timeframe to demonstrate meeting the authorisation criteria

3. A locally incorporated body corporate that applies for an authority under subsection 9(2) of the Act must satisfy the applicable criteria in paragraph 2 within the following timeframes:
   (a) if the application was submitted before the commencement of this instrument – within 12 months from the date of the commencement of this instrument; and
   (b) in all other cases – within 12 months from the date of lodging the application and paying the application fee to APRA.
4. In exceptional circumstances, APRA may extend the timeframe for an entity to satisfy the requirement specified in paragraph 3 by informing the applicant in writing.

Interpretation

In this schedule:

ADI has the meaning given in subsection 5(1) of the Act.

application fee means the applicable charge fixed under paragraph 51(1)(b) of the *Australian Prudential Regulation Authority Act 1998* for an application for authorisation as a locally incorporated ADI.

ASIC has the meaning given in the *Australian Securities and Investments Commission Act 2001*, and is the Australian Securities and Investments Commission established under earlier legislation.

Common Equity Tier 1 Capital has the meaning given in *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital*.

Financial Claims Scheme means the scheme provided under Division 2AA of Part II of the Act.

foreign ADI has the meaning given in subsection 5(1) of the Act.

locally incorporated ADI means an ADI that is not:

(a) a foreign ADI; or

(b) an ADI that carries on banking business that consists only of the provision of a purchased payment facility.

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