27 August 2026

General Manager
Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority

Via email: PolicyDevelopment@apra.gov.au

AFMA RESPONSE TO PROPOSED CHANGES TO GOVERNANCE

Dear General Manager,

The Australian Financial Markets Association (**AFMA**) appreciates the opportunity to provide feedback on the Australian Prudential Regulation Authority's (**APRA**) Governance Review Consultation Paper. We commend APRA's engagement and willingness to meet with industry on these proposed changes and openness to exploring implications and workable solutions.

Overarchingly, AFMA is supportive of the proposed changes and provides the following feedback for APRA's consideration. The recommendations and points for clarity aim to balance safety and stability with regulatory burden and implementation barriers. We particularly encourage APRA to explore opportunities to streamline the overlapping categories of 'responsible employees'. This issue is particularly vexatious for Foreign ADIs.

Appendix A provides a summary of AFMA's recommendations and points of clarity. These are expanded in Appendix B.

We look forward to ongoing engagement with APRA on these important reforms and are available to provide futher detail on any of the matters raised in this letter. For more information or if you have questions in relation to this letter, please do not hesitate to contact me at [redacted]

Regards,

[redacted]

Australian Financial Markets Association

About AFMA and its members

The Australian Financial Markets Association is the peak industry body for Australia's financial markets industry – including the capital, credit, derivatives, foreign exchange, and other specialist markets. AFMA represents more than 140 industry participants from Australian and international banks, superannuation funds, leading brokers, securities companies, and government treasury corporations to asset managers, energy firms, carbon market participants, and industry service providers.

AFMA promotes efficiency, integrity, and professionalism in Australia's financial markets enabling the markets to continue to support the Australian economy, high skilled job markets and the energy transition.

Appendix A: Summary of Recommendations and Points for Clarity

Recommendation 1: That paragraph 23 of CPS 510 be redrafted to accommodate Senior Managers living outside Australia, where that Senior Manager has responsibilities relating to businesses in and outside Australia.

Recommendation 2: APRA carve out AFSL holders from the proposed conflicts management requirements to reduce duplicative regulatory burdens.

Recommendation 3: That the revised CPG 510 clarify that Foreign ADIs can conduct a fit and proper assessment either within the branch or at the Head Office level.

Recommendation 4: CPG 510 clarify that paragraph 79(a) does not apply to Foreign ADIs.

Recommendation 5: APRA clarify that paragraphs 81, 86a do not apply to Foreign ADIs.

Recommendation 6: The revised CPG 510 clarify APRA's expectations for how Foreign ADIs evidence paragraph 84(c).

Recommendation 7: APRA remove sub-paragraph 86(b) of the draft CPS 510.

Recommendation 8: Sub-paragraph 86(c) be amended to only require consideration of "findings by relevant bodies that are practical to discover".

Recommendation 9: APRA modify the 'legal duties and obligations' responsibility of senior managers to a 'reasonable steps' requirement.

Recommendation 10: APRA explore further opportunities to streamline categorisation of responsible employees to reduce regulatory burden.

Recommendation 11: The revised CPG 510 provide for flexibility in how 'formal delegation of authority' is achieved by Foreign ADIs.

Recommendation 12: The revised CPG 510 acknowledge that international banks governance, remuneration and risk management frameworks are overseen by the Home Office Board or Board Committees.

Recommendation 13: APRA redraft paragraph 111(c) to reference reporting to the SOOA, rather than the Board.

Point for clarity 1: In the context of Foreign ADIs, can APRA clarify the role and expectation of Senior Managers compared to Responsible Persons and FAR Accountable Persons?

Point for clarity 2: Can APRA clarify its reference to Senior Managers in paragraph 110?

Point for clarity 3: Can APRA clarify the reporting requirements for the change of responsible person?

Point for clarity 4: Can APRA clarify whether the reference to Part A in paragraph 4 is an error and confirm that Part A does not apply to Foreign ADIs?

Appendix B: Detailed Feedback

1. Part A – Board governance for locally incorporated regulated entities

Paragraph 23

Recommendation 1: That paragraph 23 of CPS 510 be redrafted to accommodate Senior Managers living outside Australia, where that Senior Manager has responsibilities relating to businesses in and outside Australia

Some Senior Managers of locally incorporated ADIs have responsibilities spanning both Australian based and offshore operations. As currently drafted, a Senior Manager with any responsibilities relating to an Australian business must ordinarily be a resident in Australia. This requirement would in practice be restrictive for those Senior Managers with the majority of their responsibilities relating to operations outside Australia, and for Senior Managers located outside Australia who have recently acquired responsibility related to an Australian operation.

To accommodate these situations, AFMA recommends that paragraph 23 of CPS 510 be redrafted to accommodate Senior Managers living outside Australia, where that Senior Manager has responsibilities relating to businesses in and outside Australia.

2. Part B - Conflicts management

Recommendation 2: APRA carve out AFSL holders from the proposed conflicts management requirements to reduce duplicative regulatory burdens.

APRA's proposed conflict management requirements (Part B of the draft CPS 510[1]) include obligations that are materially similar to those imposed on AFSL holders by ASIC's conflict of interest obligations (Corporations Act and RG 181: Managing Conflicts of Interest). Complying with APRA's requirements in addition to ASIC's would add regulatory burden on captured entities while providing little additional insight to APRA or benefit to the financial system.

On the balance of protecting the system and supporting economic growth through reducing regulatory burden, we recommend APRA carve out AFSL holders from the conflict management requirements in the draft CPS 510. APRA can gain comfort that captured entities are sufficiently managing their conflicts through their adherence to ASIC's requirements. Where APRA holds any institution specific concerns, these can more efficiently be addressed through direct supervisory engagement, rather than a blanket requirement.

Should APRA maintain the requirements for AFSL holders, AFMA recommends tightening of the language currently drafted. As an example, paragraph 74(g) which states that an entity must:

> "record in the minutes of the Board, Board committees and other relevant meetings, details of conflicts disclosed at the respective meeting and the action taken to avoid or manage those conflicts:"

The inclusion of "other relevant meetings" appears broad and could create uncertainty regarding scope and evidentiary expectations. While Board documentation requirements are well-established, it is less clear how this expectation would apply to committee meetings. It would be helpful for APRA

[1] Paragraphs 74 and 75 of the draft CPS 510 being relevant to ADIs.

to refine this paragraph, particularly in respect of standing or low-risk conflicts (for example, dual-hatted roles), where documenting every discussion in every meeting may not be proportionate.

Removal of public disclosure

AFMA is supportive of APRA's proposed amendment of not requiring the public disclosure of conflict registers, as stated in the Governance Review Consultation Paper, Attachment A.

3. Part C - Fit and proper

Paragraph 78

Recommendation 3: That the revised CPG 510 clarify that Foreign ADIs can conduct a fit and proper assessment either within the branch or at the Head Office level.

Paragraph 78 of the draft CPS 510 states:

> "A regulated entity must complete a fit and proper assessment for a person before appointment to a responsible person position…"

For some Foreign ADIs, an assessment of the appropriateness of a SOOA is conducted locally within the branch, while for others this is conducted by the Head Office. Both these approaches have proven to be effective.

In the cases where an assessment is conducted by the Head Office, there is arguably little or no marginal benefit from requiring an additional fit and proper assessment of a SOOA by a branch, particularly given that in practice, the decision to appoint the SOOA is made at the Head Office('s Board) level.

Given this, AFMA recommends that the revised CPG 510 clarify that Foreign ADIs can conduct a fit and proper assessment either within the branch or at the Head Office level.

Paragraph 79(a)

Recommendation 4: CPG 510 clarify that paragraph 79(a) does not apply to Foreign ADIs.

Paragraph 79(a) refers to "a resolution of members of the regulated entity". Due to not having a local board, industry has interpreted that this requirement, therefore, does not apply to Foreign ADIs. Clarification of this in the revised CPG 510 would assist industry.

Paragraph 81 and 86(a)

Recommendation 5: APRA clarify that paragraphs 81, 86a do not apply to Foreign ADIs.

Paragraph 81

The draft paragraph 81 would require that:

- A responsible person's fitness and propriety be validated at least annually; and
- For responsible persons who are directors, the annual assessment have regard to the Board Skills Matrix.

As the requirement to maintain a Board Skills Matrix only applies to locally incorporated regulated entities (paragraph 47), it would appear to follow that the latter assessment criterion is not intended to apply to the SOOA. Additionally, it would not be practical to assess a single individual against the full Board Skills Matrix.

Paragraph 86(a):

Similarly, paragraph 86(a) refers to the Board Skills Matrix, which industry again assumes implied that this sub-paragraph does not apply to Foreign ADIs.

Paragraph 84(c)

Recommendation 6: The revised CPG 510 clarify APRA's expectations for how Foreign ADIs evidence paragraph 84(c).

It would assist industry if APRA clarified, via the revised CPG 510, how Foreign ADIs can evidence the requirement that a SOOA has sufficient time and capacity to perform their duties.

Optimally, this would align to Foreign ADIs' periodic checks and assessments conducted for SOOAs and Senior Managers (for example, as part of a periodic vetting/review) and not require additional checks. AFMA recommends any clarity be illustrative rather than prescriptive and accommodate the range of approaches currently being undertaken.

Paragraph 86(b)

Recommendation 7: APRA remove sub-paragraph 86(b) of the draft CPS 510.

Paragraph 86(b) would require, "*In assessing a person's fitness and propriety, a regulated entity must consider… professional references*".

Given that in practice professional references are always positive, industry questions the utility of this requirement. Additionally, professional references are often obtained at commencement of employment, which could be considerably before an individual is appointed to an accountable or regulated role.

Such references are typically of limited value and impose administrative burdens to obtain and assess. Additionally, some entities have policies against their staff providing such references. AFMA recommends removing this as a requirement, which would still allow entities to consider professional references, if they see value in doing so.

Paragraph 86(c)

Recommendation 8: Sub-paragraph 86(c) be amended to only require consideration of "findings by relevant bodies that are practical to discover".

Paragraph 86(c) would require:

> "*In assessing a person's fitness and propriety, a regulated entity must consider… the findings of any court, tribunal, regulator, board, arbitrator, public inquiry or other body whose responsibility it is to make findings of the relevant kind that the person has been subject to.*"

The combination of "**any** court, tribunal, regulator, board, arbitrator, public inquiry or other body" (emphasis added) and the potentially wide ranging "**other** bodies" (emphasis added) could result in a

large range of instances and activities being caught by this obligation. It is unclear how regulated entities could meet this obligation. In practice, typical searches cover criminal history, bankruptcy, regulator disqualification and media screening. Media searches are likely to reveal any publicity relating to the types of 'findings' referred to in paragraph 86(c). As such, AFMA recommend that the revised CPG 510 clarify that entities are expected to only undertake practical and relevant options of investigation, as follows:

> "*In assessing a person's fitness and propriety, a regulated entity must consider findings by relevant bodies that are practical to discover."*

4. Responsibilities of Senior Managers

Recommendation 9: APRA modify the 'legal duties and obligations' responsibility of senior managers to a 'reasonable steps' requirement.

As currently drafted, paragraph 117(d) appears to make senior managers responsible for "all legal duties and obligations of the regulated entity". This creates a wide and potentially unreasonable obligation. As per the accountability obligations under the Financial Accountability Regime, it is appropriate to modify this to be an obligation to take 'reasonable steps'.

As discussed below, the intention behind referring to senior managers in the plural is unclear to industry. Having more than one senior manager responsible for the items in the proposed paragraph 117 would, at least for some Foreign ADIs, be a change to current arrangements.

5. Part E – Special provisions for Foreign ADIs

Overlapping regimes (AP and RP)

Point for clarity 1: In the context of Foreign ADIs, can APRA clarify the role and expectation of Senior Mangers compared to Responsible Persons and FAR Accountable Persons?

The requirement to appoint a Senior Manager responsible for Australian operations aligns with current arrangements (that is, an 'Australian CEO'). However, in some instances the draft CPS 510 refer to "Senior Managers" in the plural, for example paragraph 117 states:

> *"Senior managers for the Australian operations of a foreign ADI or Category C insurer are responsible for…"*

By comparison, paragraph 112 refers to "Senior Manager", in the singular"

> *"For a foreign ADI, there must also be a senior manager in Australia responsible for the local operation who is ordinarily resident in Australia.[30] Where a Category C insurer has appointed a corporate agent in Australia, the agent must have a senior manager."*

Industry assumes that APRA expectation regarding a singular Senior Manager for Foreign ADIs has not changed. Broadening of the population of Senior Managers within FADIs would increase regulatory burden, which would seem at odds with APRA's strategic objective of 'getting the balance right'.

If APRA's expectations have changed, it is unclear how this role/these roles should be differentiated from Responsible Persons and FAR Accountable Persons. Having multiple Senior Managers would also have implications under CPS 511 Remuneration.

Additionally, we note that the term Responsible Person, which is defined in paragraph 8(b), does not appear in Part E of the draft CPS 510. It would be helpful for APRA to clarify how this population differs from Senior Managers for Foreign ADIs and, more broadly, APRA's expectations for Senior Mangers compared to Responsible Persons and FAR Accountable Persons.

Opportunity to further streamline and reduce regulatory burden

Recommendation 10: APRA explore further opportunities to streamline categorisation of responsible employees to reduce regulatory burden.

As previously highlighted, a wide variety of responsible employee categories relate to Foreign ADIs. These include the SOOA, Accountable Persons, Responsible Persons, Senior Manager, Material Risk Takers, Highly Paid Material Risk Takers plus Risk and Financial Control Personnel.

The draft CPS 510 still contains duplication by retaining Responsible Persons, which is a missed opportunity to streamline and retain FAR Account Persons and the concept of Senior Managers (CPS 520). Since the introduction of the FAR regime, the role of a Responsible Person is arguably redundant, as in many cases for Foreign ADIs it is the same subset of persons (CEO, COO, CRO and SOOA), other than the Auditor which has its own requirements.

Given these overlaps, it remains difficult to justify/explain to senior management how the roles differ (when the same subset of people are dual-hatting). For ADIs, there does not appear to be a legislative requirement to maintain 'Responsible Persons', which then appears to provide APRA the option of removing this categorisation of responsible employees. Further, the fit and proper process can be used for Account Persons, instead of Responsible Persons (and ADIs use this framework when appointing their Account Persons currently).

Paragraph 108

Recommendation 11: The revised CPG 510 provide for flexibility in how 'formal delegation of authority' is achieved by Foreign ADIs.

Paragraph 108 of the draft CPS 510 states that:

> *Foreign ADIs or Category C insurers must appoint a **senior officer outside Australia**, or SOOA, responsible for overseeing the sound and prudent management of the entity's Australian operations. The SOOA must be appointed with formal delegated authority from, and have access to, the Board.*

As discussed at the APRA-AFMA roundtables on the governance proposals, there are various ways that Foreign ADIs delegate authority to their SOOAs. These methods are well established and work in practice. AFMA recommends the revised CPG 510 be drafted to accommodate the various approaches taken by industry, for example, delegation via a board level resolution or through role-based appointment which includes becoming the SOOA by default.

Paragraph 109(c)

Recommendation 12: The revised CPG 510 acknowledge that international banks governance, remuneration and risk management frameworks are overseen by the Home Office Board or Board Committees.

Paragraph109(c) requires the SOOA to "*oversee governance, remuneration and risk management frameworks*" and that these cannot be delegated. In reality, these are global frameworks for Foreign ADIs which are overseen by the Home Office Board or Board Committees – likely through various committees, that is, at a global level. It would assist industry if the revised CPS 510 acknowledge that the SOOA oversees these frameworks, in the context of how they apply to the local Australian operations of the Foreign ADI.

Paragraph 110

Point for clarity 2: Can APRA clarify its reference to Senior Managers in paragraph 110?

The draft paragraph 110 states that "obligations on the SOOA… [may be] delegated to senior managers who are ordinarily residents in Australia". AFMA assumes it is not APRA's intent to limit current practices regarding to whom SOOA obligations are delegated. However, given uncertainty regarding APRA's position on Senior Manager(s), discussed above, confirmation of this point would be appreciated by industry.

Paragraph 111(c)

Recommendation 13: APRA redraft paragraph 111(c) to reference reporting to the SOOA, rather than the Board.

Paragraph 111(c) states:

> *"In delegating any authority, the SOOA must ensure that… there are mechanisms in place for monitoring the proper and effective exercise of delegated authority,* ***and for reporting to the Board*** *any material issues or changes;"* (emphasis added)

In the context of a delegation from the SOOA, industry assumes the intent is for there to be a mechanism in place that any 'material issues or changes' are reported to the SOOA. As drafted, the text could be interpreted as suggested the need for mechanism for reporting 'past' the SOOA to the Home Office Board. Redrafting of this section, to reference the SOOA rather than the Board, would clarify this point.

6. Responsible Manager reporting and CPS 511

Point for clarity 3: Can APRA clarify the reporting requirements for the change of responsible person?

Within the change of reporting requirements, it appears to industry that the revised CPS 510 does not contain any reporting requirements for the change (that is, termination and appointment) of Responsible Persons to APRA – which is within 28 days under the current CPS 520 from the date of change. Can APRA confirm this is the intent?

We also note, the CRO (and external auditor) may not be FAR Accountable Person and, as such, fall outside the pre-notification requirements under the FAR Act.

As raised above, the role of Senior Managers is not clear for Foreign ADIs under the new CPS 510. All Senior Managers by default are regarded as Responsible Persons under the current CPS 520. If this is no longer required (per the question above), are Foreign ADIs still required to appoint Senior Managers for the sake of CPS 511 (remuneration)?

7. Technical / Inadvertent Reference Error

Point for clarity 4: Can APRA clarify whether the reference to Part A in paragraph 4 is an error and confirm that Part A does not apply to Foreign ADIs?

Paragraph 4 states that paragraphs 1–10 apply to all APRA-regulated entities and references Part A. However, Part A appears to commence at paragraph 11 and is expressly directed at locally incorporated ADIs.