


# APRA – Proposed changes to governance – Draft Prudential Standard CPS 510

28 August 2026

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[redacted]
Australian Prudential Regulation Authority (APRA)
Submitted via email: PolicyDevelopment@apra.gov.au

28 August 2026

Dear Mr [redacted],

**APRA – Proposed changes to governance – Draft Prudential Standard CPS 510**

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission on APRA's proposed changes to governance requirements under Draft Prudential Standard CPS 510.[1]

**About ASFA**

ASFA has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA is the peak body representing the entire Australian superannuation system, including industry, retail, corporate and other superannuation fund types. ASFA supports strong governance requirements across the superannuation sector which ensure that the over $4.8 trillion in retirement savings held by over 19 million Australians are appropriately protected.

We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

ASFA has a keen focus on matters that impact the outcomes achieved by individuals through the superannuation system, their experiences with the system, and issues that impede the industry's operational effectiveness.

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If you have any queries or comments in relation to our submission, please contact [redacted], ASFA [redacted]

Yours sincerely

[redacted]

[redacted]
Chief Policy & Advocacy Officer

[1] APRA, *Proposed changes to governance and fit and proper requirements* (16 June 2026).

**Opening Comments**

ASFA is the peak body representing the entire Australian superannuation system, including industry, retail, corporate and other superannuation fund types. ASFA supports strong governance requirements across the superannuation sector which ensure that the over $4.8 trillion in retirement savings held by over 19 million Australians are appropriately protected.

While supporting the vast majority of the proposed changes to governance requirements put forward, we have also made suggestions to ensure the avoidance of undue duplication and also ensure that the sector can adequately attract and retain appropriate talent at all levels.

We thank APRA for your constructive engagement to date on these proposals, noting the following:

1. The proposals were first put forward by APRA in a consultation paper in **March 2025**.

2. ASFA made a submission to this consultation paper in **June 2025**, where we outlined our key positions.

3. APRA released an update on its review process in **October 2025** and subsequently held a roundtable with ASFA and industry participants.

4. The present consultation was released on **16 June 2026** and concerns **Draft Prudential Standard CPS 510 (the Draft Standard)** and the accompanying list of **Defined Terms**. This standard combines many of the requirements previously contained in SPS 520 and SPS 521.

5. Alongside this consultation, on **16 June 2026**, APRA and ASIC also jointly announced forthcoming streamlining efforts for their fit and proper requirements and the Financial Accountability Regime (FAR).

First, ASFA wishes to emphasise that we are grateful for the constructive consultation approach outlined above, which has taken place since March 2025 and provided significant opportunities for input.

Secondly, ASFA acknowledges that there have already been significant adjustments made to the Standard and the list of defined terms which accord with previous ASFA advocacy, as outlined in our **June 2025 submission**. These adjustments include:

1. APRA has clarified that the reforms regarding directors' skills and capabilities apply collectively, at a Board-level.[2]

2. APRA has endorsed voluntary engagement on appointments in relation to responsible persons, not mandatory engagement.[3]

3. APRA has proposed a mandated a lifetime Board tenure limit at any one APRA-regulated entity of 12 years (which can be extended to 13 years). This is a significant improvement on the original 10-year tenure limit proposal.[4]

4. APRA has indicated an openness to further feedback on future guidance in relation to the proper roles of the Board, Chair and Senior Management, including delegation guidance.[5]

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[2] APRA Draft Prudential Standard CPS 510 at **paragraph 49**. See too ASFA's June 2025 submission at **page 5**.
[3] APRA Draft Prudential Standard CPS 510 at **paragraphs 73 to 96**. See too ASFA's June 2025 submission at **pages 5-6**.
[4] APRA Draft Prudential Standard CPS 510 at **paragraphs 59-60**. See too ASFA's June 2025 submission at **pages 9-10**.
[5] See ASFA's June 2025 submission at **page 8**.

5. APRA has indicated open to further feedback on future on the implementation of the requirement a qualified independent third-party performance assessment at least every three years which covers the board, committees and individual directors.[6]

ASFA is grateful for the above adjustments, which have reflected a willingness to engage with industry to ensure the proposals are effectively implemented to achieve their underlying objectives. As always, we thank you for your continued and constructive engagement in relation to these matters.

While we make detailed recommendations below, ASFA wishes to underscore that, in line with our previous advocacy in our last submission to APRA on these issues in **June 2025**, all of ASFA's views are coloured by the following **five key principles** to ASFA's submission:[7]

1. **The importance of acknowledging sector maturity and supporting continued governance uplift** - As the superannuation sector continues to grow in scale, complexity and impact, it is appropriate to expect high standards of governance and accountability. We recognise the importance of ensuring that trustee boards are equipped with the right mix of skills, experience and behaviours to oversee complex responsibilities.

2. **Maintaining the legitimate role of shareholders -** Shareholders play a legitimate role in appointing directors under the fund's governing arrangements. Where those appointments comply with existing legislative and prudential standards, it is important that the regulatory framework continues to respect those rights. Any future reforms should aim to provide greater clarity about the regulator's role, while avoiding any unintended shift toward pre-approval mechanisms that could be perceived as overriding lawful shareholder decisions

3. **Promoting regulatory alignment without prescribing uniformity** - While we understand the appeal of harmonising governance requirements across sectors, uniformity does not necessarily equate to efficiency or improved outcomes. Superannuation funds already operate under a detailed and mature regulatory framework, and any additional requirements should be assessed through the lens of their practical value in supporting high-quality governance and long-term member outcomes.

4. **Supporting flexibility in board composition and renewal -** The long-term nature of superannuation often benefits from continuity and depth of experience on trustee boards. Reforms that introduce new expectations around tenure limits, board assessments or independence should allow funds to adopt fit-for-purpose approaches, aligned to their structure and size. Flexibility is important to enable the ongoing participation of capable directors, ensure board diversity, and support effective transitions—particularly in a period of significant consolidation and change across the sector. There is no 'one-size-fits-all' approach to governance. The principles of flexibility and choice for Trustees in implementation need to be considered, alongside the value of consistency.

[6] APRA Draft Prudential Standard CPS 510 at **paragraphs 50-56**. See ASFA's submission at **page 7**
[7] ASFA's Submission to APRA's Governnace Discussion Paper (**13 June 2025**) at pages 2-3.

5. **Continued support for the Equal Representation model of governance -** ASFA also notes that APRA has explicitly stated that APRA's proposals do not intend to undermine the Equal Representation modal, as legislatively enshrined in the *Superannuation Industry Supervision Act 1993* (Cth)(the SIS Act). APRA explicitly stated in the Discussion Paper on these issues:[8]
    - *To be clear, [the Proposals], would not involve any changes to the equal representation model under which employer and employee groups have the right to nominate directors to some RSE licensee boards. The focus of the proposals is on ensuring that directors of these entities have the necessary skills, capabilities and character – regardless of how they are nominated, the ownership model or board composition requirements in legislation.*

In alignment with these five principles, ASFA's detailed comments and recommendations in respect of the current consultation are outlined in **Attachment A** to this submission. For ease of reference, our feedback follows the structure of the Draft Standard.

Our most important recommendation is that we ask that APRA should release APRA's detailed guidance that will accompany this standard for consultation prior to the standard itself being finalised. This is the only effective way for wholistic feedback to be given on the standard itself, when it can be viewed in the light of the accompanying guidance.

Another key issue for resolution is that addressed in **Recommendation 10.3**. For the avoidance of doubt, ASFA strongly believes that the tenure limits contained in the standard should only apply to service on existing Boards at the time at which the standard takes effect. These tenure limits should not apply to service on predecessor entities that no longer exist at the time the standard commences. Our reasons for this recommendation are outlined in the relevant part of this submission.

Finally, ASFA further welcome's APRA's intent to minimise costs to industry and streamline requirements, and recommends that to manage cost and transition arrangements, that APRA take an approach of flexible transition to the new requirements, and allow funds to adopt new obligations in CPS 510 prior to the effective date, as long as they are completed by that date. This would allow change activity to be incorporated into business planning cycles, minimising cost and disruption. We would expect that such early voluntary transition would be undertaken in consultation with APRA supervision teams.

[8] APRA, Governance Discussion Paper (March 2025) at 16.

**Attachment A – ASFA's Detailed Comments and Recommendations**

In respect of the details outlined in the consultation documents, being the **Draft Standard** and the **Defined Terms**, ASFA provides the following feedback:

**General Principles**

**Recommendation 1 – Phasing of consultation**

- ASFA's most important recommendation is that we ask that APRA should release APRA's detailed guidance that will accompany this standard for consultation prior to the standard itself being finalised.

- This is the only effective way for wholistic feedback to be given on the standard itself, when it can be viewed in the light of the accompanying guidance.

**Recommendation 2 – Clarifying the role of CPS 510**

- ASFA understands that CPS 510 Governance is intended to establish an overall framework for delegations, applicable across the Prudential Standards in their entirety, and we have provided an example, where some elements of CPS 230 must be items approved by the Board, but that some elements could be delegated.

- For example, CPS 230 paragraph 21(b) states that the Board must 'approve the BCP and **tolerance levels for disruptions to critical operations**, review the **results of testing** and oversee the execution of any findings'.

- Another potential area of confusion exists with paragraph 49 in CPS 230. This states that APRA regulated entities 'must, at a minimum, classify a provider of the following services as a material service provider', including an entity's internal audit function, recognizing it is a function that is outsourced. By contrast CPS 510 requires the Head of a group to maintain a group internal audit function. There is potential for confusion and conflict between the requirements in CPS 230 and CPS 510. This should be clarified.

- Under the framework proposed by CPS 510, we believe that the **approval** of the tolerance levels, and **review** of results of testing and execution of findings could be delegated to a committee or senior management, and reporting of progress and outcomes to the Board would be sufficient for the Board to have exercised its oversight responsibilities.

- ASFA suggests that it would be useful for the associated Prudential Guidance supporting CPS 510 to include **practical guidance and examples** similar to the above to demonstrate which matters APRA expects to remain with the Board, and which type of responsibilities in existing Prudential Standards that state 'the Board must approve' may be delegated under the framework in CPS 510.

**Recommendation 3 – Interaction of CPS 510 with the Financial Accountability Regime**

- ASFA strongly recommends the FAR Guidance and Regulator Rules should be updated to ensure alignment with the new requirements proposed in CPS 510.

**Recommendation 4 – Clarification of reviews required under CPS 510 and future guidance**

- ASFA recommends the final CPS 510 or Guidance should include a list or table of items that are expected to be reviewed, including the type of review (internal/operationally independent/externally independent) and the frequency.
- Frameworks that are unlikely to require significant change on an annual basis, be subject to independent review every three years, rather than annually.

**Recommendation 5 – Delineation between elements of the standard met by policies or other artefacts produced by a regulated entity**

- ASFA recommends that CPS 510 should include a clear statement that elements that are required in the Standard to be included in a policy will be deemed to be met if they are established in other artefacts (for example a Committee Charter), on the condition that they are subject to the same requirements as determined in CPS 510.

**Part A - Board Governance**[9]

**Recommendation 6 - Delegation of Authority**[10]

- ASFA notes by way of background that this was **proposal 6** from APRA's earlier consultation paper. ASFA's position on these matters was articulated on **page 8** of our last submission.
- ASFA notes that existing obligations are placed on Boards in other prudential standards and guidance. ASFA recommends obligations should be structured in this standard (and all other standards) in the following way:

    a. APRA should provide a list of responsibilities which cannot be delegated, according to their standards (similar to the framework in **paragraph 13**);

    b. If a particular function is not specified in that list, then regulated entities should be able to assume the relevant function can be delegated.

- ASFA recommends that this is appropriate, given a Board's focus should be on strategic issues and emerging risk.
- ASFA reiterates our recommendation that there should be consultation on the detailed guidance that would sit under this standard before the standard is finalised. This would help to clarify the appropriate approach to delegation of authority.

[9] APRA Draft Prudential Standard CPS 510 at **pages 6-17**.
[10] APRA Draft Prudential Standard CPS 510 at **page 7**.

**Recommendation 7 – Board Committees**[11]

- ASFA notes by way of background that this was **proposal 7** from APRA's earlier consultation paper. Our position was outlined in our last submission at **page 9**.

- ASFA recommends that voting rights on Board committees should not be restricted to full Board members.

- Instead, ASFA recommends that voting rights on Board committees should be extended to all Board Committee members, even if they are not Directors.

- ASFA seeks clarity in respect of how the respective obligations of the various Board committees can be managed within the context of a corporate group with multiple regulated entities.

- For example, if there are three separate regulated entities there are three audit committees and three risk committees; and where there is one Head of Internal Audit and/or one CRO within the corporate group, how do all three committees practically oversee the appointment or removal of each position, or set their objectives? Practical consideration of how such obligations may be managed within a corporate group to meet APRA's expectations should be clarified via detailed APRA guidance.

- ASFA does not believe it is appropriate for the Risk Committee to have responsibility over the regulated entities 'risk culture'.[12] This is more properly the responsibility of the Board as a whole, not the Risk Committee:

    - It is ASFA's view that the Board is responsible for setting the parameters of risk culture. For example, through the risk appetite statement.

- ASFA recommends that the restriction in **paragraph 38**, requiring all members of Board Audit, Risk and Remuneration Committees to be non-executive directors, should be removed.

- If the restriction in **paragraph 38** is not removed, it should at the very least be amended to make clear that it does not preclude alternate directors from being members of these committees.

- Some ASFA members have requested that the standard allow flexibility in relation to the capacity to outsource an internal audit function under **paragraph 42**.

- ASFA opposes the requirement in **paragraph 45** for CRO appointments to be overseen and endorsed by the Risk Committee. For the following reasons, we strongly recommend this requirement be removed:

    - ASFA recommends the appointment and removal of executives, including the CRO should be within the purview of the CEO.

    - Requiring endorsement by the board risk committee blurs responsibilities between the Board and management and dilutes management's accountability for executive appointments.

[11] APRA Draft Prudential Standard CPS 510 at **page 11**.
[12] APRA Draft Prudential Standard CPS 510 at **paragraph 45(d).**

- We note the importance of the CRO role and the interest that the board risk committee has in ensuring CROs are suitably qualified.
- However, the role of the Board and the board risk committee is properly to oversee the effectiveness of the risk management framework, not to make appointment decisions for management.

**Recommendation 8 – Board skills and capabilities**[13]

- By way of background, ASFA notes that this was **proposal 1** from APRA's earlier consultation paper and ASFA's position was outlined at **page 5** of our last submission.
- ASFA recommends that the reference to 'behavioural attributes' should be removed as it is overly subjective and subject to a myriad of broad and vague interpretations. It is also hard to assess with reference to independent and objective criteria.[14]
  - Assessment against a skills matrix will inevitably require a combination of self-assessment and calibration.
  - It is difficult (if not impossible) to make an objective assessment of each Director's adherence to behavioural attributes.
  - A director's contribution to the Board, including their behaviour, is better assessed through the annual performance assessment and not against a rigid criterion.
  - Greater clarity needs to be provided between the role of the board assessments on **page 14** of the standard and the role of individual directors performance assessments on **page 15**.
- ASFA also recommends that reference should be made to the elements that are already assessed under the fitness and propriety requirements.
- ASFA recommends the concept of a director's contribution to the Board is better dealt with under the annual performance assessment in paragraph 50, not in the section of the standard related to 'skills and capabilities.[15]

**Recommendation 9 - Board, committee and director performance**[16]

- ASFA notes by way of background that this was **proposal 5** from APRA's earlier consultation paper. ASFA's position was outlined at **pages 7 to 8** of our last submission.
- ASFA strongly recommends that the scope of the annual performance assessment should be narrowed. noted
- The list of criteria included in the annual performance assessment at paragraphs 51 to 56 is detailed. ASFA recommends these should be included in triennial reviews rather than the annual review process.
- In respect of the narrowing of this requirement, ASFA notes that APRA's original **March 2025** discussion paper expressly stated:

[13] APRA Draft Prudential Standard CPS 510 at **page 7**.
[14] APRA Draft Prudential Standard CPS 510 at **paragraph 47**.
[15] APRA Draft Prudential Standard CPS 510 at **page 7**.
[16] APRA Draft Prudential Standard CPS 510 at **page 15**.

- *Given the anticipated rigour of the triennial review,* ***APRA expects to narrow the scope of annual performance assessments*** *for SFIs (to focus on progress on recommendations from the independent assessment).*

- Following this principle, paragraph 51 of the standard should be further streamlined. ASFA recommends it should be limited to assessing:

  a. The performance of the Board and Board Committees against their respective objectives.

  b. The effectiveness of individual directors.

  c. Progress made to address recommendations and findings from the last triennial independent review.

- While ASFA supports an annual assessment of director skills against the skills matrix, it is not necessary to incorporate this in the annual performance assessment, as currently proposed under paragraph 51. Instead, the annual performance assessment should focus on the effectiveness of the Board and the Directors.

- Regarding the other proposed aspects of the annual performance assessments:

  - Subject to any changes to the strategy, it is excessive to review the appropriateness of the skills matrix annually (paragraph 51(b)). A board skills matrix is designed to align with the Board's future needs, having regard to the regulated entity's strategy. It is therefore unlikely to require adjustment unless the strategy changes. Any material changes to the Board skills matrix will involve in-depth consultation internally and with Directors (as well as external consultants or advisers), taking up considerable Board and Board Committee time.

  - Similarly, unless there are material changes in the fund's strategy or structure, annual reviews of the following documents seem excessive and would place significant additional administrative burdens of funds for limited benefits:

    a. an annual review of the effectiveness and appropriateness of the governance framework (paragraph 51(d));

    b. the Fit and Proper Policy (paragraph 94(d)); and

    c. the Conflicts Management Policy (paragraph 74(j))

- ASFA also recommends that the requirement to have a policy setting out the Board's expectations in relation to the reporting of management information under paragraph 20 should be removed, noting the following:

  a. The Board already has responsibility and is empowered to communicate its expectations regarding reporting.

  b. Maintaining a formal policy could consume valuable Board and Director time without a significant impact on governance expectations.

c. The nature and timing of necessary reporting is dependent on the forum (i.e. Board versus Board Committee) and the context. Therefore, the policies could be broad (and therefore of minimal benefit) or overly prescriptive.

- ASFA recommends that clarification is provided in examples in Guidance of what documentation would be required in respect of individual director performance.

- There are certain terms that are undefined and require greater clarity, these include:

  a. Behavioural attributes in paragraph 47;

  b. 'Rating scales' in paragraph 48.

- There are certain terms that are undefined and require greater clarity, these include:

- ASFA recommends that the requirement to 'assess the effectiveness of the governance framework' is overly broad. We make the following comments on this requirement:[17]

  a. We recommend that this could be reviewed every three years instead of annually;

  b. We suggest its elements need to be better defined;

  c. We note this is already being done in respect of conflicts under other standards.

**Recommendation 10 - Board renewal and non-executive director tenure[18]**

***Recommendation 10.1 – General Principles***

- By way of background, ASFA notes that this was **proposal 8** from APRA's earlier consultation paper. ASFA's position was outlined at **pages 9 to 10** of our last submission.

- ASFA preference to external tenure limits set in an APRA standard would be a requirement in CPS 510 for entities to have policies in place that establish the details of tenure, and recommendations for individual entity considerations and decisions.

- ASFA recommends that APRA should ensure consistency across regulation of this topic, including consistency with the 5th Edition of the ASX Corporate Governance Principles and Recommendations, which is currently under consultation.[19]

[17] APRA Draft Prudential Standard CPS 510 at **paragraph 51(d)**.
[18] APRA Draft Prudential Standard CPS 510 at **page 16**.
[19] ASX, Draft of the 5th edition of the Corporate Governance Principles and Recommendations (**21 July 2026**)

***Recommendation 10.2 – Application to Alternate Directors***

- ASFA seeks greater clarity regarding how the time an alternate director acts in the capacity as a non-executive director' counts towards lifetime limits under **paragraph 61**.

- ASFA recommends that the tenure limit should only apply to alternate directors to the extent that they are actively voting in specific Board meetings.

- ASFA seeks to confirm that the framework that applies when assessing whether alternate directors involvement with the Board will be counted towards their total tenure limit is the framework which applies under the *Corporations Act 2001* (Cth)(the Corporations Act).

- ASFA recommends that the days which are counted towards this limit should be the number of weeks from when the agenda goes out for the relevant meeting to when the minutes go out for the relevant meeting in which the alternate director is known to have participated.

- This strikes an appropriate balance between allowing alternate directors to learn and participate in the role without undermining the principle of a tenure limit for non-alternate directors.

- ASFA's preference would be that tenure limits should not apply to alternate directors. However, if they do, they should only apply when alternate directors are actively voting in a given board meeting (as defined above).

***Recommendation 10.3 – Retrospective Application to Historical Predecessor or Merged Entities***

- ASFA further suggests that is currently unclear whether the proposed lifetime director term limits are intended to apply retrospectively by counting service on historical predecessor or merged entities, or whether they will only apply prospectively to terms held on existing entities from the effective date of the new standard and any future mergers.

    - ASFA recommends in the strongest possible terms that lifetime term limits should only consider service on existing entities from the effective date of the standard. To be clear, the tenure limit should not count service on entities which no longer exist at the time the standard takes effect, because they have subsequently been merged into another entity. The standard should only count service on the Boards of entities which currently exist at the time the standard is introduced.[20]

    - Applying the limits retrospectively to service on historical predecessor entities which were merged prior to the effective date of the standard would impose a significant and potentially unintended burden on regulated entities.

    - This is particularly true where governance arrangements were established under a different regulatory framework.

    - ASFA also noting that the earlier tenure may have minimal relevance to current tenure, especially when significant time may have passed between two periods of service or where the nature of the predecessor entity is materially different to the current entity.

[20] APRA Draft Prudential Standard CPS 510 at **paragraph 59**.

- ASFA recommends tenure on predecessor entities should not count toward a maximum tenure period.

- Funds should be permitted to take an entity level approach to this issue, tailored to the circumstances of mergers and successor fund transfers. This would note that service to predecessor entities will not necessarily impair a director's independence on a current board.

- If APRA proceeds with the implementation of a tenure limit, we consider that APRA should provide funds with discretion in certain circumstances to determine whether tenure on the Board of a predecessor entity should be counted towards the limit.

**Part B – Conflicts Management**[21]

- ASFA notes that this was **proposal 3** from APRA's earlier consultation paper. ASFA's position was outlined at **pages 6 to 7** of our last submission.

- ASFA recommends that the review of the conflicts management policy by an operationally independent person should remain triennial, as it is currently.[22]

**Part C – Fit and Proper**[23]

- ASFA notes that this section of the Standard includes the following key elements:
  a. Fit and proper assessment (page 21).

  b. Fit and proper criteria (page 21).

  c. Reassessment of fitness and propriety (page 22).

  d. Consequences of adverse assessments (page 23).

  e. Fit and proper policy (page 23).

  f. APRA engagement and non-constraint (page 24).

- ASFA makes the following recommendations with respect to this Part of the Standard.

- ASFA seeks clarity with respect to the interplay of the fit and proper requirements, and directors annual performance objectives, which are set on **page 15**.

- ASFA would recommend against an approach, for example, whereby a director who fails to meet their performance objective, consequently, fail to meet the fit and proper requirements.

[21] APRA Draft Prudential Standard CPS 510 at **page 19-21**.
[22] APRA Draft Prudential Standard CPS 510 at **paragraph 74(j)** .
[23] APRA Draft Prudential Standard CPS 510 at **pages 21-24** .

- ASFA recommends the removal, or significant narrowing of the requirement outlined in **paragraph 87**, as it requires the collection of overly broad categories of information under the *Privacy Act 1988* (Cth)(the Privacy Act), including sensitive information.

    - ASFA notes that the current requirement is for regulated entities to collect information only on matters they consider relevant.

    - ASFA recommends that it would assist if APRA could provide a list of all the categories of information it considers relevant under **paragraph 87**, instead of leaving it to trustees' discretion. This would provide greater clarity and facilitate compliance.