Cuscal

28 August 2026

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

Via email to PolicyDevelopment@apra.gov.au

Dear General Manager,

Consultation on APRA Governance Review

Introduction

Cuscal Limited (ASX: CCL) (Cuscal) appreciates the opportunity to comment on the draft Prudential Standard CPS 510 Governance (draft CPS 510).

Cuscal supports APRA's objective of strengthening governance across regulated entities and welcomes the evolution of the proposals following the first round of consultation. The revised framework addresses several matters raised in Cuscal's June 2025 submission, particularly in relation to Board role clarity and delegation, collective Board capability, alignment of the fit and proper framework with the Financial Accountability Regime (FAR), conflicts management and proportionality for non-significant financial institutions (non-SFIs).

As APRA finalises CPS 510, the key consideration is to preserve the proportionality and flexibility now reflected in the standard through guidance and supervisory implementation. If implementation becomes more prescriptive than the standard, the intended efficiency benefits of the reforms may not be realised.

This is particularly relevant for non-SFIs such as Cuscal. Governance requirements should establish clear prudential outcomes while allowing entities to determine how those outcomes can be achieved most effectively having regard to their size, complexity, risk profile and business model. Proportionality should apply not only to how an entity implements a requirement, but also to the scope, depth, frequency and formality of the governance processes required.

Cuscal's key observations on APRA's consultation questions are as follows:

- **Proportionality:** Cuscal supports the more principles-based approach and the greater flexibility for non-SFIs. To realise the intended benefits of the reforms, APRA's guidance should clearly articulate the governance outcomes sought while allowing entities discretion in how they are achieved.
- **Board accountability and delegation**: Cuscal supports greater clarity between the roles of the Board and senior management. The intended benefit will depend on the delegation framework operating consistently across APRA's prudential framework and standards.
- **Reviews and assessments**: Board capability should remain principally collective. Assessment requirements should be outcome-focused, allow for qualitative evidence and avoid overly standardised individual director scoring.
- **Fit and proper**: Cuscal welcomes the removal of routine reporting and closer alignment with FAR, which substantially respond to the matters raised in its previous submission. Further guidance should ensure that assessment, validation and reassessment requirements remain risk-based and proportionate.
- **Conflicts and independence**: Materiality should inform the treatment of actual and potential conflicts, sensitive records, intra-group arrangements and director independence.
- **AI governance**: Existing prudential governance principles provide an appropriate foundation for the oversight of material AI risks. Targeted guidance would assist entities without creating a separate or duplicative governance regime.
- **Compliance and transition**: Implementation should deliver genuine efficiencies and recognise existing governance, review and Board approval cycles to avoid unnecessary repeat work.

Our detailed comments against APRA's consultation questions are set out below.

About Cuscal

Cuscal is an ASX-listed Authorised Deposit-taking Institution and Australian Financial Services Licence holder. Cuscal provides payments and financial services infrastructure to more than 90 participants across the Australian financial system, including financial institutions, mutual and regional banks, FinTechs, PayTechs, corporates and government entities.

Cuscal supports transaction processing and settlement, card issuing and acquiring, transaction monitoring, regulated data services and connectivity to national payments infrastructure. As a listed ADI, non-SFI and business-to-business infrastructure provider, Cuscal brings a practical perspective to the review and supports governance requirements that are effective, proportionate to an entity's size, complexity and risk profile, and appropriately aligned with existing regulatory and corporate governance obligations.

For further information on Cuscal, please refer to our website at www.cuscal.com.

Detailed comments and recommendations

1. Proportionality, Board delegation and transition

The revised framework takes a more proportionate approach, which should be preserved through implementation.

Cuscal supports clearer minimum requirements and greater flexibility in how entities achieve the intended governance outcomes. APRA should confirm that existing governance artefacts and processes may be used, separately or collectively, to demonstrate compliance where they achieve those outcomes. This would allow entities to focus on the effectiveness of their governance arrangements rather than reproducing them in a prescribed form.

Cuscal also welcomes the continued focus on collective Board capability. Effective Boards rely on a complementary mix of skills, experience and behavioural attributes rather than equivalent expertise across all directors. The Board skills matrix should therefore remain a tool for assessing the Board's overall capability and renewal needs, rather than result in prescriptive individual competency assessments through its interaction with director performance and fit and proper requirements.

<u>Board accountability and delegation</u>

Clearer responsibilities between Boards and senior management should allow Boards to focus on strategy, risk oversight and effective challenge, while ensuring operational responsibilities sit with those best placed to discharge them.

Cuscal supports the clarification of core Board responsibilities and the ability to delegate other prudential obligations. To deliver the intended benefit, this approach should apply consistently across APRA's prudential standards and preserve Board discretion over committee structures, reserved matters and delegation arrangements. Greater clarity on delegation and the governance outcomes APRA seeks to achieve would support consistent implementation across the prudential framework while preserving Board discretion in how those outcomes are delivered.

Delegation requirements should be proportionate. Appropriate documentation, monitoring and review support clear accountability, but should not create a separate compliance framework or require documentation beyond what is appropriate to the nature and significance of the delegation.

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Recommendation: CPG 510 and consequential amendments should confirm that non-core Board obligations may be delegated consistently across the prudential framework. Guidance should provide non-prescriptive examples that clarify accountability while preserving each Board's discretion over its governance arrangements.

Transition

A coordinated transition should allow entities to align related changes to charters, delegations, policies, assessment processes and reporting arrangements. This will support consistency across the governance framework and avoid piecemeal implementation.

Recently completed reviews, assessments and policy updates should remain usable where they meet the final requirements. A staged approach should also be available for materially new obligations requiring Board approval, systems changes or significant process redesign.

Recommendation: APRA should release CPG 510 with the final standard and provide transitional arrangements that recognise existing governance cycles, avoid unnecessary repeat work and allow staged implementation of materially new requirements.

2. Reviews, Board capability and individual assessments

Reviews and assessments should generate meaningful governance insights without creating separate or duplicative processes. Entities should be able to integrate related assessments where the substantive requirements are met, and any required independence is preserved. Considering related matters together may also provide a more complete view of Board effectiveness than conducting separate compliance exercises.

Board capability should remain principally collective. Effective Boards rely on complementary skills and experience, rather than each director demonstrating equivalent proficiency across every capability in the Board skills matrix.

Assessment criteria should allow qualitative evidence for attributes such as judgement, contribution and effective challenge. Measurable criteria should not lead to rigid scoring that adds complexity without improving the quality of the assessment.

Recommendation: CPG 510 should confirm that related assessments may be integrated, the Board skills matrix remains principally a collective capability and succession tool, and qualitative evidence may be used when assessing individual director effectiveness. Individual assessments should inform, but not automatically determine, a director's fitness and propriety.

3. Fit and proper streamlining and FAR alignment

APRA's revised approach substantially responds to Cuscal's previous submission. Reliance on FAR reporting and removal of routine fit and proper reporting should reduce duplication, while notification following a determination that a person is not fit and proper provides a clearer reporting trigger.

To deliver these benefits, the underlying assessment requirements should remain risk-based and proportionate. Annual validation should generally be a lighter-touch process drawing on existing declarations, performance assessments and previous checks. This would maintain regular oversight while directing more extensive enquiries to circumstances where there has been a material change or credible adverse information.

A full reassessment should be reserved for material changes in circumstances, significant adverse information or another credible trigger relevant to the person's fitness and propriety.

Guidance should clarify how requirements such as "all reasonable steps" and a "rigorous process" apply in practice. When allegations or preliminary adverse information arise, entities should be able to conduct a risk-

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based preliminary assessment before commencing a full reassessment. This should consider the source and credibility of the information, whether it has been substantiated, its seriousness and relevance to the person's role, and the potential prudential consequences. These factors should inform whether further enquiries or a full reassessment is warranted.

This approach would support timely consideration of credible information without requiring an exhaustive process for every allegation. Assessment processes should also provide for confidentiality, procedural fairness and an appropriate opportunity for the person to respond.

Recommendation: CPG 510 should distinguish annual validation from full reassessment and confirm that enquiries and verification may reflect the person's role and the materiality, credibility and prudential significance of the information identified. It should also provide guidance on reassessment thresholds, reliance on previous checks, procedural fairness and the treatment of unsubstantiated allegations.

4. Areas where further guidance would assist

Cuscal supports APRA issuing CPG 510 alongside the final standard. Guidance should clarify the prudential and governance outcomes APRA expects and promote consistent implementation, while preserving flexibility in how entities achieve those outcomes. Clear articulation of outcomes would assist entities in determining whether existing governance arrangements, documents and processes are capable of satisfying the requirements without unnecessary duplication.

Conflicts and director independence

Conflicts requirements should be applied proportionately, with a focus on interests and relationships that could materially affect decision-making. Treating remote or immaterial connections in the same way as substantive conflicts may increase reporting without improving oversight and make material conflicts less visible.

Guidance should address intra-group arrangements, common directorships, sensitive records and when conflicts and related actions should be recorded in meeting minutes. This would be particularly helpful where governance and oversight responsibilities operate across corporate groups and intersect with existing prudential expectations relating to group structures and related party arrangements.

Entities should be able to restrict access to legally privileged or personally sensitive records while ensuring those matters remain subject to appropriate oversight. A suitably independent internal legal, risk, compliance or assurance function should be able to undertake the annual review of conflicts arrangements.

CPG 510 should distinguish conflicts management from director independence. A relationship requiring conflicts controls should not, by itself, mean that a director is not independent. The assessment should focus on whether the relationship is sufficiently material or influential to affect the director's capacity to exercise independent judgement.

Management information

Entities should be able to meet the management information requirements through existing Board papers, reporting frameworks, minutes and decision-making processes where these provide timely, relevant information to support informed decisions. The focus should be on whether the Board received the information needed to understand the matter, exercise effective challenge and make an informed decision, rather than whether a separate policy or additional record was created.

Recommendation: CPG 510 should apply materiality to conflicts and independence, allow restricted records for sensitive matters where appropriate oversight is maintained, recognise suitably independent internal reviews, and confirm that existing Board reporting and decision-making arrangements may satisfy the management information requirements where they support informed decision-making and effective challenge.

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5. Compliance costs and net impact

Implementation should preserve the intended efficiency benefits. The reforms will involve implementation and recurring costs, particularly in updating governance documentation, Board assessments, management information, conflicts management and fit and proper processes.

These costs should be offset by the intended efficiencies from consolidating the governance standards, removing routine fit and proper reporting, aligning more closely with FAR and providing greater flexibility for non-SFIs.

The net benefit will depend on implementation. Requiring standalone policies or processes where existing arrangements already achieve the prudential outcome would direct resources towards documentation rather than improving governance effectiveness.

Recommendation: APRA should recognise implementation and recurring compliance costs and confirm that existing governance arrangements may be reused or adapted where they substantively satisfy the final requirements.

6. Artificial intelligence governance

AI should be governed through existing, technology-neutral arrangements. Cuscal agrees that AI requires effective governance and oversight, but the nature and significance of the risk will depend on the use case and the consequences of failure.

Draft CPS 510 provides an appropriate foundation for governing material AI risks through its requirements for accountability, Board oversight, risk appetite, capability and management information.

AI oversight should be integrated into existing governance, risk management and accountability frameworks and calibrated to the materiality of the use case. Integration will help maintain clear accountability and avoid parallel structures that could fragment oversight. CPG 510 should not imply that regulated entities must establish a standalone AI framework, Board committee, designated director role or separate risk appetite.

Targeted guidance could assist entities to apply existing principles to material AI uses, including accountability for third-party services, collective Board capability, management information and processes for reassessing risk as technologies and use cases evolve.

Recommendation: APRA should retain technology-neutral, principles-based requirements in CPS 510 and use CPG 510 to provide proportionate, risk-based examples for material AI uses. Guidance should avoid mandating separate governance structures and minimise duplication with the broader Australian regulatory framework for AI.

We trust that our feedback will assist APRA in finalising CPS 510 and CPG 510.

Should APRA wish to discuss any aspect of this submission, please contact [redacted].

Yours Sincerely,

[redacted]

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