25 August 2026

General Manager
Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority
Via email: PolicyDevelopment@apra.gov.au

To Whom It May Concern,

RE: Governance Review Consultation Paper

The FSC welcomes the opportunity to provide comment in relation to the proposed updates and streamlining of Prudential Standard 510 (the Draft Standard). The FSC notes that the Draft Standard reflects much of the FSC's feedback in relation to the original discussion paper consultation, and thanks APRA for its collaborative approach in this regard.

Overall, the FSC is supportive of the principles of the Draft Standard which seek to uplift Board Governance whilst also streamlining requirements. However, the FSC observes a shift to a more prescriptive, operational-level set of 'minimum governance requirements', away from the 'minimum foundations of good governance' in the current standard, and wishes to make recommendations in relation to a number of issues, specifically:

1. Refining the proposed alignment of Responsible Persons with FAR Accountable Persons to avoid unintended consequences for RSE licensees operating within diversified financial services groups, while preserving APRA's objective of reducing duplication.

2. Ensure governance obligations remain outcomes-focused by removing or simplifying requirements that create additional artefacts without a corresponding prudential benefit.

3. Maintain flexibility in governance arrangements by permitting boards to delegate responsibilities to appropriately qualified members of management, recognising common trustee and group operating models, and providing additional implementation guidance through CPG 510.

4. Retain the focus on collective board effectiveness by removing behavioural attributes from board skills matrices and clarifying that director performance assessments are governance effectiveness assessments rather than employment-style performance objectives.

5. Avoid unnecessary duplication and clarify governance responsibilities by retaining the current approach to conflicts management reviews, embedding proportionality within the standard, and providing greater clarity regarding the respective responsibilities of boards, management and board committees.

Specific recommendations are expounded upon below.

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 130

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000

E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

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The financial services industry is responsible for investing more than $4 trillion on behalf of over 16.9 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.

Summary of Recommendations

1. APRA provide RSE licensees with the ability to apply for an exemption from treating an Accountable Person as a Responsible Person where appropriate having regard to the individual's role and responsibilities and the RSE licensee's operating structure.

2. Ensure that CPS 510 remains focused on governance outcomes by removing or relocating requirements that create additional artefacts without a commensurate prudential benefit.

3. Replace the requirement for a standalone management information policy with an outcomes-based obligation requiring entities to demonstrate how the board's expectations regarding management information are established, communicated and implemented.

4. APRA refine and clarify the meaning of "behavioural attributes" to ensure that the Board skills matrix focuses on identifiable and assessable capabilities relevant to effective Board performance, rather than general assessments of a director's personality or character.

5. Replace individual director performance objectives with an assessment of each director's contribution to the board's collective effectiveness or, at a minimum, clarify in CPG 510 that director objectives are governance effectiveness expectations rather than employment-style performance measures and move operational provisions relating to the board evaluation process into CPG 510.

6. Retain the current requirement for an annual internal review of conflicts management frameworks and an operationally independent review every three years and clarify that an RSE licensee's publicly disclosed interests and duties register may satisfy the register requirement without requiring disclosure of associated conflict management controls.

7. Permit boards to delegate responsibilities to appropriately qualified members of management under a board-approved delegation framework, rather than limiting delegation to the defined senior manager cohort and clarify the operation of sub-delegation and board committee oversight.

8. Develop additional guidance in CPG 510, including worked examples, to support the application of CPS 510 to common trustee, service provider and group operating models.

9. Clarify that boards are responsible for governance, oversight and accountability, while management remains responsible for the implementation and day-to-day operation of governance frameworks.

10. Clarify the respective responsibilities of the Audit Committee and Risk Committee and confirm that oversight of non-delegable board responsibilities may be exercised through appropriately

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000
E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

constituted board committees, with the board retaining ultimate accountability.

11. Embed an express proportionality principle within the operative provisions of CPS 510 so that entities may implement the standard in a manner appropriate to their size, complexity, risk profile and operating model.

12. Consult on CPG 510 before implementation of the final standard and provide sufficient transition time for entities to implement changes once APRA's expectations have been finalised.

Responsible Persons vs. Accountable Persons

APRA has proposed aligning the definition of Responsible Person under CPS 510 with the Financial Accountability Regime (FAR) by replacing the current references to directors, senior managers, and relevant individuals within connected entities with Accountable Persons and the Chief Risk Officer. The FSC strongly supports the intent of this change and considers that, for most RSE licensees, greater alignment between the two regimes will reduce duplication and regulatory burden.

However, the FSC notes that the criteria for identifying an Accountable Person under FAR and a Responsible Person under the existing fit and proper framework are not identical. This may create unintended consequences for some RSE licensees operating within diversified financial services groups, particularly where executives in related entities are designated as Accountable Persons because they hold accountability for group wide functions, resources or frameworks that support the RSE licensee.

In these circumstances, an individual may appropriately be designated as an Accountable Person for FAR purposes despite not being directly involved in the day-to-day management of the RSE licensee. Automatically treating these individuals as Responsible Persons may therefore extend the CPS 510 fit and proper requirements to individuals whose roles would not otherwise have brought them within the existing Responsible Person framework.

The FSC considers that the proposed alignment should be retained, given the benefits it will provide for most regulated entities but should be accompanied by sufficient flexibility to accommodate these less common operating structures. The FSC therefore recommends that APRA provide RSE licensees with the ability to apply for an exemption from treating an Accountable Person as a Responsible Person where the RSE licensee can demonstrate that this is appropriate, having regard to the individual's role and responsibilities and the RSE licensee's operating structure. This would preserve the benefits of greater alignment between CPS 510 and FAR while avoiding unintended consequences for RSE licensees with more complex group structures.

Recommendation 1: APRA provide RSE licensees with the ability to apply for an exemption from treating an Accountable Person as a Responsible Person where appropriate having regard to the individual's role and responsibilities and the RSE licensee's operating structure.

Board Governance Uplift Should be Outcomes Focussed

The FSC is concerned that some of the proposals in the Draft Standard introduce a wide range of artefacts that need to be created, but that do not materially uplift governance standards.

The Draft Standard introduces or expands several documents, policies, reviews, registers, matrices and evidence requirements, including board skills matrices, performance assessments, management information policies, delegation reviews, conflicts reviews and fit and proper uplift. The final standard should guard against the risk that boards become more compliance-oriented but not more effective.

Increased governance obligations should be assessed by reference to whether they improve trustee

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000
E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

decision-making and member outcomes. Requirements that merely increase compliance activity without improving the quality of oversight, challenge, risk management or beneficiary decision-making should be reconsidered or moved to guidance.

Specific examples of where the Draft Standard introduces extra artefacts with little obvious benefit are outlined below.

Recommendation 2: Ensure that CPS 510 remains focused on governance outcomes by removing or relocating requirements that create additional governance artefacts without a commensurate prudential benefit.

Management Information

The FSC supports the objective of ensuring that information provided to boards is relevant, timely, concise and of sufficient quality to support informed decision making and effective challenge. However, the proposed requirement for a standalone management information policy, risks prioritising the creation of a new artefact over the prudential outcome APRA is seeking to achieve.

Many entities already communicate and implement the board's expectations through combinations of board and committee workplans, charters and terms of reference, delegation frameworks, accountability statements, reporting protocols, and board paper templates and reporting standards. A separate policy may duplicate these established arrangements and require ongoing maintenance without materially improving the quality of information provided to the board.

Further, related new requirements additional to this policy, include requiring *'succinct and relevant'* information to be provided to the Board and annual and independent triannual assessments of the quality of management information and board interactions. This cascading of the requirement through other obligations seems unnecessarily prescriptive and potentially leads to divergent outcomes and a hindsight review of board information and interactions. For example, a policy is necessarily 'point in time,' making defining expected 'content', 'quality' and 'frequency' across a wide range of papers challenging as the key matters impacting an organisation change from time to time. Requiring information to be 'succinct' is necessarily subjective and contextual and may be more amenable to guidance. In practice, funds look to different artefacts in setting board paper expectations and frequency/type of regular committee reporting, which the current draft does not contemplate.

The FSC recommends that APRA replace the policy requirement with an obligation for the entity to demonstrate how the board's expectations regarding management information are established, communicated and implemented.

Recommendation 3: Replace the requirement for a standalone management information policy with an outcomes-based obligation requiring entities to demonstrate how the board's expectations regarding management information are established, communicated and implemented.

Board Skills and Behavioural Attributes

The FSC supports requiring boards to identify the collective skills, experience and capabilities needed to perform their responsibilities effectively and to take action to address identified gaps.

The Draft Standard requires a Board skills matrix to document the skills, experience and behavioural attributes necessary for the Board and each of its committees to discharge their responsibilities effectively. However, the term "behavioural attributes" is not defined and could be interpreted broadly to encompass subjective assessments of a director's personality, character or personal qualities.

The FSC considers that there is a legitimate role for behavioural capabilities within a Board skills matrix where those capabilities and skills that relate directly to a director's effectiveness in performing their governance role. For example, capabilities such as strategic thinking, sound judgement and constructive challenge can be relevant to assessing whether a Board collectively possesses the capabilities necessary to discharge its responsibilities effectively. This approach is also consistent with established governance practice, which recognises that effective Board capability encompasses more than technical knowledge and experience.

However, there is an important distinction between these role relevant capabilities and broader assessments of an individual director's character, personality or fitness and propriety, as implied by APRA's use of the term "behavioural attributes". The latter are more appropriately considered through fit and proper assessments, director appointment processes and individual performance assessments. Without further clarity, the use of the broad term "behavioural attributes" risks inconsistent interpretation and may result in entities incorporating subjective personal characteristics into skills matrices in a manner that does not contribute meaningfully to an assessment of collective Board capability.

The FSC therefore recommends that APRA refine the concept of "behavioural attributes" in the Draft Standard or accompanying guidance to make clear that it refers to identifiable and assessable capabilities relevant to effective Board performance, such as strategic thinking, rather than general assessments of an individual's personality or character. This would allow Boards to incorporate relevant behavioural capabilities into their assessment of collective capability while maintaining an appropriate distinction between the Board skills matrix and the fit and proper framework.

Recommendation 4: APRA refine and clarify the meaning of "behavioural attributes" to ensure that the Board skills matrix focuses on identifiable and assessable capabilities relevant to effective Board performance, rather than general assessments of a director's personality or character.

Board and Director Performance Assessments

Effective performance review can identify areas for improvement, support renewal and strengthen board effectiveness. However, requiring individual directors to be assessed against formal performance objectives risks introducing an employment style performance framework into non-executive governance.

The draft requires individual directors to be measured against both their performance objectives and the board skills matrix. The FSC considers that the more appropriate focus is the director's contribution to the board's collective performance and objectives.

At a minimum, CPG 510 should clarify that director objectives are governance effectiveness expectations and are not intended to operate as employment style performance measures.

Further, the new board evaluation requirements, including an effectiveness and appropriateness review of the governance framework, include a higher level of operational prescription and evidence-based assessment. For example, the introduction of an annual assessment of 'effectiveness and appropriateness' of the 'governance framework' is unclear in its scope and methodology. Accordingly, this could increase regulatory burden while potentially duplicating other effectiveness assessments relating to governance frameworks (e.g., in CPS 220). More flexibility by moving more operational provisions to illustrative guidance or clarifying the indicative nature of factors to be considered in an assessment could address these impacts while achieving the objective of driving continuous board improvement.

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000
E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

Recommendation 5: Replace individual director performance objectives with an assessment of each director's contribution to the board's collective effectiveness or, at a minimum, clarify in CPG 510 that director objectives are governance effectiveness expectations rather than employment-style performance measures and move operational provisions relating to the board evaluation process into CPG 510.

Conflicts Management Reviews

The FSC supports robust conflicts management arrangements and the proactive identification, assessment and management of actual and potential conflicts. However, the requirement for an annual, operationally independent review of the conflicts management policy would materially increase the compliance burden for RSE licensees.

Although the proposed requirement refers to review of the policy, a meaningful assessment of whether the policy is appropriate and effective will generally require examination of the broader conflicts management framework. This may include testing controls, registers, training, board processes, records and the practical operation of the policy.

An external review may cost between $30,000 and $60,000 depending on the complexity of the RSE licensee's operations. Use of Internal Audit may instead divert assurance resources from other material prudential risks.

The FSC considers that a three-year cycle for operationally independent reviews appropriately balances the need for independent assurance with the relatively stable nature of most conflicts management frameworks. In the absence of material changes to the RSE licensee's business, governance arrangements or conflicts profile, annual independent reviews are unlikely to identify materially new findings and may not represent an efficient use of assurance resources.

The FSC proposes that retaining the current structure of an annual internal review and an operationally independent review every three years is a more suitable and appropriate outcome.

The FSC also requests that APRA clarify that an RSE licensee may use the publicly disclosed interests and duties register to satisfy the internal register requirement without publicly disclosing the associated controls used to manage conflicts.

Recommendation 6: Retain the current requirement for an annual internal review and an operationally independent review every three years and clarify that an RSE licensee's publicly disclosed interests and duties register may satisfy the internal register requirement without requiring disclosure of associated conflict management controls.

Board Delegation

The FSC supports APRA expressly confirming that boards may delegate relevant prudential responsibilities, including to board committees. This appropriately recognises that delegation can improve governance efficiency without diminishing the board's ultimate accountability. However, the proposed restriction of management delegations to "senior managers" is too narrow for many superannuation fund operating models.

The defined senior manager cohort for an RSE licensee may capture only a subset of those who would ordinarily be considered senior management in a commercial organisation. It may exclude appropriately qualified subject matter experts, employees within an Office of the Trustee or Member Office and other individuals who currently exercise delegated authority.

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Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000
E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

This restriction is also narrower than the delegation arrangements commonly permitted under the Corporations Act and RSE licensee trust deeds. The board will remain responsible for oversight of its delegation framework and for monitoring the exercise of delegated authority regardless of whether the delegate is technically a senior manager.

The FSC recommends that CPS 510 allow delegation to "management" or, at least, "senior management".

The standard should also clarify that:

- delegation may be made to an appropriately qualified person under a board approved delegation framework;
- a delegate may subdelegate where this is expressly contemplated by that framework;
- the board retains ultimate accountability and appropriate oversight; and
- board committees may undertake oversight of relevant matters without each matter necessarily requiring direct consideration by the full board.

Further, the criteria in draft Clause 17 that the board must ensure when delegating any authority may be more appropriately moved to guidance for boards to consider when determining appropriate delegation arrangements, with the level of formality and evidence calibrated to the nature, materiality and risk of the delegation.

Recommendation 7: Permit boards to delegate responsibilities to appropriately qualified members of management under a board-approved delegation framework, rather than limiting delegation to the defined senior manager cohort and clarify the operation of sub-delegation and board committee oversight.

Trustee, Service Provider and Group Operating Models

CPS 510 should recognise that many RSE licensees operate using models in which material investment, administration, technology, risk, member services and operational activities are undertaken by related entities or external service providers. These structures can improve member outcomes by allowing access to expertise, systems, control frameworks, resources and senior decision-makers.

CPS 510 raises practical questions regarding the identification of Responsible Persons, the use of group policies and governance functions, delegation arrangements and the oversight of executives employed outside the trustee entity.

The draft acknowledges that entities may adopt group policies and governance functions where these are appropriate for the regulated entity. While this is welcome, it does not provide sufficient clarity on how the proposed requirements will operate in common superannuation structures.

For example, paragraph 45(h) requires that the Board Risk Committee review the performance and set the objectives of the regulated entity's CRO or equivalent. While this might be appropriate in an organisation which operates only a superannuation fund and the CRO serves only the superannuation fund, it is not so simple for a broader organisation where the CRO serves multiple parts of the business.

The FSC recommends that APRA provide additional guidance, including worked examples in CPG 510, illustrating the application of CPS 510 to typical trustee and group operating models. This should include the use of related service providers, group executives who are APs, group governance arrangements, and circumstances where key management personnel are employed by another entity within the corporate group.

Recommendation 8: Develop additional guidance in CPG 510, including worked examples, to support the application of CPS 510 to common trustee, service provider and group operating models.

Board Accountability and Management Execution

The final standard should more clearly distinguish between the role of the board and that of management. Boards should remain responsible for setting the entity's strategic direction, approving governance frameworks and overseeing management, while management should retain responsibility for implementing and operating those frameworks on a day-to-day basis.

The cumulative use of terms such as *"ensure"*, *"monitor"*, *"assess"*, *"demonstrate progress"* and *"take reasonable steps"* risks blurring this distinction and may unintentionally draw boards into operational decision-making. The FSC recommends that APRA clarify that boards are responsible for oversight and accountability, rather than the operational execution of management frameworks. The final standard should confirm that boards may discharge their obligations through traditional mechanisms such as approval, challenge, escalation, committee oversight, clear delegations, reporting and assurance.

Recommendation 9: Clarify that boards are responsible for governance, oversight and accountability, while management remains responsible for the implementation and day-to-day operation of governance frameworks.

Audit and Risk Committee Responsibilities

The draft appears to create overlap between the responsibilities of the Audit Committee and Risk Committee in relation to the risk management framework. The FSC considers that the Risk Committee should oversee the implementation and effectiveness of the framework, while the Audit Committee's role should focus on assurance, audit coverage and findings relating to that framework.

This distinction should be reflected in the standard itself rather than left solely to guidance. In addition, APRA should clarify the interaction between paragraph 13 and the committee requirements in paragraphs 35–46, confirming that oversight of non-delegable board responsibilities may appropriately be exercised through the operation of board committees, with the board retaining ultimate accountability.

The FSC also requests clarification of the requirement that advice commissioned by a board committee be "independent of the Board". As board committees are established by, and comprise members of, the board, the intended meaning of this requirement is unclear.

Recommendation 10: Clarify the respective responsibilities of the Audit Committee and Risk Committee and confirm that oversight of non-delegable board responsibilities may be exercised through appropriately constituted board committees, with the board retaining ultimate accountability.

Proportionality

The FSC supports APRA's intention for entities to comply with CPS 510 in a manner proportionate to their size, complexity, risk profile and operating model. However, this should be embedded within the operative provisions of the standard rather than being confined to the consultation paper.

Expressly incorporating proportionality into CPS 510 would help ensure consistent application across the diverse range of APRA-regulated entities, including smaller and emerging funds, entities with limited internal resources, and those that rely on group or outsourced operating models.

Recommendation 11: Embed an express proportionality principle within the operative provisions of CPS 510 so that entities may implement the standard in a manner appropriate to their size, complexity, risk profile and operating model.

Guidance and Transition

A significant number of the proposed requirements involve the exercise of judgement and would benefit from additional practical guidance. The FSC therefore recommends that APRA consult on CPG 510 before entities are expected to finalise implementation plans.

The guidance should include worked examples covering key areas of uncertainty, including delegation arrangements, trustee and group operating models, the interaction between Responsible Persons and FAR, behavioural attributes, director performance assessments, management information expectations and fit and proper requirements.

The FSC also recommends that APRA provide an appropriate implementation period following publication of the final standard and guidance. Entities should not be required to redesign governance frameworks, policies and assessment processes until APRA's expectations have been clearly articulated.

Recommendation 12: Consult on CPG 510 before implementation of the final standard and provide sufficient transition time for entities to implement governance changes once APRA's expectations have been finalised.

Additional Drafting Matters

In addition to the policy issues outlined above, the FSC recommends that APRA clarify several drafting matters to improve the operation of the standard. These include:

1. Amend the definition of “Responsible Person” to refer to “appointed auditor” and “appointed actuary”. This would align the Responsible Person definition with the formal prudential appointments recognised elsewhere in CPS 510, improve consistency and ensure that the term captures persons other than the individual holding the relevant statutory appointment.
2. Clarify the application of paragraph 18, specifically whether the requirement applies collectively to the senior management cohort or whether each individual senior manager must separately satisfy each element of the provision.
3. Clarify the operation of board skills matrices, including whether a single collective skills matrix may be maintained across the board and its committees, or whether APRA expects separate committee-specific matrices.
4. Clarify the role of the Risk Committee in relation to the Chief Risk Officer, particularly where the CRO is employed by a related entity or service provider, including responsibility for setting performance objectives and undertaking performance assessments.
5. Clarify remuneration committee requirements where an RSE licensee utilises a group Board Remuneration Committee, including how the proposed composition requirements are intended to apply in group structures.
6. Clarify the fit and proper criterion relating to "care", including APRA's expectations as to how this criterion should be interpreted and assessed in practice.
7. Clarify references to the RSE actuary, including confirming that references apply only to the appointed RSE actuary where this is the intended policy outcome.
8. Correct the apparent cross-reference error in paragraph 76(b)(vi) to ensure the provision operates as intended.

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000
E. info@fsc.org.au
W. fsc.org.au
ABN 82 080 744 163

Conclusion

The FSC supports APRA's objective of strengthening governance and agrees that boards and senior managers must be subject to clear and effective prudential expectations.

The final CPS 510 should nevertheless focus on governance outcomes rather than the production of additional artefacts and processes. The Draft Standard should preserve the distinction between board oversight and management execution, accommodate diverse superannuation operating models, avoid unintended duplication with FAR and existing prudential arrangements, and operate proportionately across the industry.

The FSC would welcome the opportunity to discuss these matters further with APRA. If you would like to discuss the contents of this submission further, please contact me via email [redacted].

Yours sincerely,

[redacted]

[redacted]

Financial Services Council Ltd
Suite 30.01, Level 30, 9 Castlereagh Street
Sydney NSW 2000

E. info@fsc.org.au
W. fsc.org.au
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