FinTech Australia

A more efficient and transparent bank licensing framework submission

July 2026

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About this Submission

This document was created by FinTech Australia in consultation with its members.

In developing this submission, interested members of the industry participated in meetings to discuss key issues and provided feedback to inform our response to the APRA's - A more efficient and transparent bank licensing framework consultation.

About FinTech Australia

FinTech Australia is the peak industry body representing the Australian financial technology sector, with a membership of more than 400 companies and startups nationwide. Our members span the full breadth of the fintech ecosystem, including payments, consumer and business lending, artificial intelligence, wealthtech, regtech, neobanking, open banking, digital assets, distributed ledger technologies, DeFi, and Web3. The fintech industry delivers a wide range of business-to-business and business-to-consumer financial products and services that support the smooth operation of the Australian economy.

Our vision is to position Australia as one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to advance public debate and drive cultural, policy and regulatory change toward realising this vision, for the benefit of the Australian public.

FinTech Australia would like to recognise the support of our policy partners, who assist in the development of our submissions:

- Allens;
- Ashurst Perkins Coie;
- DLA Piper;
- Gadens;
- Mallesons; and
- K&L Gates.

Executive Summary

We welcome the opportunity to respond to the Australian Prudential Regulation Authority's (APRA) consultation paper, A more efficient and transparent bank licensing framework, released on 13 May 2026, together with the draft ADI Licensing Criteria and draft ADI Licensing Guidelines. We understand the package is intended to implement Action 6 of the Council of Financial Regulators' Review into Small and Medium-sized Banks, and to give effect to APRA's stated objective of making the licensing process for authorised deposit-taking institutions (ADIs) clearer, more efficient and more transparent.

FinTech Australia supports the objectives of the reform. A licensing framework that is more transparent, more predictable and proportionate to the size, scale, complexity and risk of an applicant is, in principle, beneficial both to prospective entrants and to the stability and competitiveness of the banking sector. Codifying APRA's expectations into clear criteria, setting defined timeframes, and publishing licensing decisions are sensible steps that should reduce uncertainty for applicants and their investors.

FinTech Australia also considers that the success of the reforms should ultimately be measured by whether they facilitate sustainable new entry into Australia's banking sector. While prudential safety must remain paramount, the framework should ensure that appropriately governed smaller and non-traditional applicants are able to compete alongside established institutions. In our view, transparency and efficiency should be assessed not only by licensing process metrics, but by whether the framework supports competition, innovation and customer choice over time.

Our submission also raises a number of matters for APRA's consideration, principally directed at ensuring the reforms genuinely lower barriers to entry for new and non-traditional applicants and do not, in their detailed operation, have the unintended effect of making the pathway to authorisation more difficult for smaller or earlier-stage firms. These comments are consistent with positions FinTech Australia has consistently advanced across related consultations, including on payment service provider licensing, the Consumer Data Right and the digital assets framework, where we have advocated for proportionate, risk-based regulation, well-sequenced reform and the avoidance of unnecessary regulatory layering.

List of recommendations

FinTech Australia supports the broad direction of the proposed framework. Our principal recommendations are as follows:

1. **Codification of licensing expectations.** We support replacing guidance-based expectations with clear, legally effective ADI Licensing Criteria. We recommend the Criteria be drafted in plain, outcomes-focused language and accompanied by worked examples in the Guidelines, particularly for smaller, technology-led and non-traditional applicants.
2. **Genuine proportionality.** We support APRA's intention to assess applicants having regard to their strategy, business mix, risk profile, size and complexity. We recommend APRA provide additional illustrative examples demonstrating how proportionality will operate in practice, particularly in relation to governance, operational resilience, technology, liquidity and capital expectations for smaller and non-traditional applicants.
3. **Discontinuation of the Restricted ADI (RADI) pathway.** While we acknowledge the limited uptake of the RADI pathway, we recommend APRA preserve a genuine, lower-cost "on-ramp" for early-stage applicants for example through structured pre-application engagement and scaled initial requirements so that removing the RADI stepping-stone does not raise the effective barrier to entry.
4. **Assessment and decision timeframes.** We support the proposed 12-month assessment period and the three-month decision target. We recommend APRA clarify when the assessment period commences, the circumstances in which extensions will be granted, and how the timeframe will operate so that it does not disadvantage smaller applicants.
5. **Documentation requirements.** We recommend APRA review the practical operation of the proposed documentation tranches and provide flexibility where appropriate, recognising that smaller applicants may need additional time to finalise certain governance, recruitment, capital and operational readiness materials.
6. **Publication of decisions.** We support publishing licensing decisions to improve transparency. We recommend clear safeguards for commercially sensitive and confidential information, careful treatment of refusals given their potential reputational and funding consequences, and confirmation that voluntarily withdrawn applications will not be published.

7. **Resources, skills and stress readiness.** We recommend that expectations regarding financial and non-financial resources, skills and experience, and recovery, solvent-exit and Financial Claims Scheme readiness be applied proportionately, with clear guidance on the evidence APRA expects from smaller and novel applicants.
8. **Coordination and sequencing.** We recommend APRA coordinate the licensing reforms with related regulatory workstreams including payments licensing, the Consumer Data Right, the digital assets framework and the Scams Prevention Framework to avoid duplication and regulatory layering.

1. Detailed Responses

The consultation paper does not pose a single closed list of numbered questions; rather, it invites feedback on the proposed framework as a whole and, in particular, on the benefits and costs of the proposals for future applicants. We have accordingly structured our detailed response around the principal elements of the proposed framework.

1.1 Codifying licensing expectations into binding Criteria

FinTech Australia supports the proposal to codify APRA's licensing expectations into a single set of ADI Licensing Criteria given legal effect under the *Banking Act 1959* (Cth), supported by Guidelines that explain how applicants can demonstrate that they meet those criteria. Replacing guidance-based expectations with clear criteria should improve certainty for applicants and their investors, and reduce the information asymmetry that prospective entrants currently face.

The draft Criteria provide a clearer statement of APRA's minimum licensing expectations. In finalising the framework, we recommend that APRA retain an outcomes-focused approach where appropriate and further clarify provisions that may create uncertainty in their practical application. The final Guidelines should provide additional concrete and worked examples of the evidence APRA would ordinarily expect, including examples relevant to smaller, technology-led and non-traditional applicants.

Where the Criteria combine broad prudential outcomes with prescriptive requirements, APRA should clearly distinguish between:

- mandatory minimum requirements;

- evidence that APRA would ordinarily expect an applicant to provide; and
- illustrative approaches through which an applicant may demonstrate the relevant prudential outcome.

Further guidance on the criterion concerning an applicant's ability to be effectively supervised would be particularly valuable. This should include APRA's expectations regarding corporate and group structures, access to information and records, and oversight of material functions performed by offshore parents or related entities.

1.2 Proportionality of assessment

We strongly support APRA's statement that, while all applicants will face the same minimum criteria, the licensing assessment will have regard to the size, scale, complexity and risk of the applicant's proposed business. Proportionality is essential if the framework is to support new entrants and competition without compromising prudential safety.

We recommend that the Guidelines articulate, as concretely as possible, how proportionality will operate in practice. In particular, applicants would benefit from clarity on how capital and resource expectations, board and governance requirements, and the depth of risk-management and technology documentation will scale for smaller or more narrowly focused business models. Where governance expectations (such as director residency and independence requirements) are drawn from existing prudential standards, confirming how these apply to smaller applicants would reduce uncertainty. Without this clarity, there is a risk that a single set of criteria is applied in a uniformly demanding way that bears most heavily on the smallest applicants.

We note that the draft Guidelines already recognise that applicants may satisfy the Criteria in ways that are appropriate to their strategy, business mix, risk profile, size and complexity. To maximise the value of this approach, we consider that APRA should provide additional practical examples of how proportionality is expected to operate across different business models, including digital banks, specialist lenders, technology-led entrants and firms transitioning from other regulated financial services sectors.

1.3 Discontinuation of the RADI pathway

FinTech Australia acknowledges APRA's observation that the RADI pathway has had limited uptake and mixed outcomes since its introduction in 2018, and we recognise the case for simplifying the framework by moving to a single set of criteria. We note, however, that the RADI pathway was originally designed to provide an earlier, lower-cost entry point for smaller firms with limited

resources, and that its removal should not inadvertently raise the practical barrier to entry that it was intended to lower.

We note that limited utilisation of the RADI framework does not necessarily demonstrate that the underlying concept of a graduated pathway was unsuccessful. An alternative explanation is that the framework did not sufficiently reduce the cost, complexity or uncertainty associated with obtaining a full ADI licence. Before removing the pathway entirely, APRA should consider whether aspects of the RADI model that facilitated earlier engagement, staged progression and regulatory certainty could be incorporated into the new framework.

We therefore recommend that, in discontinuing the RADI pathway, APRA preserve a genuine "on-ramp" for early-stage and non-traditional applicants. This could include structured and well-resourced pre-application engagement (for example through a dedicated licensing function), clear staging of requirements within the 12-month assessment period, and proportionate initial capital and resourcing expectations that reflect the applicant's starting position. The objective should be to retain the accessibility benefits of a graduated approach within the new single-criteria model, so that competition and new entry are supported rather than constrained.

1.4 Assessment period and decision timeframes

We support the proposed 12-month period for an applicant to demonstrate that it meets the Criteria, with the possibility of an extension in exceptional circumstances, and APRA's stated intention to target a licensing decision within three months thereafter. Defined timeframes provide useful certainty and discipline for both applicants and APRA, and the ability to reach a decision sooner where an applicant is ready is welcome.

To make the timeframe workable, we recommend APRA clarify: when the 12-month period is taken to commence (including the relationship between any pre-application phase and the formal assessment period); the circumstances that will be regarded as "exceptional" for the purpose of an extension; and how the timeframe will be administered so that it operates as a supportive milestone rather than a hard "cliff" that disadvantages smaller applicants who may legitimately require more time to assemble capital or complete recruitment.

We also encourage APRA to monitor the practical operation of the proposed documentation requirements. The draft Guidelines contemplate that substantially all licensing documentation will be provided within the first three months of the assessment process. While we support APRA's objective of improving efficiency, care should be taken to ensure that documentation requirements do not inadvertently recreate barriers to entry for smaller applicants with more limited resources.

Greater flexibility may be appropriate where applicants can demonstrate genuine progress toward meeting the Criteria.

1.5 Publication of licensing decisions

FinTech Australia supports the proposal to publish all licensing decisions, including refusals, as a means of improving transparency and building a clearer body of precedent about how the Criteria are applied. We understand APRA does not propose to publish instances where an applicant voluntarily withdraws its application prior to a formal decision.

Given the commercial sensitivity of licence applications, we recommend that publication be accompanied by clear safeguards. In particular: commercially sensitive and confidential information should be protected, consistent with APRA's existing confidentiality practices and the relevant protections under the *Freedom of Information Act 1982* (Cth) and section 56 of the *Australian Prudential Regulation Authority Act 1998* (Cth); the form and content of published refusals should be carefully considered, given the potential reputational and funding consequences for applicants; and APRA should confirm the position on the treatment of withdrawn applications so that applicants can engage with confidence.

APRA should also consider publishing de-identified case studies or thematic observations arising from licensing assessments. This would improve transparency and assist future applicants to better understand APRA's expectations without creating unnecessary reputational consequences for unsuccessful applicants.

1.6 Financial and non-financial resources, skills and experience

The draft framework requires applicants to demonstrate adequate financial and non-financial resources and appropriate skills and experience. We support the principle but reiterate the importance of proportionate application. The fintech sector continues to experience strong competition for specialist talent, particularly in technology, data, cyber security and compliance roles. We recommend that the Guidelines clarify the evidence APRA expects in relation to resourcing and capability, and recognise legitimate approaches such as the staged build-out of teams and the appropriate use of third-party and outsourced arrangements, provided risks are adequately managed.

We also note the increasing reliance of modern financial institutions on cloud infrastructure, core banking platforms and specialist third-party service providers. Consistent with CPS 230 and the draft Guidelines' focus on operational resilience, APRA should continue to recognise that appropriately

governed outsourcing arrangements can support innovation, resilience and scalability rather than being viewed solely as prudential risks.

FinTech Australia also encourages APRA to provide additional guidance regarding the evidentiary threshold for demonstrating operational readiness. While the Criteria appropriately require applicants to be operationally ready to accept deposits and to maintain fit-for-purpose technology systems, greater clarity regarding the expected level of testing, validation and independent assurance would assist applicants in planning for authorisation.

1.7 Risk management and response to stress

We support the expectation that applicants maintain a risk-management framework appropriate to their business, together with credible plans for recovery, solvent exit and Financial Claims Scheme activation, and we note the draft Guidelines' position that such plans should not assume public sector support. We recommend that these expectations be expressed and assessed proportionately to the size, scale and complexity of the applicant, and that the Guidelines indicate the level of detail and integration APRA expects from smaller applicants, so that the requirements are clear and achievable without being disproportionately resource-intensive at the point of entry.

1.8 Coordination with the broader regulatory agenda

Many fintech applicants operate across multiple regulatory regimes. To avoid duplication, inconsistent requirements and unnecessary regulatory layering, we recommend that APRA coordinate the licensing reforms with related workstreams including payment service provider licensing, the Consumer Data Right, the digital assets framework and the Scams Prevention Framework and clearly delineate the boundary between activities that require an ADI licence and those that do not. Clear guidance on this boundary, and on how the ADI framework interacts with non-ADI pathways, would help applicants choose the most appropriate regulatory model and reduce avoidable cost.

We also encourage APRA to minimise unnecessary duplication where applicants are already subject to other Commonwealth regulatory regimes. Many prospective applicants may already hold Australian Financial Services Licences, Australian Credit Licences or future payment service provider licences. While prudential assessment necessarily remains distinct, applicants should not be required to repeatedly provide substantially similar information where equivalent material has already been assessed elsewhere within government.

1.9 Future entrants and emerging business models

FinTech Australia notes that many future applicants may emerge from sectors that have not historically sought ADI authorisation, including payment service providers, embedded finance providers and technology-enabled financial institutions. As Australia's financial services framework evolves, clear pathways between regulatory regimes will become increasingly important.

We encourage APRA to provide ongoing guidance regarding the circumstances in which an ADI licence is likely to be required, how the ADI framework interacts with adjacent regulatory regimes, and the factors applicants should consider when determining the most appropriate regulatory pathway for their business model.

1.10 Foreign bank branches and future iterations

We note that the current package applies to locally-incorporated ADIs, and that APRA intends to revise its approach to foreign ADI branches after finalising this framework. FinTech Australia supports consistency and clarity across these pathways and would welcome the opportunity to comment on the foreign-branch framework when it is released.

We also encourage APRA to provide clarity on how supervision expectations will apply to overseas-controlled applicants and to ensure, where appropriate, consistency between domestic and foreign entrant pathways.

Conclusion

FinTech Australia welcomes APRA's initiative to make the ADI licensing framework more efficient and transparent, and supports the broad direction of the proposed reforms.

Codifying expectations, applying assessments proportionately, setting clear timeframes and publishing decisions are positive steps that should benefit applicants, investors and the wider banking system.

Our recommendations are directed at ensuring that, in their detailed design and operation, the reforms genuinely support new entry and competition particularly for smaller, earlier-stage and non-traditional applicants while maintaining the prudential safeguards that protect depositors.

We thank APRA for the opportunity to contribute to this important consultation.