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[redacted]

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Dear Sir or Madam,

I refer to the exposure draft of the standard CPS 510 issued in June 2026 and provide the following observations – one significant (on proportionality) and several minor.

Proportionality

Most APRA prudential standards include a line on proportionality – something like 'suitable for the size, business mix and complexity' of the institution. This is important for small and specialised insurers, even though its application in practice may be less than ideal.

The new draft of CPS 510 does not include this phrase until paragraph 47 (a) relating to a skills matrix, unlike the current CPS 510 which has it right up front.

In my view this omission is unsatisfactory and contrary to the principles by which APRA seeks to undertake its roles.

Minor observations (in page order)

1. Para 8(d) in the definition of 'an Interest' I think the grammar is weak and it needs some sort of break in the fourth line after 'regulated entity)' before it goes on to 'of a regulated entity ...
2. Para 13(a) – for most subsidiaries of overseas insurers, the local Board does not 'set strategic objectives, business plan and risk appetite'. These are done by the parent company in consultation with Australian management, and the role of the Board is then to challenge and monitor.
3. Para 20 sets out a requirement to have a Board Policy relating to reporting of management information. Is this new? It would be helpful to make it a topic in an existing

policy rather than implying a different one. There has been an unhelpful proliferation in Board policies making navigation, communication and annual review more difficult.

4. Para 23 requiring senior managers to be ordinarily resident in Australia may be unnecessarily restrictive in some situations, for example where underwriting is done on a global basis. I presume an entity could apply to APRA for approval.
5. Para 41 (a) requires the Audit committee to oversee the 'risk management framework' along with other items. This seems like an unnecessary duplication with the functions of the risk committee.
6. Para 48 requiring a Board skills matrix to have 'clear assessment criteria and rating scales of proficiency that can be measured and verified' seems to be completely over the top and impractical.
7. Para 50 is quite onerous compared with what many Boards of smaller institutions do, although it is not a bad idea if it is kept to a practical level.
8. Para 51(d) includes a part of an annual Board performance assessment evaluation of 'the effectiveness and appropriateness of the governance framework'. This seems to extend well beyond an assessment of performance and should be a more structured three yearly review.
9. Para 57 – the 'Board renewal policy' should not need to be a stand-alone document and should be incorporated into another Board policy.
10. Para 74 (f) regarding the conflicts register could be very onerous depending on the level in the organisation and the amount of detail it aims to cover. There needs to be some sort of proportionality provision (regardless of para 75(c)) and should permit sub-registers for parts of the entity.
11. Para 110 – requiring that delegation by the SOOA of a branch can only be to a senior management ordinarily resident in Australia is unnecessary and contrary to the typical use and rationale for branches.
12. Para 114 seems to have a grammatical error where it requires the SOOA to deal with the SOOA in a certain manner.
13. Para 116 requiring senior managers of a branch to be ordinarily resident in Australia is unrealistic and unhelpful.
14. Para 117 (c) – while this is pedantic it is worth noting 'approved by the Board or the SOOA on its behalf'
15. Att B 2 (f) (ii) at the end of the second line 'that' should be 'the'?; also in 2 (g) (i).

APRA's language regarding Boards

This is a broader observation than just in relation to CPS 510. I have long thought that APRA's language regarding Boards makes it sound like each one is the Board of a listed company. APRA's trend to consolidation of cross-sector standards has exacerbated this.

Many Australian incorporated insurers are subsidiaries of international insurers and are integrated, to varying degrees, with global operations. For these companies it is simply wrong to

say that the Australian Board is responsible for the strategy, business operations and risk profile of the company.

I think of these mainly as ‘regulatory Boards’. Their principal role is to represent the shareholder to ensure local regulatory requirements are met. They can also provide useful oversight and challenge for local management and the overseas parent.

Personally I think APRA would be more effective in its role if it could find ways to be more accurate in talking about the functions of Boards in order to recognise the different roles and structures.

Yours sincerely

Geoff Atkins