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By Email

Dear APRA

CPS 510 consultation

We write to provide our submission in response to APRA's consultation on the revised draft Prudential Standard CPS 510 Governance (**CPS 510**) released on 16 June 2026. We welcome APRA's continued engagement with industry on this important standard.

Key submissions on draft CPS 510

We have set out our detailed observations on draft CPS 510 in Schedule 1 and make the following two overarching observations.

Proportionality

We are concerned that the proposed CPS 510 represents a significant step towards more prescriptive governance requirements at a time when the governance requirements for listed companies is moving towards a less prescriptive approach. Proposed CPS 510 is, in important aspects, more onerous than the governance frameworks applicable to large, systematically significant non-APRA regulated companies.

To illustrate, a small building society, which is an authorised deposit-taking institution, would, under the proposed standard, be subject to more prescriptive Board governance obligations than a ASX20 company that is not APRA-regulated (but is subject to the ASX Corporate Governance Council's Principles and Recommendations (**ASX Recommendations**)). The proposed CPS 510 imposes mandatory, prescriptive (and more stringent) obligations, including on Board composition, director tenure, skills matrices with measurable and verifiable rating scales, and triennial independent performance assessments for directors, regardless of the size, complexity or risk profile of the regulated entity.

We note that under the proposed 5th edition of the ASX Recommendations, the ASX has proposed to streamline its recommendations, including to remove duplication with the law and to allow companies more flexibility with a less prescriptive position. Whereas, proposed CPS 510 has the effect of “hard-wiring” into prudential standards specific recommendations contained in the 4th edition of the ASX Recommendations (and indeed, in some cases, going beyond them).

While we are supportive of APRA-regulated entities being subject to high standards of governance, we query whether a one size fits all approach is appropriate and whether there are opportunities to streamline the governance requirements in CPS 510.

Conflation of independence and conflicts of interest

We also note that the proposed approach to assessing the independence of directors on APRA-regulated boards (where they are also directors on other group boards) seems to conflate the two distinct concepts of director independence and conflicts of interests.

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The effect of paragraph 31 of draft CPS 510 is to treat the existence of intra-group arrangements as giving rise to a question of independence, when the independence of the director from external influences is not in question and the more appropriate response for the APRA regulated group is to focus on managing any specific internal conflicts of interest through the entity's conflicts management framework. Proposed paragraph 31 appears to indirectly compel groups with multiple regulated entities to populate each Board with different directors, an outcome that may not be in the best interests of the company (including its customers, policyholders or beneficiaries).

Further questions

If you have any questions or comments about our submissions, please do not hesitate to contact us using the details below.

Yours sincerely

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Schedule 1

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Governance framework	• We acknowledge that paragraph 13 of the draft CPS 510 provides a useful articulation of the Board's core prudential responsibilities, and observe that these responsibilities largely reflect (or overlap with) existing expectations of Boards of APRA-regulated entities and listed companies more broadly. In practice, Boards of well-governed entities would already be undertaking these functions as a matter of course. • However, we submit that paragraph 13(g) should be removed or softened. We are concerned that the absolute nature of the drafting means that an entity would be in breach of the standard if the entity was taking steps to ensure they had the relevant skills (ie. if there was a sudden resignation or departure of a key director or senior manager).

Delegation	• We note that paragraph 15 limits delegation of certain obligations imposed by prudential standards to Board committees or senior managers of the entity. We submit that this formulation is unduly restrictive and does not reflect the practical reality of how Boards operate. In particular:
	  • the Board may wish to delegate certain functions or responsibilities to persons other than senior managers, including to external professional service providers. The current drafting does not accommodate this and may inadvertently constrain Boards from making appropriate delegation decisions. We recommend that APRA consider removing the restriction on who can be delegated to; and
	  • the draft standard is silent on the question of sub-delegation. It is unclear whether Board committees and senior managers to whom authority has been delegated are permitted to sub-delegate that authority to other persons within the organisation. We recommend that APRA clarify its position on sub-delegation.
	• We note that the formulation in the current paragraph 18 whilst similar, is not as proscriptive as the proposed paragraph 17. We observe that the principles governing delegation by directors are well-established in Australian law and have been extensively considered by the courts. Directors' duties in relation to delegation, including the obligation to exercise reasonable care and diligence, are clearly articulated in the *Corporations Act 2001* (Cth) and the general law. The inclusion of the proposed paragraph 17 appears to restate these existing legal obligations without adding material value. We consider that paragraph 17 could be removed without diminishing the standard's effectiveness. If APRA wishes to

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	retain the concepts in paragraph 17, these may be more appropriate to include in a guidance note rather than codifying them in the standard itself.
Senior management	• We submit that the approach taken to define “senior manager” in the draft CPS 510 is overly complex and risks introducing unnecessary definitional layering into the prudential framework. The existing prudential framework already contains multiple overlapping role definitions. We recommend that APRA avoid introducing further definitions and instead rely on, or cross-refer to, existing defined terms to the greatest extent possible. This would reduce complexity and confusion about the application of the standard and promote consistency across the prudential framework. • In relation to paragraphs 18 and 19, we observe a tension between the delegation framework established by paragraph 17 and the prescriptive articulation of senior managers' responsibilities in paragraphs 18 and 19. If the Board is to define the scope of management's role through documented delegations of authority, it appears inconsistent for the standard to also prescribe the content of that role. We recommend that APRA clarify the interaction between the delegation framework and the articulation of senior managers' responsibilities, to avoid any suggestion that the standard overrides the Board's authority to define the scope of delegated functions. • We have significant concerns regarding paragraph 21, which requires a locally incorporated regulated entity to have processes in place to ensure that management information, strategy, risk appetite, conflicts and the best financial interests of beneficiaries (for RSE licensees) are "considered and recorded in all relevant decision-making". The scope of this obligation is unclear and potentially very broad. In particular, the phrase "all relevant decision-making” is undefined and could, on its face, extend to a vast range of operational decisions made at all levels of the organisation. This obligation, as currently expressed, could apply to decisions such as lease renewals, stationery orders and catering contracts. The breadth of the current drafting also potentially makes the requirement very difficult to implement in practice and there are possible unintended consequences, such as stifling effective and efficient decision making. We recommend that APRA clarify the intended scope of this requirement, for example, that it should only apply to material decisions made by the Board and senior managers.
Board composition and independence	• Paragraph 25 requires a Board to always have a minimum of five directors. Paragraph 26 provides a 90-day grace period for certain types of RSE licensees. Every other APRA-regulated entity must apply for an exemption under paragraph 27. We consider that this flexibility should not be confined to RSE licensees. All regulated entities may face similar circumstances where a temporary vacancy arises due to unforeseen events (such as the sudden resignation, incapacity or

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death of a director). We submit that the standard should be amended to allow more flexibility for all entities in the event of a temporary vacancy of a director.

- We note the inclusion of paragraph 31, which requires that where an independent director serves on the Board of a parent and also serves on the Board of another entity within the same group, both Boards will need to consider whether the director remains independent and must assess the director's independence with specific regard to any potential or actual conflicts arising from intra-group arrangements.
  In our opinion, the existence of a conflict of interest does not reduce the director's independence. Independence goes to the relationship between the director's personal and external interests and those of the group. A conflict of interest can exist even when a director is clearly independent. The proposed drafting of CPS 510 seems to conflate the concepts of independence and conflicts of interest and indirectly require groups with multiple regulated entities to have different directors on each Board even if this would not be the best outcome for the group (or its customers / policyholders / beneficiaries).
  APRA's previous consultation on corporate governance proposed that every [regulated] Board should have an independent chair and directors that are not on any other group entity Boards. We are concerned that paragraph 31 is effectively the same proposal (even though it is worded differently) – the proposal was one that industry raised concerns with. Having different directors on multiple group company Boards does not necessarily result in better governance outcomes. There have been multiple examples where group company Boards populated with different directors to the parent entity have still failed to prevent material governance issues from arising because they were not adequately linked to the broader group's strategy and did not have sufficient influence within the broader corporate group. Whereas, common directors across all regulated subsidiaries can identify potential conflicts of interest faced by each group entity and ensure that the interests of all businesses (including their customers / policyholders / beneficiaries) are aligned or weighed and balanced.
  We also recommend that paragraph 39 in the current CPS 510 be reinserted into the proposed draft to clarify that a director may be considered independent if they serve on the Board of the parent company and a subsidiary.
- In addition, we note that APRA proposes to maintain the definition of 'substantial shareholder', aligning this definition with the *Corporations Act 2001* (Cth) (being 5%). We note that in its current consultation, the ASX Corporate Governance Council is proposing to change the definition of substantial shareholder for the purpose of director independence to 10%. We recommend APRA adopt a similar approach (or cross-refer to the definition in the ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**), so that they continue to be aligned).

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	• Lastly, we note that paragraph 32 includes a definition of director independence. One of the practical difficulties we have observed over time as the ASX Recommendations have been updated is that there have been changes in the definition of independence that ASX listed entities apply but CPS 510 was not updated in tandem – this created a need for ASX listed APRA-regulated entities to consider 2 (slightly) different definitions of director independence (without a clear need for the two different definitions). We recommend APRA, at a minimum, continues to update the definition in CPS 510 to align with the ASX Recommendations, or alternatively, cross-refer to the definition in the ASX Recommendations.
Board Committees	• In relation to paragraph 35(e), we understand APRA's intent to be that Board committees should be empowered to engage third-party experts independently to support the discharge of their delegated functions. While we support the principle that committees should have access to independent expert advice, we have concerns regarding the requirement that such advice be "independent of the Board". Typically, independent advice suggests independence from the influence of management. We consider that this paragraph could be interpreted as precluding the Board from having visibility of, or access to, advice obtained by its committees. In our view, this would be an undesirable outcome, as the Board retains ultimate responsibility for the actions of its committees and should be able to consider any advice that informs committee decisions. We recommend that paragraph 35(e) be amended to clarify that the advice is independent of management and that the Board should retain the ability to access the advice received. Alternatively, APRA may wish to consider removing paragraph 35(e) on the basis that the power to engage experts is already implicit in the requirement that committees have "sufficient powers to enable [them] to fulfill [their] role" under paragraph 35(c). • Subject to the above, we consider the remaining Board committee obligations in paragraphs 36 to 46 to be broadly reasonable and consistent with existing market practice for well-governed entities. However, it would be helpful for APRA to clarify whether the responsibilities listed in those paragraphs are required to be documented in the Committee Charters.
Board skills and capability	• We note that the consultation draft of the 5th edition of the ASX Recommendations proposes to move away from prescriptive skills matrix requirements. APRA's approach in paragraphs 47 and 48 is different from the direction being taken by the ASX Corporate Governance Council, which may create inconsistency for entities that are subject to both requirements. • We consider that paragraphs 47 and 48 include overly prescriptive requirements. In particular, the requirement in paragraph 48 for "clear assessment criteria and rating scales of proficiency that can be measured and verified" imposes a level of specificity that may not be appropriate for all entities and risks reducing the skills matrix to a compliance exercise

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	rather than a genuinely useful governance tool. We also note that it is unclear whether the skills matrix is required to be disclosed. We assume it is not, and that it is intended to be an internal document. If that is the case, we query the rationale for prescribing the form and content of the output in such detail. • If APRA's objective is to ensure that entities are actively considering the skills and capabilities of their Boards, we consider that a more principles-based obligation — such as the requirement in paragraph 49(a) that the Board take all reasonable steps to ensure it has the skills, experience and behavioural attributes it needs to effectively perform its role — would be sufficient to achieve this objective without the prescriptive overlay of paragraphs 47 and 48. We recommend that APRA consider adopting a more flexible approach that allows Boards to determine the most appropriate method of assessing and documenting their collective capabilities and removing the prescriptive requirement in paragraph 48 (including the requirement for verification). • More broadly, we note APRA's proposal to include "behavioural attributes" as part of the skills matrix. We consider this to be overly broad and query the governance enhancement achieved by its inclusion. We consider that the behavioural attributes of a director go towards their fitness and propriety (which are subject to separate requirements), rather than the skills which they bring to the Board. APRA should consider removing the reference to behavioural attributes.
Board, committee and director performance	• While we acknowledge that paragraph 54 provides a helpful articulation of the matters to be evaluated in the triennial independent performance assessment, we consider that the scope of the assessment is overly prescriptive. Boards are best placed to determine the scope of their performance reviews, having regard to the particular circumstances, risks and priorities of the entity at the relevant time. We recommend that paragraph 54 be reframed as a non-exhaustive list of matters that Boards may consider, rather than a mandatory minimum scope. This would preserve the Board's discretion to tailor the assessment to its needs at the particular point in time that the assessment is taking place, while still signalling APRA's expectations. • We support the requirement in paragraph 53 that significant financial institutions engage an external, independent expert to conduct a comprehensive performance assessment at least every three years. We agree that this requirement should be limited to significant financial institutions (**SFIs**) and should not be extended to non-SFIs as the cost and administrative burden would likely be disproportionate to the governance benefit. • In relation to paragraphs 52 and 56, which require that a regulated entity "must be able to demonstrate to APRA progress against accepted recommendations from the report", we note that no timeframe is specified within which such progress must be demonstrated. We recommend that APRA provide greater clarity regarding the expected timeframe for

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	demonstrating progress (eg "within a reasonable time of completion of finalisation report"), or alternatively, clarify in guidance what APRA considers to be a reasonable period. Without such clarity, there is a risk of inconsistent expectations being applied across entities. • We also note that paragraph 51(c) refers to individual directors being "measured against the directors' performance objectives…" This could be read to suggest that each individual director must have performance objectives, which is not typically the case in practice. We suggest the wording be amended to make it clear there is no requirement for each individual director to have a set of performance objectives (recognising the directors act collectively). It is also not clear if APRA is intending that director performance objectives be documented – if that is the case, this should be clarified.

Director tenure limits	• We acknowledge that APRA has, in response to consultation feedback (including our prior submission), increased the proposed tenure limit for non-executive directors from 10 years to 12 years in paragraph 59. We welcome this adjustment, which is more consistent with existing market practice and governance cycles.
	• However, we submit that the maximum extension period of 12 months provided for in paragraph 60 is insufficient to accommodate all circumstances in which it may be in the best interests of the entity, its depositors, policyholders or beneficiaries for a director to remain on the Board beyond the 12-year limit. If the Board has determined, having regard to the interests of the entity and its stakeholders, that a director's continued service is warranted, we query the rationale for imposing an arbitrary cap on the extension period. We recommend that the maximum extension period be increased to three years, subject to the following safeguards:
	  • the Board must, on an annual basis following the expiry of the 12-year tenure limit, formally consider and resolve whether the director's continued appointment remains in the best interests of the entity, its depositors, policyholders or beneficiaries (as relevant); and
	  • the entity must notify APRA within 10 days of each such Board resolution.
	In our view, this approach would provide Boards with appropriate flexibility while maintaining accountability and transparency through annual review and APRA notification.

Conflicts of interest	• We note that paragraph 74(g) requires regulated entities to record in the minutes of the Board, Board committees and other relevant meetings, details of conflicts disclosed at the respective meeting and the action taken to avoid or manage those conflicts. This obligation substantially overlaps with existing requirements under the *Corporations Act 2001* (Cth),

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	which imposes obligations on directors to disclose material personal interests and requires that such disclosures be recorded in the minutes of the relevant meeting. Given this existing legislative framework, we consider that paragraph 74(g) is duplicative and unnecessary and should be removed. However, if it is retained, we recommend that APRA clarify what is meant by "other relevant meetings" as this is potentially very broad and as a result, may be difficult to implement in practice. • In relation to paragraph 74(j), which requires that the appropriateness and effectiveness of the conflicts management policy be "reviewed by operationally independent, appropriately trained and competent persons at least annually", we consider that an annual external review may be disproportionately frequent and could impose significant costs on regulated entities without a commensurate improvement in conflicts management outcomes. We recommend that the requirement for an independent review be reduced to at least every three years, with entities conducting internal reviews in intervening years. This would be consistent with the triennial cycle adopted for other governance reviews (such as the independent performance assessment for SFIs) and would reduce costs while still ensuring periodic independent assurance over the effectiveness of conflicts management arrangements.
Fit and proper	• We support the consolidation of fit and proper obligations within CPS 510 and assume that the existing Prudential Standard CPS 520 Fit and Proper will be repealed upon commencement of the new standard. • We also support the narrowing of the responsible person cohort to align more closely with accountable persons under the *Financial Accountability Regime Act 2023* (Cth). This is an appropriate measure to reduce duplication between the fit and proper regime and the Financial Accountability Regime. The removal of routine fit and proper reporting requirements is also a welcome reduction in regulatory burden.