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28 August 2026

General Manager
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Policy and Advice Division
Australian Prudential Regulation Authority

Re: Submission to Governance Review Consultation Paper (CPS 510 Governance)

By email: PolicyDevelopment@apra.gov.au

APRA Policy Team,

Amstelveen welcomes the opportunity to provide feedback on APRA's proposed revisions to Prudential Standard CPS 510 Governance (CPS 510). Amstelveen is a specialist risk and compliance consultancy which operates across Australia and New Zealand. Our response is informed by our experience advising financial services organisations on governance, risk management, operational resilience, accountability frameworks and regulatory change. We have considered the proposed amendments having regard to their intended prudential benefits, implementation practicality, and interaction with related prudential and regulatory obligations, including Prudential Standard CPS 220 Risk Management (CPS 220), Prudential Standard CPS 230 Operational Risk Management (CPS 230), Prudential Standard CPS 234 Information Security (CPS 234), Prudential Standard CPS 511 Remuneration (CPS 511) and the Financial Accountability Regime (FAR).

We support APRA's continued focus on strengthening governance standards across the prudentially regulated sectors and recognise the important role that effective Boards, clear accountability, robust challenge and sound decision-making play in maintaining financial safety, operational resilience and confidence in the financial system. In finalising CPS 510, we encourage APRA to preserve a proportionate and outcomes-focused approach that enables entities to demonstrate effective governance in a manner that reflects their size, complexity, risk profile, ownership structure and maturity. We also encourage APRA to provide further implementation guidance in areas requiring judgement, so that the final standard improves governance effectiveness without unnecessary duplication or documentation burden.

Executive Summary

Amstelveen supports the direction of the proposed reforms. We recommend that APRA:

- Provide practical guidance and worked examples demonstrating proportionality, Board capability, constructive challenge, management information, independence, conflicts, delegations and performance assessments;
- Preserve flexibility where entities can demonstrate equivalent governance outcomes;
- Support integration between CPS 510, FAR and existing governance obligations;
- Stage material requirements that depend on Board renewal, director recruitment or significant system changes;
- Distinguish minimum requirements from better practice examples and heightened expectations for significant financial institutions; and
- Establish clear minimum expectations for Board oversight of AI and emerging technologies.

Proportionality and Transitional Arrangements

The proposed requirements are directionally appropriate. However, APRA should provide practical examples of how proportionality applies across different entity types. For example, proportionality may affect the depth of Board capability assessments, succession planning and management information. Larger institutions may require more extensive governance processes and reporting, while smaller entities may achieve the intended outcomes through more streamlined arrangements.

Based on our experience supporting prudential implementation programs, the proposed early 2028 commencement appears broadly achievable for most entities. However, longer implementation timeframes may be required where compliance depends on:

- Board renewal, independence and succession planning;
- Closure of material Board capability gaps;
- Independent Board performance assessments;
- Fit and Proper and conflicts framework changes; and
- Systems supporting accountability and governance records.

Entities should establish their implementation plans and gap assessments by commencement, with additional time available for structural changes that cannot reasonably be completed immediately. APRA should also clarify whether recent equivalent assessments or existing exercises of supervisory discretion may be recognised.

Governance Reviews and Assessments

Amstelveen supports annual Board performance assessments and triennial independent reviews for significant financial institutions.

These reviews should assess governance effectiveness rather than operate as documentation or process audits. Relevant areas include:

- Collective Board capability and dynamics;
- Quality of challenge and decision-making;
- Relevance and timeliness of management information;
- Clarity of delegations and decision rights;
- Committee workload and effectiveness;
- Chair effectiveness; and
- Progress against previous review recommendations.

Evidence of constructive challenge should focus on its effect. Practical evidence may include Board questioning that resulted in management revising a recommendation, conducting further analysis, deferring approval, applying additional conditions or strengthening proposed controls. Boards should not be expected to maintain transcript-style minutes solely to demonstrate that challenge occurred. Records should instead capture the material matters raised, alternatives considered, decisions made and actions agreed.

APRA should provide guidance on reviewer independence, conflicts, methodology and minimum reporting expectations. Flexibility should be available where an entity has recently completed a comparable independent governance assessment.

Fit and Proper, FAR and Accountability

Amstelveen supports consolidating fit and proper requirements into CPS 510 and aligning responsible person coverage with FAR accountable persons and other specified roles.

APRA should clarify expectations concerning:

- Verification of sensitive information;
- Treatment of unresolved allegations;
- Changes in a responsible person's circumstances;
- Procedural fairness and privacy; and
- Timing of reassessments and notifications.

Amstelveen supports removing routine fit-and-proper reporting where equivalent information is available through FAR. Entities should nevertheless retain sufficient internal evidence of assessments, reassessments and notification decisions.

Accountability frameworks should prioritise clarity over excessive granularity. Overlapping or duplicative accountability statements can obscure ownership and create unnecessary maintenance effort. APRA should encourage alignment between accountability statements, delegations, committee charters, fit and proper assessments, conflicts registers and role descriptions. Together, these artefacts should present one coherent view of accountability and decision-making.

APRA should recognise accountability structures that distinguish between positions and responsibilities. This can make accountability frameworks easier to maintain when personnel, reporting lines or responsibility allocations change, while preserving clear ownership and accountability. For example, entities may separately define accountable or responsible positions and the responsibilities assigned to those positions, making role changes easier to manage without redesigning the broader accountability framework.

Implementation Guidance

The draft Standard would benefit from focused prudential guidance and worked examples covering:

- Board skills matrices and capability assessments;
- Decision-useful management information;
- Evidence of constructive challenge;
- Conflicts arising from group arrangements;
- Board renewal and succession;
- Director independence within group structures;
- Delegation guardrails, monitoring and review; and
- Independent governance assessments.

For Board capability, guidance should explain how entities can demonstrate not only that capability exists on paper but that it is actively applied in Board oversight, challenge and decision-making. Supporting evidence may include Board assessments, decision reviews, professional development, succession planning and external benchmarking where proportionate.

For management information, guidance should focus on whether reporting enables the Board to identify material exposures, understand trends, assess performance against risk appetite and determine where action is required. The volume of information should not be treated as evidence of reporting quality.

APRA should clearly distinguish:

- Mandatory minimum requirements;
- Better practice examples;
- Heightened expectations for significant financial institutions; and
- Matters remaining subject to entity judgement.

Conflicts, Independence and Delegations

Amstelveen supports stronger conflicts management and more explicit consideration of independence within group structures.

Entities should be able to use existing governance documentation and registers where these arrangements meet CPS 510 requirements. APRA should avoid requiring duplicate records that do not improve the identification, assessment or management of conflicts.

Independence should be assessed in the context of the regulated entity rather than assumed from a director's position elsewhere in the group. However, the assessment should consider substance and demonstrated impartiality, not only structural characteristics.

We also support clearer delegation arrangements that allow Boards to focus on strategy, material risk, oversight and challenge. Delegations should be supported by defined limits, reporting expectations, escalation triggers and periodic review. Delegation should improve governance efficiency without diluting Board accountability.

Compliance Costs and Benefits

Implementation costs may be material for entities requiring significant uplift to:

- Board skills matrices and succession planning;
- Conflicts and independence assessments;
- Governance and accountability records;
- Board performance review processes;
- Delegation arrangements;
- Fit and proper procedures; and
- Supporting systems and data.

These costs will vary significantly according to an entity's scale, complexity and existing governance maturity. APRA should consider the concentrated effect on smaller organisations and entities requiring substantial initial uplift, rather than relying solely on aggregate industry estimates.

The reforms have the potential to deliver meaningful benefits through clearer accountability, stronger challenge, improved conflicts management, more effective delegation and better management information.

The greatest value from governance reform will arise when it improves the quality and timeliness of decisions. Implementation should not become primarily an exercise in refreshing policies, registers and charters.

AI and Emerging Technologies

Amstelveen supports APRA's focus on AI and emerging technologies. The standard should remain technology-neutral and principles-based while establishing clear governance expectations.

Boards should:

- Maintain sufficient AI and technology literacy to provide effective oversight and challenge;
- Oversee an AI strategy aligned with risk appetite and resilience objectives;
- Understand where AI is used in material business processes;
- Receive reporting on material risks, controls and third-party dependencies; and
- Obtain sufficient information to understand material AI risks, limitations, dependencies and impacts on critical operations.

Board reporting should address residual risk, control effectiveness, model performance and limitations, data quality, incidents, customer or member impacts, human oversight and assurance outcomes. Reporting that only lists AI use cases will not provide sufficient insight for effective governance.

AI governance should be integrated with existing risk, cyber, privacy, operational resilience, outsourcing and accountability frameworks rather than established as a separate governance regime.

Conclusion

Amstelveen supports APRA's objective of strengthening governance expectations through the proposed revisions to CPS 510. The reforms have the potential to improve Board effectiveness, clarify accountability, strengthen conflicts management, enhance oversight of material risks and support improved governance practices across prudentially regulated entities.

Consistent with APRA's stated objectives, we consider the most effective governance reforms to be those that improve Board and management decision-making, accountability and oversight in practice, while avoiding unnecessary duplication of governance artefacts and compliance activity.

Amstelveen encourages APRA to preserve flexibility where entities can demonstrate equivalent governance outcomes and to recognise the diversity of operating models, ownership structures and levels of maturity across regulated entities. With appropriate guidance and transitional support, the proposed CPS 510 reforms should contribute to stronger governance, clearer accountability and better-informed decision-making.

Thank you for providing us with the opportunity to provide input into this discussion paper. Please feel free to contact us to discuss any of these items in further detail.

Sincerely,

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Partner

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About Amstelveen

Amstelveen is an Australian professional services firm that advises public and private organisations in Australia and New Zealand on governance, risk management, regulatory change, operational resilience, technology risk, and assurance. We work with Boards, executives and senior management teams to design, assess and uplift governance and risk frameworks that are practical, proportionate, and aligned to regulatory expectations.

Our work includes supporting financial services organisations with prudential readiness, Board and committee effectiveness, accountability frameworks, risk appetite, conflicts management, operational resilience, third-party risk, data governance and AI governance. We bring a practical implementation perspective to regulatory reform and focus on helping organisations translate prudential obligations into effective governance practices and decision-making disciplines.