



**Actuaries
Institute.**

6 June 2025

General Manager, Policy Development.
Australian Prudential Regulatory Authority
L12, 1 Martin Place
SYDNEY NSW 2000

Email: PolicyDevelopment@apra.gov.au

Dear General Manager

Response to Governance Review Discussion Paper

The Actuaries Institute ('the Institute') welcomes the opportunity to respond to proposals outlined in APRA's Governance Review Discussion Paper.

The Institute is the peak professional body for actuaries in Australia. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, banking, enterprise risk management, data analytics and AI, climate change and sustainability, and government services.

The Institute has a longstanding commitment to contribute to public policy discussions where our members have relevant expertise. The comments made in this submission are guided by the Institute's 'Public Policy Principles' that any policy measures or changes should promote public wellbeing, consider potential impacts on equity, be evidenced-based and support effectively regulated systems.

We support APRA's objective to strengthen governance practices in parts of the financial sector while balancing the need for proportionality and practicality in implementation. We recognise the difficult balancing act for APRA between being principles-based and prescriptive as it develops the updated cross-practice prudential standard and encourage APRA to consider an accompanying Prudential Practice Guide where further guidance is required.

Our responses to the discussion paper in Attachment A address each of the eight proposals, drawing on our collective expertise and experience across multiple parts of financial services.

We believe that proportionality, practicality and flexibility are essential to successful implementation across diverse regulated entities.

We particularly emphasise the need for:

- Clear guidance on required skills and capabilities for APRA-regulated boards
- Proportionate requirements based on entity size and complexity
- Recognition of existing professional standards and responsibilities
- Reasonable implementation timeframes
- Focus on governance outcomes rather than compliance processes.

Actuaries Institute
Level 34, Australia Square,
264 George Street, Sydney NSW 2000
P +61 (0) 2 9239 6100 | actuaries.asn.au
ABN 69 000 423 656

We encourage APRA to consider whether its existing supervisory and enforcement powers could more effectively address specific governance issues at individual entities, rather than adding additional regulatory requirements across the entire sector. APRA has substantial tools available, including the ability to increase supervisory intensity, impose capital overlays, adjust license conditions, and direct removal of directors where governance concerns arise.

We appreciate APRA's consultative approach and would welcome further engagement on implementing these important governance reforms in a manner that enhances governance outcomes while managing regulatory burden appropriately. If you would like to do so, please contact the Institute via (02) 9239 6100 or public_policy@actuaries.asn.au.

Yours sincerely

(Signed) Elayne Grace

CEO

Attachment A: Response to APRA Proposals

Proposal 1 – Skills and capabilities

Require regulated entities to:

- a) identify and document the skills and capabilities necessary for the board overall, and for each individual director
- b) evaluate existing skills and capabilities of boards and individual directors
- c) take active steps to address gaps through professional development, succession planning and appointments.

The board is required to identify and then have, or develop, the skills needed for the organisation. This is a group responsibility for the entire board and recognises the joint and several legal responsibilities of the board. Therefore, while we support APRA's proposals for the board as a whole, the focus on individual director skills and capabilities should only be in so far as they support the overall board skills and capabilities. It is important to avoid a situation where one board member is considered an expert and relied upon, when in fact the whole board is responsible.

Skills and capabilities assessments should be forward-looking and linked to the entity's strategy, not just a compliance exercise. We also note that articulating expected skills and capabilities represents only the first step; entities need practical pathways to address identified gaps.

We recommend APRA:

- Provides clearer guidance on expected board-level skills and capabilities rather than focusing solely on individual skills and capabilities. We recommend APRA provides guidance including templates and examples of skills and capabilities matrices for different types and sizes of regulated entities
- Offers guidance on how to effectively measure and verify skills and capabilities beyond self-assessment
- Supports self-assessment of certain skills and capabilities, subject to challenge through the Chair
- Considers how entities can practically implement these requirements within existing nomination frameworks, particularly for RSE licensees with equal representation models.

In addition, we recommend that behavioural attributes be addressed through fit and proper assessments and board performance reviews, rather than as part of the skills and capabilities framework, to avoid duplication and ensure appropriate focus.

We support the need for relevant industry experience of board membership for the more effective operation of boards. The Institute has released a [Dialogue Paper](#) on the special needs of financial services boards and the skills and capabilities they require. This paper may be a useful input into APRA's guidance on board skills and capabilities. Appendix A of the Dialogue Paper provides a table of skills and capabilities we encourage APRA to consider.

These include:

Skills

- Financial literacy
- Legal and compliance
- Risk management
- Governance/board experience
- Senior management experience
- Technology
- Investment management and liability management
- Regulatory engagement
- People, conduct, culture and remuneration
- Customer service

Capabilities

- Business and financial acumen, insightfulness, strategic thinking
- Prudential/customer outcomes mindset
- Social awareness and insights
- Board style and behaviour – influence on culture
- Risk management mindset

Proposal 2 – Fitness and propriety

Require regulated entities to meet higher minimum requirements to ensure fitness and propriety of their responsible persons.

Require Significant Financial Institutions (SFI), and non-SFIs under heightened supervision, to engage proactively with APRA on potential appointments.

We support the objective of ensuring responsible persons are fit and proper and see significant opportunities to streamline and enhance the implementation approach by recognition of membership of a professional body with suitable requirements. Many directors and responsible persons are members of professional bodies with established codes of conduct, continuing professional development/lifelong learning requirements, and disciplinary frameworks. This represents a valuable foundation that APRA's requirements could build upon rather than duplicate.

In this regard, we also note and support APRA's intention to align reporting requirements with the Financial Accountability Regime (FAR) obligations to reduce duplication. However, we highlight the need for broader alignment across the regulatory landscape, including:

- Section 180(I) of *The Corporations Act 2001* (Cth) which sets out a director's duty to act with care and diligence
- Section 913BA of *The Corporations Act 2001* (Cth) which sets out fit and proper person requirements for Responsible Managers of AFSL holders, who are often also directors of regulated entities

We recommend APRA:

- Applies proportionality to members of professional bodies who are already subject to rigorous codes of conduct (such as accountants, auditors and actuaries)
- Provides guidance to the board for minimum requirements to assess the fitness and propriety of responsible persons (e.g., detailed curriculum vitae, current police check)
- Considers the burden on professionals who serve multiple entities and may undergo repeated, extensive fit and proper assessments
- Provides greater clarity on how APRA would exercise its proposed engagement on appointments without formal veto power
- Reconsiders the appropriateness of notification to APRA of concerns over a person's fitness and propriety, even before a determination is made, as this appears prejudicial to that individual.

For actuaries specifically we suggest considering whether professional standards already address many of the fitness and propriety concerns, potentially allowing for a streamlined approach for these professionals. The full suite of professional standards is available [here](#); we specifically note [PS 102 Financial Condition Report](#), [PS 103 Actuarial Review](#) and the [various Professional Standards that apply in Superannuation funds](#).

Proposal 3 – Conflicts management

Extend current RSE licensee conflict management requirements to banks and insurers so they are also required to:

- a) proactively identify actual and potential conflicts of interest and duty
- b) avoid or prudently manage conflicts
- c) take remedial action when conflicts are not disclosed or managed properly.

Require regulated entities to consider perceived conflicts, in addition to actual and potential conflicts.

We believe the conflicts management framework under SPS 521 has improved conflicts management for RSE licensees, noting the appropriateness of streamlining these requirements as part of APRA's broader governance uplifts.

We also note the existing requirements to consider and align with AFSL requirements, which, under Section 912A of *The Corporations Act 2001* (Cth) - General Obligations - includes the need to manage conflict of interests.

We support improved conflicts management for banks and insurers but have concerns about the practical implementation of "perceived" conflicts requirements.

We recommend APRA:

- Focuses primarily on actual and potential conflicts with guidance on considering reputational risk
- Clarifies whose perception matters when evaluating "perceived" conflicts and provide examples and guidance to manage
- Evaluates what approaches are working well in the superannuation sector before extending all requirements to other sectors
- Recognises some RSE licensee requirements may not translate effectively to banks and insurers without modification
- Considers the practicality of conflict management for professionals serving multiple entities.

Proposal 4 – Independence (banks and insurers only)

Strengthen independence on regulated entity boards by:

- a) requiring that at least two of their independent directors (including the chair) are not members of any other board within the entity's group
- b) making minor amendments to the independence criteria, including extending the prohibition on directors who are substantial shareholders in a regulated entity or group from being considered independent, to include material holdings of any type of security
- c) extending the current requirement for bank and insurer boards to have a majority of independent directors to include boards of entities with a parent that is regulated by APRA or an overseas equivalent.

We acknowledge the importance of board independence but note particular challenges for smaller entities and group structures.

We recommend APRA:

- Applies proportionality based on entity size and complexity. For example, for boards within an entity group with multiple boards, it could be extremely costly to require the Chair and another director not to be members of another board in the group
- Considers exemptions or modified requirements for subsidiaries of overseas-regulated parent entities
- Recognises the practical constraints of smaller entities in accessing independent directors with the necessary industry expertise.

Proposal 5 – Board performance review

Require SFIs to commission a qualified independent third-party performance assessment at least every three years which covers the board, committees and individual directors.

We support regular, robust board performance assessments and suggest a proportionate approach.

We recommend APRA:

- Maintains the proposed requirement for SFIs to commission independent assessments every three years
- Provides flexibility for non-SFIs to implement less formalised but still effective review mechanisms
- Integrates these reviews with other assessment requirements to minimise duplication.

Proposal 6 – Role clarity

Define APRA's core expectations of the board, the chair and senior management. Provide additional guidance on which APRA requirements may be delegated to board committees and senior management.

We strongly support clarifying expectations of boards, chairs and senior management, along with providing guidance on delegation. This proposal could significantly improve governance efficiency if well-implemented and presents an opportunity to reduce regulatory burden while improving governance outcomes and should be prioritised. Clear role definitions will help boards avoid becoming inappropriately involved in management matters, including oversight of operational details, to satisfy perceived regulatory requirements, which may detract from their strategic oversight role.

We recommend APRA:

- Provides specific examples of matters that can be effectively delegated or not delegated to committees or management
- Recognises the evolving nature of board responsibilities as industries and risks change
- Ensures definitions support boards focusing on strategy and oversight rather than operational matters.

Proposal 7 – Board committees

Extend the current requirement for bank and insurer boards to have separate risk and audit committees, to apply to SFI RSE licensees as well. Repeal this requirement for non-SFI banks and insurers, allowing flexibility for smaller entities.

Mandate that only full board members can be voting members of APRA-required board committees.

We recommend APRA:

- Reconsider the restriction on voting committee membership to full board directors only, as this may undermine effective governance
- Provide guidance on how combined committees can effectively balance their dual responsibilities

We have potential concerns about restricting voting rights to board directors only. Committees often include external experts specifically to address skills and capabilities gaps in monitoring and decision-making. Preventing these experts from voting at committee level may be counterintuitive, particularly when most important board responsibilities involve committee recommendations that require full board approval.

External experts, including actuaries, are frequently appointed to committees because they possess specialised knowledge that board directors may lack. Removing their voting rights could diminish the quality of committee deliberations and recommendations.

If APRA proceeds with this restriction, we suggest at a minimum requiring committees to disclose to the board how non-voting expert members would have voted on recommendations, ensuring their expertise continues to inform board decision-making.

While combined committees may concentrate expertise in smaller entities, we acknowledge that experience has shown risk matters can receive insufficient attention when combined with audit responsibilities, particularly due to time constraints and the tendency for audit matters to dominate agendas. The introduction of separate risk committees has demonstrably improved the focus and rigour applied to risk oversight. For non-SFIs choosing to maintain combined committees, careful attention must be paid to ensuring risk matters receive adequate time and focus, with structured agendas and clear allocation of meeting time between audit and risk responsibilities.

Proposal 8 – Director tenure and board renewal

Impose a lifetime default tenure limit of 10 years for non-executive directors at a regulated entity.
Require regulated entities to establish a robust, forward-looking process for board renewal.

While we support board renewal as a governance principle, we have concerns about the proposed uniform 10-year limit.

We believe effective board renewal processes, coupled with robust performance assessments, would address APRA's concerns without rigid tenure limits that may unnecessarily remove valuable experience from boards.

We recommend APRA:

- Considers aligning tenure limits with typical board appointment cycles (9 or 12 years may be more practical, noting if it is 12 years there may be less preparedness to provide flexibility for exceptions, refer below)
- Allows reasonable exceptions where directors continue to provide unique and valuable expertise, or for other organisational reasons
- Links tenure considerations more explicitly to skills and capabilities and performance assessments
- Considers alternative approaches such as directors losing their independent status after 10 years rather than mandatory retirement which addresses independence concerns while retaining valuable expertise.