

23 October 2015

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By email: [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au)

Dear Mr Brennan

## **Governance arrangements for RSE licensees**

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are second to none.

Members of Governance Institute are all involved in governance, corporate administration, legal practice and regulatory compliance and have a thorough working knowledge of applied governance and risk management frameworks. Our members are frequently charged with the responsibility of advising boards on these matters, and the amendments to the prudential standards will therefore affect directly those Governance Institute members who are involved with providing such advice as well as implementing the regulatory and governance frameworks in their organisations.

Governance Institute welcomes, therefore, the opportunity to comment on the Discussion paper: *Governance arrangements for RSE licensees* (the discussion paper) and the draft prudential standards and prudential practice guides (PPGs) which accompany this paper.

Governance Institute supports the draft amendments to the prudential standards and PPGs setting out the proposed amendments to the Australian Prudential Regulation Authority's (APRA's) governance prudential framework in relation to RSE licensees in light of the government's proposed legislative amendments to require boards of RSE licensees to have a minimum of one-third independent directors, including an independent chair.

Our members support the proposed amendments to the prudential standards and PPGs and note in particular that, with a legislative definition of independence being introduced, prudential direction from APRA on this front is not required. Governance Institute also strongly supports APRA's intention to provide supporting guidance to assist RSE licensees as they undertake assessments of director independence. There is clear benefit in providing such guidance, given that the definition provides a new legislative and governance environment.

Governance Institute welcomes the greater consistency that APRA has introduced with the harmonisation of the governance obligations of RSE licensees with other APRA-regulated industries. This leads to a reduction in the compliance burden and enhanced understanding of any compliance obligations.

While we recognise that transitioning to the proposed new board composition requirements in Part 9 of the SIS Act will take time, Governance Institute is of the view that the proposed transition period of three years, starting on the day on which the Bill receives Royal Assent, is sufficient time for RSE licensees to make the necessary changes to their governance frameworks and board composition to meet the new requirements.

We note that the Superannuation Legislation Amendment (Trustee Governance) Bill 2015 is currently before the Senate Standing Committee on Economics for inquiry. Given that at this stage it is unknown if the Superannuation Legislation Amendment (Trustee Governance) Bill 2015 will proceed, we note that our support for the actions being taken by APRA in relation to changed governance arrangements in the prudential standards and PPGs may need to be revisited.

Governance Institute appreciates APRA's efforts to consult with interested parties and is in agreement with the amendments as put forward in the draft prudential standards and PPGs, subject to the bill being passed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steven Burrell', with a long horizontal flourish extending to the right.

Steven Burrell  
Chief Executive