



29 January 2026

Ian Beckett
General Manager, Policy and Frameworks
Policy and Advice Division
Australian Prudential Regulation Authority

Via email: policydevelopment@apr.gov.au

Dear Mr Beckett

APRA consultation on targeted amendments to CPS 230 Operational Risk Management

The Customer Owned Banking Association (COBA) welcomes the opportunity to provide feedback on APRA's consultation on targeted amendments to CPS 230 Operational Risk Management to better accommodate regulated entities' arrangements with non-traditional service providers (NTSPs).

Key points

The proposed exemptions to CPS 230 requirements for NTSPs are a positive step towards a more proportionate, risk-based application of CPS 230 which will go some way towards addressing the significant compliance challenges regulated entities face when engaging with NTSPs.

The NTSP list must remain current to ensure it reflects the existing service provider marketplace. Alternatively, the NTSP list could be presented as a non-exhaustive list of example providers across identified NTSP types, rather than a narrowly defined list of permitted providers.

Additional NTSPs should be added to APRA's list to ensure customer-owned banks engaging with other service providers which meet the definition of NTSP are not disadvantaged.

COBA recognises APRA's effort to address the practical challenges that regulated entities face when applying CPS 230 requirements to service providers where contractual leverage is limited or where standardised arrangements are unavoidable. In principle, the proposed exemptions are a positive step towards a more proportionate, risk-based application of CPS 230 which will go some way towards addressing the significant compliance challenges regulated entities face when engaging with NTSPs.

However, the draft amendments do not fully capture the breadth of material arrangements for which CPS 230 contractual and service level obligations are impractical or impossible to implement, and challenges remain in evidencing compliance with contractual and service-level obligations for systemically important, non-negotiable material service providers.

Suite 403, Level 4, 151 Castlereagh Street,
Sydney NSW 2000

Suite 4C, 16 National Circuit,
Barton ACT 2600

Customerownedbanking.asn.au

The NTSP list should remain current

The inclusion of a specified list of exempt NTSPs in the new Attachment to CPS 230 is welcome, however, APRA will need to ensure the Attachment remains current and reflects the existing operational realities faced by regulated entities. Additional service providers should be included in the Attachment if market conditions change and new NTSPs emerge in each of the identified provider types. Any inclusion should be made in a timely manner to ensure that regulated entities are not overburdened when attempting to meet compliance requirements for new NTSPs. APRA should engage with industry as appropriate to ensure the Attachment reflects the existing service provider marketplace.

We also urge APRA to be cautious when removing an existing NTSP from the Attachment, given the potential implications on COBA members from unexpected reductions to the list of providers. In the unlikely event that a provider is removed from the list, regulated entities should be provided with sufficient notice and an appropriate transition period to ensure that any entities who rely on this provider for a material service are able to remain compliant with CPS 230 requirements or source and transition to a new provider. COBA expects that a very high threshold would be imposed on any decision to remove a provider from the list.

Consideration could also be given to whether the NTSP list should be presented as a non-exhaustive list of example providers across the identified NTSP types, rather than a narrowly defined list of permitted providers. This approach would have the advantage of removing the need for APRA to constantly monitor and update the NTSP list, thereby reducing the burden on APRA and on regulated entities who rely on a list to accurately reflect the current marketplace for NTSPs. It would also promote competition in the marketplace by reducing the likelihood that new service providers are disadvantaged by not being included on the list.

Additional NTSPs should be added to the list

COBA considers that the following additional service providers should be added to the NTSP list. Not all additional service providers are material for every customer-owned bank; however, the below list represents the most significant cohort of service providers identified by COBA members as meeting the definition of NTSP. It is important to note that with ongoing digitisation and globalisation, these providers will likely become more material for a broader range of regulated entities in the future.

Authorised Deposit-taking Institutions (ADIs)

Large ADIs often act as settlement banks, clearing agents, liquidity providers or correspondent banks for COBA members. These functions are critical and may not be readily substitutable, particularly in stressed conditions. These arrangements are not established through standard procurement or contractual processes and therefore meet the definition of NTSP.

This includes:

- NAB
- CBA
- Westpac
- ANZ
- Macquarie

Cloud and IT infrastructure providers

Large cloud and IT infrastructure providers operate at a scale that creates systemic reliance across the financial sector. While commercial arrangements exist, contractual leverage for individual regulated entities, particularly customer-owned banks, is inherently very limited due to standard form agreements, high concentration risk and cross-sector single points of failure. Regulated entities have

minimal ability to negotiate CPS 230-specific contractual provisions due to global standardisation, market concentration and a relative size and power imbalance.

This includes:

- Amazon
- Microsoft

Payment Schemes

American Express should be included in the NTSP list as Amex operates as both a card scheme and network. Participation is governed by scheme rules and standard terms, with limited scope for negotiation. Service disruption would directly affect customer payments and merchant services.

Central clearing counterparty (CCP) & trade clearing services

Austraclear should be included in the NTSP list as it is a core player in the Australian financial services ecosystem. The platform supports customer-owned banks' funding and liquidity management by providing access to wholesale funding.

Austraclear does not enter into bespoke bilateral contracts with individual participants and requires participants to sign an Austraclear Participant Form, which is provided on standard, non-negotiable terms. The terms of access to Austraclear are determined at the market-infrastructure level rather than through bilateral negotiation.

APRA has explicitly recognised ASX Clear as a NTSP, acknowledging its role as a systemically important Financial Market Infrastructure (FMI) operating under legislated obligations and multi-regulator oversight. ASX Clear and Austraclear operate within the same ASX FMI ecosystem as licensed clearing and settlement facilities and share the following key characteristics:

- Both are systemically important FMIs underpinning Australia's financial markets
- Both operate under standardised, non-negotiable participation agreements
- Both are subject to direct regulatory oversight by the RBA and ASIC
- Neither permits individual participants to negotiate bespoke contractual, audit, or step-in rights
- Neither is practically substitutable in the short to medium term

In the case of ASX Clear, APRA's classification as an NTSP reflects a recognition that traditional outsourcing controls are not appropriate or achievable for FMI dependencies, and that operational resilience outcomes are better achieved through regulatory oversight and contingency planning.

Given the substantial functional, structural, and regulatory equivalence between ASX Clear and Austraclear, it is appropriate and consistent for APRA to apply the same NTSP treatment to Austraclear.

Other government agencies

Some COBA members have identified that a broader range of government agencies should be included, given these entities perform statutory or regulatory functions essential to core banking operations and compliance obligations. Access is often mandatory, terms are non-negotiable, and there are no alternative providers. Disruption or unavailability can directly impact critical operations.

This includes:

- ATO
- AUSTRAC
- Australian Financial Crimes Exchange (AFCX)

- Australia Post
- Government agencies administering housing schemes (e.g. Department of Veterans' Affairs – DHOAS; Housing Australia home buyer schemes)
- APRA
- ASIC

Telecommunications Providers

Some COBA members have identified telecommunications providers as NTSPs for inclusion given telecommunications and network infrastructure providers offer connectivity services under standard retail or wholesale agreements with limited or no scope to impose CPS 230 aligned operational resilience obligations.

These include:

- Telstra
- Optus

If APRA determines that the service providers identified above are not eligible for inclusion on the NTSP list, APRA must provide clear, detailed and practical guidance, together with targeted support, to ensure regulated entities using these service providers are not placed at a disadvantage.

It is vital that regulated entities are able to engage with service providers on fair and reasonable terms that enable full compliance with CPS 230, particularly where regulated entities have limited bargaining power or limited ability to influence standard contractual arrangements.

Thank you for the opportunity to provide comment on this consultation. We look forward to continuing our engagement with APRA on the ongoing implementation of the CPS 230 framework. If you wish to discuss any aspect of this submission, please contact Alexander Woloszyn, Policy Manager (awoloszyn@coba.asn.au).

Yours sincerely



MICHAEL LAWRENCE
Chief Executive Officer