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Mr Ian Beckett
General Manager, Policy and Frameworks
Australian Prudential Regulation Authority
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Via email: PolicyDevelopment@apra.gov.au

TARGETED AMENDMENTS TO CPS 230 OPERATIONAL RISK MANAGEMENT

Dear Mr Beckett,

The Australian Financial Markets Association (**AFMA**) appreciates the opportunity to provide feedback on potential amendments to CPS 230, including obligations regarding non-traditional service providers (**NTSP**). We commend the Australian Prudential Regulation Authority's (**APRA**) engagement with industry on these aspects of CPS 230 Operational Risk Management (**CPS 230**).

AFMA encourages APRA to provide clarity on its final position as expediently as possible. APRA-regulated entities (and their NTSPs) have limited time to adjust their approaches ahead of the 1 July 2026 deadline.

CPS 230 has created a significant regulatory burden for regulated entities, a burden that, by design of the standard, has spread to regulated entities' providers. Sensible amendments to CPS 230 should aim to modify or remove those aspects that are disproportionately burdensome and those that industry cannot comply with. This should be done in a manner that builds on international experience while balancing entity and system resilience against the burden placed on regulated entities and their service providers.

AFMA is supportive of the proposed amendments, which should reduce the regulatory burden on both regulated entities and their providers. We provide four suggested enhancements to further assist in 'getting the balance right'. The recommended enhancements have been developed with and are supported by both AFMA's APRA-regulated members and non-APRA-regulated members.

Key findings and recommendations

Industry will not be able to comply with certain aspects of CPS 230, as they are currently written. This is due to, for example, barriers and power imbalances when dealing with market-mandated and global providers, and relationships with service providers for which there are no service level agreements (**SLAs**). The proposals to modify aspects of CPS 230 related to NTSPs is welcomed by industry and should relieve some of the identified challenges and disproportional regulatory burdens.

AFMA Recommendations

APRA can further reduce the burden on industry and service providers, without undermining entity or system resilience, by incorporating additional amendments. The amendment that would be most impactful is for:

- 1) Appendix A to define NTSPs by type and present a non-exhaustive list of example providers, including the additions suggested in this letter.

Additionally, AFMA recommends that:

- 2) APRA articulate reduced expectations regarding paragraph 53 of CPS 230 as it relates to NTSPs;
- 3) CPS 230, paragraph 54(f) be removed from the standard; and
- 4) Relevant types of suppliers included in the *SOCI Act* be added to the proposed Appendix A.

AFMA provides the following additional comments and suggestions for APRA's consideration, including modifications to the proposed CPS 230 Appendix A.

We look forward to ongoing engagement with APRA on these important reforms and are available to provide further detail on any of the matters raised in this letter. For more information or if you have questions in relation to this letter, please do not hesitate to contact me at brendonh@afma.com.au or 0411 281 562.

Regards,



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About AFMA and its members

The Australian Financial Markets Association is the peak industry body for Australia's financial markets industry – including the capital, credit, derivatives, foreign exchange, and other specialist markets. AFMA represents more than 140 industry participants from Australian and international banks, superannuation funds, leading brokers, securities companies, and government treasury corporations to asset managers, energy firms, carbon market participants, and industry service providers.

AFMA promotes efficiency, integrity, and professionalism in Australia's financial markets enabling the markets to continue to support the Australian economy, high skilled job markets and the energy transition.

AFMA Response to Consultation Questions

Consultation Question 1

Do the draft amendments adequately address the challenges regulated entities face when applying the CPS 230 contractual and service level obligations to material arrangements with NTSPs?

AFMA is supportive of the recommended amendments, including that the obligations in paragraphs 54, 55, 56(d), 57, 58(a) and 58(c) of CPS 230 not apply in the context of NTSPs (identified in the proposed Appendix A). Modifying APRA's expectations regarding these obligations for NTSPs, should reduce the burden both on regulated entities and their providers.

CPS 230, paragraph 53

Challenges also exist for APRA-regulated entities when assessing NTSPs, under CPS 230 paragraph 53, for example paragraph 53(a) which requires regulated entities to:

“undertake appropriate due diligence, including an appropriate selection process and an assessment of the ability of the service provider to provide the service on an ongoing basis;”

Some AFMA members, who are also potential NTSPs, have received questionnaires from APRA-regulated customers with multiple hundreds of questions each. Responding in full to these questionnaires would be excessively burdensome and, in some cases, undermine the resilience of those providers. Additionally, as highlighted below, there are instances where material service providers (**MSPs**) are not legally able to provide such information. In these cases, the ability of APRA-regulated entities to assess if the MSP/NTSP is able to provide a service “on an ongoing basis”, as required under paragraph 53 of CPS 230 may be materially limited.

Industry accepts that is still appropriate to “assess the financial and non-financial risks from reliance on the service provider...” (paragraph 53(b), CPS 230). However, any such assessment will, for NTSPs at least, likely be based on incomplete information, for example regarding providers’ system security capabilities and “parties the service provider relies on in providing the service” (paragraph 53(b), CPS 230). For NTSPs, a more implementable approach could include targeted due diligence being required around specific areas of APRA concern for NTSPs, for example where APRA has identified a concentration risk within industry/ies regarding a particular NTSP.

Given, in this context, regulated entities are limited in their capacity to meet the requirements of CPS 230, paragraph 53, AFMA recommends APRA articulate reduced expectations regarding paragraph 53 of CPS 230 as it relates to NTSPs.

CPS 230 paragraph 54(f)

AFMA notes that the obligation in CPS 230 paragraph 54(f), “include a *force majeure* provision indicating those parts of the contract that would continue in the case of a *force majeure* event”, goes beyond expectations in foreign jurisdictions. Feedback from industry, including NTSPs and non-NTSPs, is that this particular obligation is impractical and provides little additional certainty or protection.

Given that by definition *force majeure* events are unforeseeable and extraordinary, identifying “those parts of the contract that would continue in the case of a[ny] *force majeure* event” is practically and legally fraught.

Given this clause goes beyond international approaches and provides additional complexity without providing additional resilience, AFMA recommends that CPS 230, paragraph 54(f) be removed from the standard.

Consultation Question 2

What additional NTSP types or providers should be included in the new CPS 230 Attachment?

The list of NTSPs in the proposed Attachment A is a positive step towards providing greater clarity to industry and reducing regulatory burden. However, it is difficult to identify all current NTSPs across banking, insurance and superannuation. The list in the proposed Attachment A, for example, appears to be focused largely on domestic operations and the related NTSPs, and does not capture some NTSPs related to more internationally orientated operations. Additionally, any exhaustive list will become outdated as new providers and services are identified by industry over time.

By way of example, the providers suggested for inclusion below are as integral to critical banking operations as those already listed in the proposed Appendix A. Even if some are not currently on initial MSP Registers, the ongoing trends of digitisation and globalisation mean these providers are likely to become (even more) material in the near future.

While AFMA appreciates “APRA intends to strictly limit the number of NTSPs included in the Attachment”¹, unduly limiting the list maintains a disproportionate and unnecessary burden on industry and the unidentified providers. Additionally, updating an overly narrow list over time is inefficient, will likely be burdensome and does not align with APRA’s approach under a modernised prudential framework.

To provide greater relief from regulatory burden, while balancing entity and system resilience, AFMA provide the following recommendations for APRA’s consideration regarding the proposed Attachment A.

*Interaction with the *Security of Critical Infrastructure Act 2018**

The *Security of Critical Infrastructure Act 2018 (SOCI Act)* creates extensive obligations and increased government oversight for captured entities. These obligations include, but are not limited to, greater reporting obligations and cyber security capabilities.

Additionally, the *SOCI Act* limits the ability of captured entities to share “protected information”. In some cases, these limitations can conflict with information requested by CPS 230 regulated entities, and may include, for example, information regarding system security capabilities.

Allowing CPS 230 regulated entities to rely on the capabilities of the Australian Government, for example the Cyber and Infrastructure Security Centre (**CISC**), when assessing (potential) suppliers, is consistent with a ‘whole of government approach’ and reducing regulatory burden. Requiring banks, insurers and superannuation funds to duplicate the assessments of the CISC is inefficient for both those entities and *SOCI Act* captured entities.

Assessing Australian Government oversight as part of alternative risk mitigation strategies – such as enhanced monitoring, reliance on industry certifications, or regulatory equivalence – should be considered as an acceptable, complementary approach, where formal contractual compliance is not feasible. This is also relevant for assessing NTSPs, under CPS 230 paragraph 53 (discussed above).

¹ McCarthy Hockey, T. (2025) [Consultation on targeted amendments to CPS 230 Operational Risk Management](#), APRA letter, 10 December

Challengingly, “protected information under the SOCI Act includes:

- records or the fact that an asset is privately declared to be a critical infrastructure asset or a system of national significance”².

As a result, including entities (“assets) captured by the SOCI Act by specific reference in CPS 230 Appendix A is not possible, due to this legal restriction.

As an alternative, AFMA recommends that relevant types of suppliers included in the SOCI Act be added to the proposed Appendix A.

Potential types of relevant providers include: communications; financial services and markets; data storage or processing; and, energy.³ This approach is discussed further below.

Categorisation of providers by type and non-exhaustive example list

As highlighted above, it will be difficult to identify all NTSPs across banking, insurance and superannuation, and to update any NTSP list in an efficient manner that aligns with APRA’s approach under the modernised prudential architecture. An alternative approach that overcomes these challenges is to identify NTSPs by type and to provide a non-exhaustive list of example providers.

Identifying by type would:

- provide industry greater flexibility;
- ensure the Standard(/Appendix) remains relevant for longer;
- be non-discriminatory and reduce the likelihood that new (potential) providers are disadvantaged by not being included on the list;
- better align with APRA’s principles-based approach; and
- align more closely with international approaches⁴.

Positioning the list as non-exhaustive would also reduce the perception that (all services from) listed providers are expected to be considered NTSPs and/or MSPs. This is true for staff working within regulated entities and, importantly, for external consultants and auditors.

Recommendations of additional NTSP types and example providers are provided below for APRA’s consideration.

AFMA recommends that Appendix A define NTSPs by type and present a non-exhaustive list of example providers, including the additions suggested below.

² Critical Infrastructure Security Centre (2023) [Protected Information](#), 11 December

³ The SOCI Act applies to 11 sectors, including: communications; financial services and markets; data storage or processing; and, energy.

Critical Infrastructure Security Centre (2024) [Security of Critical Infrastructure Act 2018 \(SOCI\)](#), 27 August

⁴ For example, EU Regulation 2022/2554 (DORA) requires financial entities to obtain contractual amendments to relationships with ICT service providers. It does not extend to financial services relationships with other financial entities, such as a bank participating on a regulated trading venue (including non-EU trading venues).

Additional NTSP types and example providers

Stock exchange

AFMA recommends the inclusion of Cboe Australia Limited (**CXA**) and the National Stock Exchange of Australia Limited (**NSXA**), as additional example stock exchange NTSPs.

CXA: AFMA notes that CXA is a Tier 1 Market Licensee and operates a financial market on which approximately 20% of continuous cash market trades in Australia are executed each year. Additionally, in [Report 708](#) (November 2021, page 21), ASIC articulated its expectation that market participants be connected to the alternative market (that being CXA) in order to ensure they can continue to provide services to clients should an outage occur at ASX. Reflecting this, almost all ASX participants (for the cash equities) are also a participant of CXA.

NSXA: AFMA notes that NSXA is also a Tier 1 Market Licensee and operates as the main current competitor to the ASX in corporate listings. NSXA has recently been acquired by the ownership group of the Canadian Securities Exchange, and as part of that acquisition process is embarking on a period of expansion, which will likely include secondary market trading of ASX and CXA listed securities (subject to regulatory approvals). As such NSXA is highly likely to be an NTSP for some market participants in the near future. Settlement platforms

AFMA recommends the inclusion of AustraClear, ClearStream, EuroClear, the LSE, the NYSE and NZ Clear, as additional example NTSPs. These platforms are essential for securities trading, settlement, and custody for APRA-regulated ADIs, particularly those domiciled internationally. Agreements with these entities are typically non-negotiable.

Specifically on the suggested inclusion of AustraClear, we note the inclusion of the Australian Securities Exchange (under stock exchanges) and ASX Clear (under Central clearing counterparty (CCP) & trade clearing services) in the proposed Appendix A. In the context of NTSP considerations, AustraClear provides critical services similar in nature and, therefore, should also be included in the (example) list of providers. The omission of AustraClear from the proposed Appendix A highlights the difficulty of identifying all the relevant components of a multi-service provider, such as the ASX. This challenge can be avoided by identifying NTSPs by type, as recommended by AFMA.

Payment Schemes

AFMA recommends the inclusion of AliPay, AmericanExpress, PayPal and UnionPay, as additional example NTSPs. These platforms are critical for cross-border payments for APRA-regulated ADIs, particularly those domiciled internationally. Standardised global contracts make full compliance with CPS 230 requirements impractical.

ADIs and Correspondent Banks

A number of local and international banks have been identified as MSPs by AFMA members. Some services provided by these banks include 'standardised contracts' (as defined in the proposed amendments to CPS 230). As such, they could be categorised as NTSPs.

The relevant services may include the provision of correspondent banking and liquidity services, such as custody, nostro account, securities depository and similar services.

These entities are already subject to intensive government oversight, by APRA, ASIC, the ACCC, the ATO, etc. Additionally, including 'ADIs and correspondent banks' aligns with the sector classifications in the *SOCI Act*, as a subset of 'financial services and markets'.

Energy and Communication

Some AFMA members have identified energy and communication providers as MSPs. These providers often stipulate 'standardised contracts' (as defined in the proposed amendments to CPS 230). As such, they could be categorised as NTSPs.

These entities are also already subject to intensive government oversight. Additionally, including 'energy and communication' aligns with the sector classifications in the *SOCI Act*.

Furthermore, the inclusion of energy and communication services would align with ASIC's approach under its Market Integrity Rules. ASIC found "*that some of the obligations in relation to outsourcing arrangements are unnecessary or difficult to apply to energy and communications suppliers given:*

- a. market operators and market participants have minimal relevant expertise to provide effective oversight of these arrangements;*
- b. market operators and market participants have negligible market power to negotiate the additional contractual terms required by the Rules with these utility services providers;*
- c. these services are already subject to regulation and industry standards which govern their technological and operational resilience.*"⁵

Other

AFMA members have identified a variety of other MSPs (for example, market data providers), that stipulate 'standardised contracts' (as defined in the proposed amendments to CPS 230), for at least some of their services. Some of these MSPs/likely NTSPs have stipulated 'standardised contracts' for legal and/or regulatory reasons, such as foreign laws that requires non-discriminatory treatment of all customers, including with respect to commercial terms, regardless of jurisdiction of operation.

Some of these providers are global in scale and provide services for which there is no alternative or at least timely or non-burdensomely manual alternative. For others, such as building management firms, there is no practical way to substitute their services in a manner conducive to the requirements in CPS 230.

An additional example, that highlights the need for flexibility in the identification of NTSPs, is the New Zealand Financial Markets Authority (**NZFMA**). The NZFMA provides real-time benchmark rates under an industry standard data agreement, a service that cannot be substituted and is not subject to a formal agreement.

⁵ ASIC (2025) [ASIC Market Integrity Rules \(Securities Markets\) Class Waiver 2025/512 and ASIC Market Integrity Rules \(Futures Markets\) Class Waiver 2025/51](#), Explanatory Statement, 5 September, page 2

Maintaining expectations for continued improvement and taking into account international experiences

AFMA is supportive of APRA's statement that regulated "entities should continue to work proactively with service providers to achieve compliance wherever possible".⁶ This is important to promote continued improvement in the resilience of both individual entities and the broader system. Such an approach also recognises that providers, services, relationships and expectations evolve.

This approach is complementary to the existing expectations that regulated entities document and justify their CPS 230 compliance internally (for example, to internal/external audit and, ultimately, to their Boards) and to APRA. These requirements should provide APRA comfort that regulated entities will be pragmatic in their approach to NTSP and NTSP 'standardised contract' identification, including if Appendix A is modified to identify NTSPs by type, as recommended by AFMA.

Furthermore, it aligns with the reality that relationships with some NTSPs are complex and include varying services. International experience has shown that for some multi-service providers, multiple SLAs exist and only a subset of these contain a 'standardised contract' (as defined in the proposed amendments to CPS 230). Emphasising the need for continued proactive engagement, coupled with a non-exhaustive list in the proposed Appendix A, should provide APRA with comfort that regulated entities identify those SLAs that NTSPs are willing to adjust while reducing the regulatory burden and expectation for those SLAs that are genuinely 'standardised contracts'.

International experience from AFMA members has also highlighted that in some cases, some NTSPs have evolved their SLAs to comply with local regulatory expectations overtime. However, in some instances, this evolution has taken years to materialise, particularly regarding the SLAs for customers (that is regulated entities) with less market power. In other cases, NTSPs have remained unwilling to adjust SLAs (for certain services) to align to local requirements.

It is also important to note that some of APRA's requirements go beyond those of overseas regulators, for example, paragraph 54(f) (*force majeure*) and paragraph 55 (regulatory access). An NTSP's willingness to align to an overseas regulator's requirements should not be taken as indicating that it would accept all of APRA's requirements. However, if the expectations for NTSPs are modified, as proposed, alignment by a greater proportion of NTSPs (for a greater proportion of their services) is more likely.

⁶ McCarthy Hockey, T. (2025) [Consultation on targeted amendments to CPS 230 Operational Risk Management](#), APRA letter, 10 December

Additional observations

Changes needed to CPG 230

AFMA encourages APRA to update the Prudential Practice Guide CPG 230 Operational Risk Management (**CPG 230**), in due course, to reflect any changes to CPS 230. For example, paragraph 52 of CPG 230 states:

52. CPS 230 requires entities to maintain formal agreements for material arrangements with material service providers. Not all arrangements with a material service provider will be material to support delivery of the critical operation or expose the entity to material operational risk.

It would be appropriate to modify or add to this paragraph to include, for example, the concept of NTSPs and to acknowledge that not all arrangements with service providers/NTSPs are 'formal agreements'.

Additionally, CPG 230 is silent on APRA's expectations of compliance with CPS 230 paragraph 28 (conducting a comprehensive risk assessment). AFMA members would welcome additional guidance that allows firms to practically comply with APRA's intended objectives of this requirement.

Clarity of terms

The review of CPS 230 provides an opportunity to clarify and/or streamline overlapping terms within the standard and CPG 230. These includes the terms "material arrangement", "service provider agreement", "formal agreement", "service agreement" and "outsourcing".

Notifications to APRA

AFMA notes that the table in paragraph 14 of CPG 230 contains an articulation that a regulated entity must notify APRA "[a]s soon as possible and not later than 20 business days after entering into or materially changing an agreement (paragraph 59(a) of CPS 230)". For clarity, AFMA recommends the text missing from the referenced paragraph be added, that text being "*for the provision of a service on which the entity relies to undertake a critical operation*".

AFMA Suggested Additions to Preliminary Attachment A

AFMA provides the following additions, identified in *italics*, to APRA's provider list in the proposed Attachment A. In some instances, these providers offer a range of services, only some of which are 'material' and, of these, barriers to complying with CPS 230 exist for a subset.

Type	<i>Example Providers</i>
Government agencies (including Central Banks)	<ul style="list-style-type: none">• Reserve Bank of Australia• Reserve Bank of New Zealand• Services Australia
Stock exchanges	<ul style="list-style-type: none">• Australian Securities Exchange• London Stock Exchange• <i>Cboe Australia Limited</i>• <i>National Stock Exchange of Australia</i>
Central clearing counterparty (CCP) & trade clearing services	<ul style="list-style-type: none">• LCH (London Clearing House)• ASX Clear• CME Clearing (Chicago Mercantile exchange)
Settlement platforms	<ul style="list-style-type: none">• SWIFT• PEXA• Sympli• <i>AustraClear</i>• <i>ClearStream</i>• <i>EuroClear</i>• <i>LSE</i>• <i>NYSE</i>• <i>NZ Clear</i>

Payment Schemes	<ul style="list-style-type: none"> • Australian Payments Plus ('AP+') • VISA • MasterCard • AusPayNet (APN) • <i>AliPay</i> • <i>AmericanExpress</i> • <i>PayPal</i> • <i>UnionPay</i>
<i>ADIs and Correspondent Banks</i>	<ul style="list-style-type: none"> • <i>Domestic ADIs</i> • <i>Internationally domiciled and/or incorporated correspondent banks</i> (for example, <i>Deutsche Bank, HSBC, JP Morgan</i>).
<i>Energy and Communication</i>	<ul style="list-style-type: none"> • <i>Telstra</i> • <i>Optus</i>
<i>Trading Platforms</i>	<ul style="list-style-type: none"> • <i>Bloomberg electronic trading platforms</i>⁷ • <i>LSEG/Refinitiv</i> • <i>Yieldbroker/Tradeweb</i>
<i>Other</i>	<ul style="list-style-type: none"> • <i>Building management firms/office landlord</i> • <i>NZFMA</i>

⁷ For example, Bloomberg Multilateral Trading Facilities (BMTF, BTTF and BTBS).