

# **Guidelines on Authorisation of ADIs**

## **Overview**

1. These guidelines are for prospective applicants seeking an authority to carry on banking business in Australia. They set down the minimum criteria to be addressed by applicants and necessary information and documents to be submitted with an application.
2. “Banking business” consists of both taking deposits (other than as part-payment for identified goods or services) and making advances and must not be undertaken in Australia without authorisation. Institutions granted an authority to carry on banking business in Australia are referred to as “authorised deposit-taking institutions” or “ADIs”. Applicants need not offer a full range of banking services on authorisation. They may choose to provide specialised services provided they can demonstrate expertise in their selected area of operation.
3. The Banking Act 1959 (“the Act”) stipulates that only body corporates can carry on banking business in Australia. Prospective applicants may refer to the Australian Securities & Investments Commission (ASIC) website (<http://www.asic.gov.au>) for information with regard to the requirements and procedures for registration of a body corporate in Australia.
4. A body corporate seeking an authority to carry on banking business in Australia should apply in writing to the Australian Prudential Regulation Authority (APRA), in accordance with Section 9 of the Act.
5. APRA may refuse an application for authority to carry on banking business in Australia where an applicant is a subsidiary of a non-operating holding company (NOHC) that does not hold a NOHC authority under the Act. Where relevant, an applicant should submit to APRA a written application by its NOHC for a NOHC authority under Section 11AA of the Act concurrently with its application for authority to carry on banking business.
6. Foreign banks may apply to establish locally incorporated subsidiaries or branches to carry on banking business in Australia. (Foreign banks authorised by APRA to carry on banking business in Australia through branches are referred to as “foreign ADIs” under the Act.) There are no restrictions on the number or size of operations of foreign banks in the Australian market. A foreign bank may also hold a dual authority to operate both as a locally incorporated subsidiary and a foreign ADI.

7. Foreign bank-owned subsidiary ADIs are subject to the same legislative and prudential requirements as locally-owned ADIs. Although the prime responsibility for oversight of the Australian operations of a foreign ADI rests with local management and its head office as well as with the foreign ADI's home supervisor(s), the foreign ADI is nonetheless required to submit its local operations to the prudential supervision of APRA.

## **Use of Restricted Words and Expressions**

8. The granting of an authority to carry on banking business comes with the right to use the expression “authorised deposit-taking institution” or “ADI” by the successful applicant in relation to its business. The authority does not automatically entitle the ADI to call itself a “bank”. Applicants should note Section 66 of the Act which restricts the use of certain words or expressions, without explicit APRA consent (refer Section 66 Guidelines available on the APRA website [www.apra.gov.au](http://www.apra.gov.au)).
9. An applicant wishing to use any of the restricted words or expressions on authorisation should apply concurrently to APRA for a Section 66 consent.

## **Authorisation Criteria for ADIs**

10. APRA will only authorise suitable applicants with the capacity and commitment to conduct banking business with integrity, prudence and competence on a continuing basis.
11. Unless otherwise indicated, the authorisation criteria set out below are applicable to all applicants, including mutually-owned applicants as well as foreign bank applicants intending to establish branches or locally incorporated subsidiaries. These criteria represent the *minimum* requirements that an applicant will need to meet for authorisation under the Act and should not be taken as an exhaustive list. Depending on the circumstances, APRA may refuse an application on other prudential grounds not covered in this Guideline.
12. APRA expects all applicants to be able to comply with its prudential requirements, as set out in various Prudential Standards, from the commencement of their banking operations. Prospective applicants should familiarise themselves with these Prudential Standards. It should be noted that higher prudential requirements may be set on a case-by-case basis, e.g. for newly authorised ADIs in their formative years.

## **Capital**

13. No set amount of capital is required for an authority to carry on banking business. APRA will assess the adequacy of start-up capital for an applicant on a case-by-case basis based on the scale, nature and complexity of the operations as proposed in the business plan. Applicants proposing to operate as banks must have a minimum of \$50 million in Tier 1 capital (refer Section 66 Guidelines). Foreign ADIs are not required to maintain endowed capital in Australia.
14. Applicants must satisfy APRA that they are able to comply with the Capital Adequacy Standards from the commencement of their banking operations. All locally incorporated ADIs are required to maintain at all times a minimum capital ratio of 8 per cent, of which at least half must be made up of Tier 1 capital (i.e. a minimum Tier 1 capital ratio of 4 per cent). Newly established ADIs may be subject to a higher minimum capital ratio in their formative years, depending on the risk profile of the proposed operations. Mutually-owned ADIs are permitted to have start-up capital made up entirely or mostly of Tier 2 capital. The lead time for these institutions to build up Tier 1 capital will be agreed with APRA on a case-by-case basis. Foreign bank applicants are expected to meet comparable capital adequacy standards, which must be consistent in all substantial respects with the Basel Capital Adequacy Framework, as required by their home country supervisors.

## **Ownership**

15. Ownership in locally incorporated ADIs is governed by the Financial Sector (Shareholdings) Act 1998 (“the FSSA”) which limits shareholdings of an individual shareholder or group of associated shareholders in an ADI to 15 per cent of the ADI’s voting shares. A higher percentage limit may be approved by the Treasurer on national interest grounds.
16. Applicants must satisfy the requirements specified in the FSSA in respect of ownership interests in locally incorporated ADIs or, where relevant, have exemptions granted under the FSSA. NOHCs with a 100 per cent shareholding in the proposed ADI and foreign bank parents must also have a wide spread of ownership unless exempted from the provisions of the FSSA.
17. All substantial shareholders of an applicant are required to demonstrate to APRA that they are “fit and proper” in the sense of being well-established and financially sound entities of standing and substance. In the case of foreign bank applicants, this requirement applies both to the foreign bank itself and to the substantial shareholders of the foreign bank. APRA

requires all substantial shareholders to be able to demonstrate that their involvement in the ADI will be a long-term commitment and that they will be able to contribute additional capital, if required.

## **Management**

18. Applicants must satisfy the requirements set out in the Prudential Standard on “Board Composition”. Specifically:
  - (a) all locally incorporated ADIs must have a board of directors with at least 5 directors, a majority of whom (including the chairman of the board) must be non-executives. Individual shareholders (or any group of associated shareholders) should have proportionate representation on the board based on their shareholdings in the ADI. As a guide, holdings under 15 per cent should have a representation of no more than one on a board of six or less, and no more than two on a board of seven or more. Holdings over 15 per cent may have greater representation but not more than is broadly proportionate to the relevant shareholding.
  - (b) in the case of a foreign bank-owned subsidiary ADI, non-executive directors (including the chairman) of the board could be executives of the foreign bank parent. However, at least two directors should be totally independent of the management of the ADI, its parent, and any subsidiary or other associate of the foreign bank parent, and should not be a director of the parent or any other subsidiary or associate.
  - (c) where a locally incorporated ADI is part of a domestic conglomerate group, at least two directors of the board of the ADI should be independent of the group (refer Policy Framework for the Supervision of Conglomerate Groups Containing ADIs). Independent directors should have at least proportionate representation on all board committees.
19. Directors and senior management of the proposed ADI must satisfy APRA that they are fit and proper to hold the relevant position. APRA may consult other regulators (domestic and overseas) regarding the suitability of personnel for the proposed ADI. Where necessary, applicants should provide APRA with the authority to seek details in this regard.
20. In reaching its view on the fitness or propriety of any director or manager, APRA will have regard to factors such as:
  - (a) the experience and expertise of the person relative to the duties involved;

- (b) demonstrated competence in business in the past and/or in the conduct of current duties;
- (c) integrity in business activities; and
- (d) reputation within the business and financial community.

### **Risk Management and Internal Control Systems**

21. Applicants must satisfy APRA that their proposed (or existing) risk management and internal control systems are adequate and appropriate for monitoring and limiting risk exposures in relation to the domestic and, where relevant, offshore operations from the commencement of the ADI's banking operations. This includes, in particular, the maintenance of adequate and appropriate policies and procedures for monitoring and managing:
  - (a) credit risk, including policy on lending to shareholders, directors and associates; exposures to individual clients and groups of related clients; policy on large exposures; policy on monitoring asset quality (e.g. loan grading system and provisioning policy) – refer Prudential Standards on “Relationship with Subsidiaries and Associates”, “Large Exposures” and “Credit Quality”;
  - (b) market risk arising from banking business and trading activities (refer Prudential Standard on “Capital Adequacy: Market Risk”);
  - (c) liquidity risk (refer Prudential Standard on “Liquidity”); and
  - (d) operational risk.
22. Foreign bank applicants must demonstrate that arrangements for reporting to foreign bank parents or head offices are adequate.
23. In assessing whether the policies and procedures proposed for managing and controlling risk are adequate and appropriate for the applicant's operations, APRA will take account of the size, nature and complexity of the operations, the volume of transactions undertaken, the proposed organisational structure, and the geographical distribution of the business as set out in the business plan.

### **Information and Accounting Systems**

24. Applicants must satisfy APRA that the proposed (or existing) information and accounting systems are adequate for maintaining up-to-date records of all transactions and commitments undertaken by an ADI, so as to keep

management continuously and accurately informed of the ADI's condition and the risks to which it is exposed. Specifically, applicants are required to demonstrate to APRA that the proposed systems will be capable of producing all required statutory and prudential information in an accurate and timely manner from the commencement of their banking operations.

25. In assessing the overall adequacy of the proposed information and accounting systems, APRA will have regard to the integrity and security of the database, associated backup facilities and disaster recovery arrangements. Any proposed (or existing) outsourcing of data processing (and any other back office) functions must satisfy APRA's outsourcing requirements.

### **External and Internal Audit Arrangements**

26. Applicants must demonstrate to APRA that arrangements have been established with external auditors in accordance with the requirements set out in the Prudential Standard on "Audit Arrangements". This includes, in particular, arrangements for an external auditor to report to APRA on:
  - (a) the observance of APRA's prudential standards and requirements;
  - (b) compliance with statutory requirements, as well as any conditions on the ADI authority (including disclosure requirements for foreign ADIs in respect of deposit-taking activities pursuant to Section 11E of the Act as noted in paragraph 32 below);
  - (c) the reliability of information supplied to APRA for prudential supervision purposes;
  - (d) whether the external auditor has become aware of any matters which in the auditor's opinion, may have the potential to prejudice materially the interests of depositors of the ADI; and
  - (e) any other matters agreed between the ADI, the external auditor and APRA under the tripartite arrangements.
27. Applicants are also required to satisfy APRA on the adequacy of internal audit arrangements.

### **Supervision by Home Supervisor**

28. Foreign bank applicants must have received consent from their home supervisor for the establishment of a banking operation in Australia. Only

applicants who are authorised banks in their home country will be granted authorities to operate foreign ADIs.

29. Foreign bank applicants must satisfy APRA that they are subject to adequate prudential supervision in their home country. In considering the standard of supervision exercised by the home supervisor, APRA will have regard to the Core Principles of Banking Supervision promulgated by the Basel Committee on Banking Supervision. This includes whether the home supervisor supervises the foreign bank applicant on a consolidated basis in accordance with the principles contained in the Basel Concordat, and is prepared to co-operate (in terms of the Concordat) with APRA in the supervision of the ADI in Australia.

## **Foreign ADIs**

### **Restrictions on Deposit-Taking Activities**

30. Authorities to carry on banking business in Australia are granted to foreign ADIs subject to a condition which specifically restricts the acceptance of retail deposits by their Australian branches. As mentioned above, foreign ADIs are not required to maintain endowed capital in Australia and are not subject to any capital-based large exposure limits. These are the responsibility of the home supervisor (though APRA monitors credit risk concentrations and other risk exposures borne by foreign ADIs as part of its prudential oversight of their local operations). Due to the difficulties in ensuring the same degree of protection for depositors with foreign ADIs as for those with locally incorporated ADIs, foreign ADIs are required to confine their deposit-taking activities to “wholesale” markets.
31. Foreign ADIs are not permitted to accept *initial* deposits (and other funds) from individuals and non-corporate institutions of less than \$250,000. They can, however, accept deposits and other funds *in any amount* from incorporated entities, non-residents and their employees. No other specific restrictions are placed on the sources of funding or on the use of funds by foreign ADIs. They may offer cheque accounts to customers, subject to the above requirements governing the nature and size of deposits they can accept. Where credit card accounts are offered, there should be policies and procedures in place to ensure that any credit balances are promptly identified and repaid.

## Disclosure Requirements

32. Pursuant to Section 11E of the Act, foreign ADIs must disclose that they are not subject to the depositor protection provisions of the Act (Division 2 of Part II). Disclosure to customers should include the following:
- (a) prior to the opening of an account, the transfer of an account from an existing entity, or the lodgement of an initial deposit, foreign ADIs should provide a written statement to the prospective depositor which indicates that deposits are not covered by Division 2 of the Act and, as such, are not subject to depositor protection provisions of the Act;
  - (b) foreign ADIs should obtain a signed acknowledgement from prospective depositors that they understand the status of deposits with the foreign ADI concerned. (The acknowledgement should contain the signature of all interested parties in respect of joint accounts.);
  - (c) in the case of the transfer of an account from a foreign bank-owned subsidiary ADI to a foreign ADI (resulting in a change of the operating status of the foreign bank in Australia from a locally incorporated subsidiary ADI to branch operations), the depositor must formally consent to the transfer and consequent loss of protected status before the account is transferred;
  - (d) foreign ADIs should have systems and procedures in place which ensure that depositors opening an account or making an initial lodgement of funds receive and acknowledge the disclosure statement; and
  - (e) deposit slips or any other communication evidencing the creation of a deposit used by foreign ADIs should carry the statement “Deposits are not subject to Division 2 of the Banking Act – Protection of Depositors”. This statement should also appear on any certificates of deposit or other marketable securities issued by foreign ADIs in the Australian market. Such instruments should generally be issued with a minimum denomination of \$250,000.
33. External auditors of foreign ADIs will be asked to report to APRA on compliance with the disclosure requirements as part of the audit arrangements in relation to the observance of prudential standards by foreign ADIs (refer Prudential Standard on “Audit Arrangements” with respect to the required timing and frequency of such reporting).



## **Dual Operation of Foreign Banks**

34. Where a foreign bank has dual authorisation to operate as both a branch and a locally incorporated subsidiary, each operation is required to conduct its business in Australia in a way which recognises, and makes clear to others, its separate legal status and authorisation.
35. The branch and the subsidiary ADI will need to have:
  - (a) separate books of accounts;
  - (b) separate statistical (including prudential) reporting to APRA;
  - (c) separate internal control systems for monitoring and managing risks (including systems for controlling credit risk, liquidity risk, market risk and operational risk);
  - (d) as part of the control systems, separate systems of delegations (although these could comprise the same people in some cases); and
  - (e) separate chief executive officers responsible for the proper management and prudent operation of the foreign ADI and the subsidiary ADI respectively.
36. Banking transactions between the foreign ADI and the subsidiary ADI should be at arm's length (on commercial terms and conditions).
37. The foreign ADI and the subsidiary ADI are permitted to share the same premises. In addition, joint functional support services, such as personnel and financial control between the two authorised entities are permitted, as are joint treasury operations. (Refer Policy Framework for the Supervision of Conglomerate Groups Containing ADIs.)

## **Information Required to be Submitted on Application**

38. A list of information and supporting documents required to be submitted by an applicant on application for an authority to carry on banking business in Australia, either to operate as a locally incorporated ADI or a foreign ADI, is set out in Attachments A and B.
39. APRA may seek such additional information from an applicant as is necessary to assess the application.

## **Application Procedures**

### **Preliminary Consultation**

40. Prospective applicants for an authority to carry on banking business in Australia are encouraged to contact APRA at an early stage to discuss their plans prior to submitting a formal application. This assists APRA in identifying any matters which might adversely impact on the proposal and to advise on the format and content required of an application. APRA will review drafts of an application through various stages of its development.

### **Submission of Application**

41. Two copies of the final application, including all the required information and supporting documents set out in the Attachment (as appropriate) should be submitted to APRA.

### **Processing and Notification**

42. All applications will be promptly processed. However, the time required to process an application will depend on the particular circumstances of each application, including the completeness of information and documents submitted to APRA by the applicant.
43. An authority may be granted to take effect on delivery or from some nominated date.

**Supporting Information Required for an Application to Conduct Banking Business**

**Locally Incorporated ADI**

**1. Ownership, Board and Management**

- (a) Name of the proposed ADI.
- (b) A brief history of the applicant and an outline of the existing operations of any related entities in Australia.
- (c) Proposed initial capital (authorised, paid-up, classes of shares, etc) and capital ratios.
- (d) Names of substantial shareholders (direct and ultimate) and their respective shareholdings.
- (e) An undertaking by substantial shareholders (including foreign bank parents) to provide additional capital, if required, and that their investment in the ADI represents a long-term commitment.
- (f) Board structure, including names of directors, their principal business associations and curriculum vitae.
- (g) An outline of the proposed organisational framework, with names of senior management, their responsibilities and curriculum vitae.

**2. 3-Year Business Plan**

The business plan submitted should incorporate the goals or milestones of the first three years of operations of the ADI, and the ADI group including all controlled entities. The plan should include:

**Structure of Business**

- (a) an outline of the proposed activities and scale of operations, including details of any specialised services proposed and relevant expertise;
- (b) details of borrowing and lending activities to be undertaken;
- (c) details of proposed off-balance sheet activities;

- (d) location of head office and an outline of the branch network envisaged and the timeframe over which the network will be established;
- (e) other intended means of product distribution;
- (f) an estimate of total staff complement envisaged;
- (g) the proposed date for commencement of operations; and

### **Financial Projections**

- (h) projections (including sensitivity analysis covering expected, up-side and down-side scenarios) of the following:
  - (i) detailed balance sheet, cashflow and earnings (including assumptions);
  - (ii) key financial and prudential ratios (e.g. capital ratios, liquidity ratios, etc) for the proposed ADI; and
  - (iii) key financial and prudential ratios for the proposed ADI and its subsidiaries on a consolidated basis.

## **3. Systems and Controls**

- (a) Details of the risk management systems and procedures to be used to control and monitor risks in relation to both domestic and offshore operations of the ADI and its subsidiaries, including:
  - (i) credit policies, including policy on loans to shareholders, directors and associated interests, on exposures to individual clients and groups of related clients, and covering both banking and financial market (trading) activities;
  - (ii) policy on monitoring asset quality, loan grading and provisioning for doubtful debts;
  - (iii) liquidity management, including funding and maturity mismatch policies;
  - (iv) procedures for controlling market risk, in both financial market (trading) activities (including derivatives) and banking book;
  - (v) control of operational risk; and

- (vi) arrangements for reporting to a local or foreign bank parent (where applicable).
- (b) Details of information and accounting systems (including any outsourcing of data processing and other back office functions).
- (c) Business continuity (including disaster recovery) plan.
- (d) Evidence that, from the commencement of operations, information and other systems will be capable of producing all required statutory and prudential returns in an accurate and timely manner.

#### **4. Subsidiaries**

- (a) Details of existing or proposed subsidiaries and associates, the nature and scale of their business, and their proposed business relationship with the proposed ADI.
- (b) Any plans to transfer assets from subsidiaries and associates to the proposed ADI.

#### **5. Other**

- (a) Certificate of incorporation of the corporate vehicle to hold the ADI authority (refer Section 10 of the Banking Act).
- (b) Certified copies of Memorandum and Articles of Association (refer Section 10 of the Banking Act).
- (c) External auditor's certificates verifying the level of capital and capital ratios of the applicant.

#### **6. Foreign Bank Applicants**

- (a) The foreign bank parent of an applicant should provide:
  - (i) a brief history and an outline of its operations, substantial shareholders (direct and ultimate) and directors (including principal business associations);
  - (ii) balance sheet, profit and loss and off-balance sheet data for the last three years (plus any available current year data), including information on impaired loans and capital ratios;
  - (iii) an outline of the reporting lines proposed from the subsidiary ADI to its foreign bank parent;

- (iv) an undertaking to co-operate in the supervision of the proposed subsidiary ADI, including the provision of information required by APRA to supervise the proposed subsidiary ADI;
  - (v) an undertaking to keep APRA informed of any significant developments adversely affecting its financial soundness and/or reputation globally, and to provide promptly to APRA copies of its published financial accounts and any significant media releases (with translations where appropriate); and
  - (vi) an outline of the supervisory arrangements to which it is subject to in its home country.
- (b) A statement from the foreign bank parent's home supervisor that:
- (i) the foreign bank is of good financial standing and has the supervisor's consent to apply for an authority to operate as a locally incorporated ADI in Australia;
  - (ii) it supervises the parent bank and its subsidiaries on a consolidated basis in accordance with the principles contained in the Basel Concordat; and
  - (iii) it is willing to co-operate in the supervision of the proposed subsidiary in terms of the Concordat.

## **7. Prudential Supervision by APRA**

- (a) A written undertaking by the applicant to:
  - (i) adhere to APRA's prudential requirements at all times;
  - (ii) consult APRA and be guided by it on prudential matters and in respect of new business initiatives; and
  - (iii) provide APRA with any information which it may require for the prudential supervision of the proposed ADI (and its consolidated group).
- (b) For a foreign bank-owned applicant, an acknowledgement by the applicant that APRA may discuss the applicant's conduct and status with its parent and its parent's supervisor(s).
- (c) Evidence that arrangements have been established for the prospective ADI's external auditors to report to APRA.

**Supporting Information Required for an Application to Conduct Banking Business**

**Foreign ADI**

**1. Ownership and Management**

- (a) Name of the foreign bank applicant.
- (b) A brief history of the foreign bank and an outline of its operations, names of substantial shareholders (direct and ultimate) and their respective shareholdings, directors (including principal business associations) and senior management.
- (c) Information necessary to demonstrate the applicant's financial standing. This should include balance sheet, profit and loss and off-balance sheet data for the foreign bank itself, and where applicable for its holding company, for the last three years (plus any available current year data) and information on impaired loans and capital ratios.
- (d) An outline of the proposed branch framework, including names of the senior management of the Australian branch, their responsibilities and curriculum vitae.
- (e) An outline of the proposed reporting lines from the local branch to head office.

**2. 3-Year Business Plan**

The business plan submitted should incorporate the goals or milestones of the proposed branch's first three years of operations and include:

**Structure of Business**

- (a) an outline of the proposed activities (covering the parent's other operations in Australia) and scale of operations, including details of any specialised services proposed and relevant expertise;
- (b) any plans to establish (or maintain) a locally incorporated subsidiary ADI in Australia and the strategy under which these entities would operate, including details of any proposals to transfer assets or to share support services;

- (c) details of borrowing and lending activities to be undertaken;
- (d) details of proposed off-balance sheet activities;
- (e) location of principal Australian office and an outline of Australian representation envisaged and the timeframe over which representation will be established;
- (f) an estimate of total staff complement envisaged;
- (g) the proposed date for commencement of operations; and

### **Financial Projections**

- (h) projections (including sensitivity analysis covering expected, up-side and down-side scenarios) of the following:
  - (i) detailed balance sheet, cashflow and earnings (including assumptions); and
  - (ii) key financial and prudential ratios (as relevant).

### **3. Systems and Controls**

- (a) Details of the risk management systems and procedures to be adopted to control and monitor risks, including:
  - (i) credit policies, including policy on loans to shareholders, directors and associated interests, on exposures to individual clients and groups of related clients, and covering both banking and financial market (trading) activities;
  - (ii) policy on monitoring asset quality, loan grading and provisioning for doubtful debts;
  - (iii) liquidity management, including funding and maturity mismatch policies;
  - (iv) procedures for controlling market risk, in both financial market (trading) activities (including derivatives) and banking book;
  - (v) control of operational risk; and
  - (vi) arrangements for reporting to head office.
- (b) Details of information and accounting systems (including any outsourcing of data processing and other back office functions).



- (c) Business continuity (including disaster recovery) plan.
- (d) Evidence that, from the commencement of operations, information and other systems will be capable of producing all required statutory and prudential returns in an accurate and timely manner.

#### **4. Associates**

- (a) Details of existing or proposed subsidiaries and associates of the proposed branch in Australia; the nature and scale of their business; and their proposed business relationship with the branch.
- (b) Plans to transfer business from any subsidiaries and associates in Australia into the proposed branch.
- (c) An undertaking by the applicant to keep APRA apprised of developments in its subsidiaries in Australia.

#### **5. Other**

- (a) A copy of the certificate of incorporation of the foreign bank applicant (refer Section 10 of the Banking Act) and its authorisation to conduct banking business in its home country.
- (b) Certified copies of Memorandum and Articles of Association (refer Section 10 of the Banking Act).
- (c) An outline of the supervisory arrangements to which the foreign bank is subject to in its home country.
- (d) A statement from the applicant's home supervisor:
  - (i) consenting to the application to establish a branch in Australia;
  - (ii) confirming that the applicant is of good financial standing;
  - (iii) confirming that the applicant is supervised on a consolidated basis in accordance with the principles contained in the Basel Concordat; and
  - (iv) agreeing to co-operate in the supervision of the proposed branch, in terms of the Basel Concordat.
- (e) An undertaking by the applicant to keep APRA informed of any significant developments adversely affecting its financial soundness and/or reputation globally, and to provide promptly to APRA copies

of its published financial accounts and any significant media releases (with translations where appropriate).

## **6. Prudential Supervision by APRA**

- (a) A written undertaking by the applicant that the proposed branch will:
  - (i) adhere to APRA's prudential requirements at all times;
  - (ii) consult APRA and be guided by it on prudential matters and in respect of new business initiatives; and
  - (iii) provide APRA with any information which it may require for the prudential supervision of the branch.
- (b) An acknowledgement by the applicant that APRA may discuss the conduct of the branch with its head office and its home supervisor(s).
- (c) An acknowledgement by the applicant that the proposed branch will conform with the disclosure requirements pursuant to Section 11E of the Banking Act.
- (d) Evidence that arrangements have been established for the prospective branch's external auditors to report to APRA as required.