Webinar: Demystifying CPS230

Your Guide to implementation of Operational Resilience

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Time

Approx. 30mins
with time for Q&A

Questions

write your question using the Q&A area in the webinar and we'll answer at the end.

Recording

Recording of this webinar will be made available to all registered participants

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Agenda

- Overview and Key principles
- Key Considerations for implementation
- Demonstration of ReadiNow CPS230 Modules
- Q&A

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CPS230 - Key Dates

July 2022	April 2023	July 2023	End 2024	1 July 2025	1 July 2026
APRA consults on draft CPS 230	APRA announces revised implementation timetable	APRA releases Final CPS 230*	Implementation • Material service providers / critical operations identified* • Entities positioned to set tolerance levels set*	CPS 230 commences*	Transition ends for existing contracts with service providers

* Proactive transition period, regulated entities prepare for new requirements

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CPS230 - Key Principles

Key Themes

Be prepared for risk events	**Be resilient**	**Protect the entity and the community**

Areas of focus

- Critical operations
- Material service providers
- Business continuity
- Incident management
- Risk & Controls management

6 Key Areas of Action *to comply with CPS230*

1. Additional Board Reporting
2. Additional APRA Reporting Requirements
3. Amended Contractual Agreements with Service Providers
4. Enhance Operational Risk management
5. Enhance Business Continuity Planning
6. Enhance Management of Service Providers

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1 Enhanced Board Reporting

The Board of an APRA-regulated entity is ultimately **accountable** for oversight of an entity's **operational risk management**. This includes **business continuity** and the management of **service provider arrangements**

1 Enhanced Board Reporting

Operational Risk

Operational Risk Profile & action items

Control testing results and remediation plans for any control gaps or deficiencies

Business Continuity

Report on any tolerance levels that are not met and the associated remediation plans

Audit Report on the credibility of BC plans to maintain critical operations

Service Provider Management

Report on Material Service Provider Compliance with Service Provider Management Policy

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2 New APRA Notifications

The following notifications must be built into process'

Incidents that are likely to have material financial impact of the ability to maintain critical operations	**72 Hours**
After suffered a disruption to a critical operation outside tolerance	**24 Hours**
Entering into or materially changing an agreement with supplier that provides a service of a critical operation	**20 Business Day**
Prior to entering into an offshoring agreement with material service provider	**Prior to entering into agreement**
Register of Material Service Providers	**Annually**

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4 Uplift Existing Process

Enhancements to:

- **Operational Risk management**
- **Business Continuity Planning**
- **Management of Service Providers**

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4

Enhancements to:

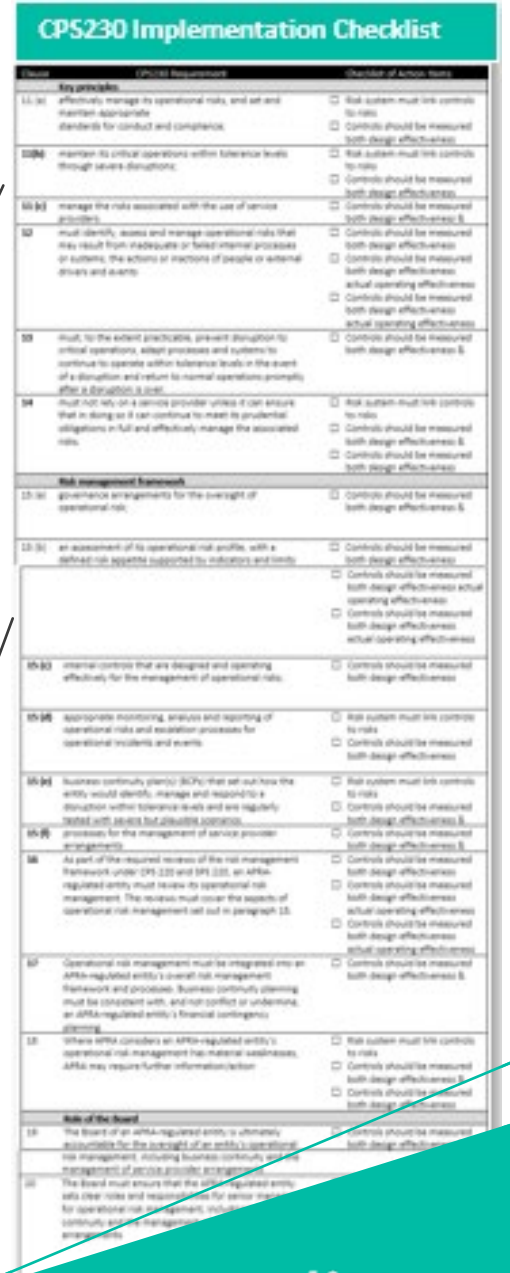
Operational Risk management

Existing

Para 26	☐ Implementation of a process & systems by which operational risks identified, evaluated and assessed on a regular basis.
Para 27(a)	☐ System for regular reporting of operational risks to the board and senior management
Para 29	☐ Risk system must link controls to risks
Para 30	☐ Control Assessments – must be measured for both design effectiveness and actual operating effectives

Uplift

Para 24	☐ Ensure Operational risks are segmented into below: legal risk, regulatory risk, compliance risk, conduct risk, technology risk, data risk, reputational risk and change management risk ***at minimum***


CPS230 Implementation Checklist

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4 Enhancements to:

Operational Risk management

NEW

Para 25

- ☐ Technology Risk – Regular monitoring of age and health of its information assets
  - ☐ Maintained list of Information Assets
  - ☐ Record purchase date & age of Information Assets
  - ☐ Regular monitoring of health of Information Assets
  - ☐ Risks raised for any aging technology

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4 Enhancements to:

Operational Risk management

NEW

Para 30 & 31

- ☐ System for remediation of material weakness
  - ☐ Regularly test controls for design & operating effectiveness
  - ☐ Identify any control gaps, weaknesses or failures
  - ☐ Document remediation plans with accountabilities and root cause identified

NEW

Para 32

- ☐ System of identifying Incidents & Near misses
  - ☐ Record any incidents or near misses
  - ☐ Implement process for APRA notification of Incidents
  - ☐ Ensure details of Incidents/near misses are available during risk assessments/control assessments

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Enhancements to:

Business Continuity Planning

Para 34	☐ Maintain List of Critical Operations ☐ Maintain BCP for every critical operations **APRA Powers**

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Critical Operations

35. **Critical operations** are processes undertaken by an APRA-regulated entity or its service provider which, if disrupted beyond tolerance levels, would have a material adverse impact on its depositors, policyholders, beneficiaries or other customers, or its role in the financial system

36. An APRA-regulated entity must, at a minimum, classify the following business operations as critical operations, unless it can justify otherwise:

(a) for an ADI: payments, deposit-taking and management, custody, settlements and clearing;

(b) for an insurer (general, life, private health): claims processing;

(c) for an RSE licensee: investment management and fund administration; and

(d) for all APRA-regulated entities: customer enquiries and the systems and infrastructure needed to support critical operations..

5

Enhancements to:

Business Continuity Planning

Para 34

- ☐ Maintain List of Critical Operations
- ☐ Maintain BCP for every critical operations

APRA Powers

NEW

Para 38 & 39

- ☐ Management of Tolerance Levels
  - ☐ Set MAO, RPO and minimum service Levels required for critical operations
  - ☐ APRA may set tolerance levels for an APRA regulated entity

APRA Powers

NEW

Para 44

- ☐ System of Testing of BCP's
  - ☐ Generate list of **severe but plausible scenarios**
  - ☐ Test activation of BCM in scenarios

APRA Powers

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Enhancements to:

Business Continuity Planning

NEW

Para 42

☐ BCP Activation

☐ Add a “APRA Notification” Step after suffered a disruption to a critical operation outside tolerance.

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Enhancements to:

Business Continuity Planning

Key Concerns

- Determining Critical Operations
- Lack of End to End process mapping

Recommendations

- Focus on operations that directly affect your end consumer
- Breaking down in smaller operations to better define critical operations

6

Enhancements to:

Management of Service Providers

Para 49-52

- ☐ Manage Material Service Providers
  - ☐ Maintain register of material service providers and associated risks
  - ☐ Submit Register to APRA on annual basis

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Material Service Providers

49. **Material service providers** are those on which the entity relies to undertake a critical operation or that expose it to material operational risk. **Material arrangements** are those on which the entity relies to undertake a critical operation or that expose it to material operational risk.

50. An APRA-regulated entity must, at a minimum, classify a provider of the following services as a material service provider, unless it can justify otherwise:

(a) for an ADI: credit assessment, funding and liquidity management and mortgage brokerage;

(b) for an insurer (general, life, private health): underwriting, claims management, insurance brokerage and reinsurance;

(c) for an RSE licensee: fund administration, custodial services, investment management and arrangements with promoters and financial planners; and

(d) for all APRA-regulated entities: risk management, core technology services and internal audit.

6

Enhancements to:

Management of Service Providers

Para 49-52

- ☐ Manage Material Service Providers
  - ☐ Maintain register of material service providers and associated risks
  - ☐ Submit Register to APRA on annual basis

Uplift

Para 47 & 48

- ☐ Update Service Provider Management Policy
  - ☐ Cover arrangement for critical operations AND any that expose organisation to material operational risk
  - ☐ Cover risks associated with 4th Parties

Uplift

Para 58 & 60

- ☐ Update Service Agreements with specified inclusions
- ☐ Conduct regular internal Audits on providers compliance with service agreements
- ☐ Regular reporting to Board on Service Provider performance

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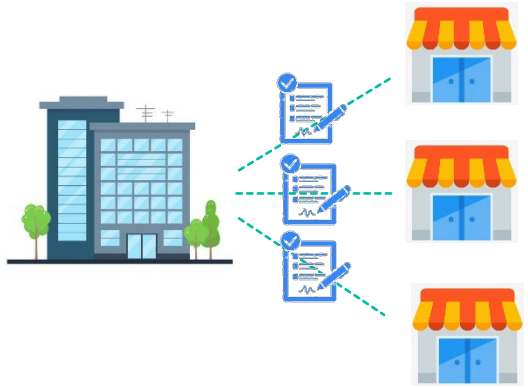
3 Contractual Changes to Service Provider Agreements



In Service Arrangements (Clause 54)

- ✓ services and service levels
- ✓ rights, responsibilities, and expectations of each party
- ✓ ability of the entity to meet its legal and compliance obligations;
- ✓ require notification by the service provider of its use of other material service providers, through sub-contracting or other arrangements;
- ✓ require the liability for any failure on the part of any sub-contractor to be the responsibility of the service provider
- ✓ include a force majeure provision indicating those parts of the contract that would continue in the case of a force majeure event;
- ✓ termination provisions for right to terminate

At next Contract renewal *or* before 1 July 2026

Provisions for APRA (Clause 55)

- ✓ Allow APRA access to documentation, data and any other information related to the provision of the service
- ✓ Allow APRA the right to conduct an on-site visit to the service provider

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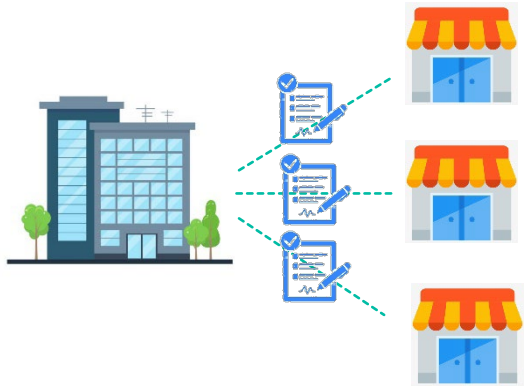
Enhancements to:

Management of Service Providers



Key Concerns

- Difficulty in negotiating/obtaining info from larger service providers
- Embedding APRA clauses into service agreements
- Extra work required for quantity of material service providers
- Identifying material service providers (e.g. brokers)

Recommendations

- Vendor Education – providing guidance documents to vendors
- Tiering of Material service providers
- Documenting approach and justification for APRA
- Continuously reviewing vendor materiality due to potential changes in vendor relationships.
- Resource planning for vendor management

What is ReadiNow

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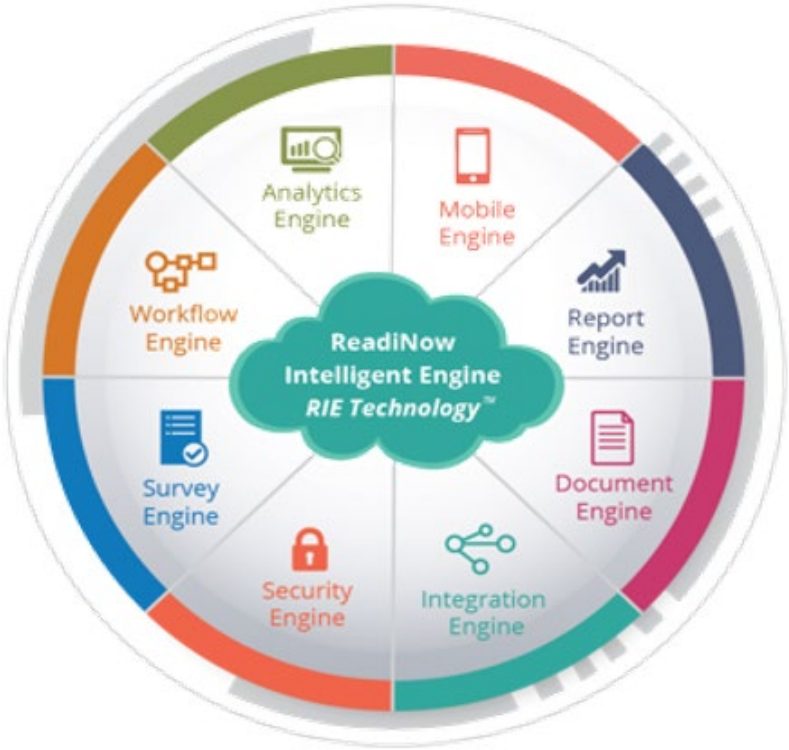
Excel Sheets or External Data

New User Requirements

New Ideas

Legacy Applications

ReadiNow **No-Code** Drag & Drop



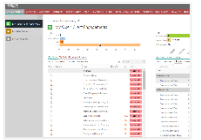
Transform or Build Unlimited Use Cases

Risk

BCM

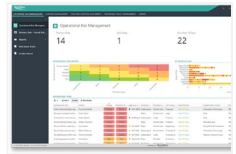
Compliance

ESG



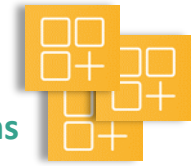
Audit

ITDR



Incidents

+ Any custom Use Case Applications



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Governance, Risk & Compliance

- BCM
- Risk
- Compliance
- Audit
- Incident
- WHS
- Vendor
- Complaints
- Key Indicators

IT/Cyber Solutions

- IT Risk
- IT Security Incident
- ITDR
- IT Compliance

Environmental, Social & Governance

- Materiality Assessments
- Disclosure
- Metrics

+ Any custom Use Case Applications

- Configurable Forms & Screens
- Dashboards
- Analytics
- Workflow
- Mobile
- Role Based Security
- Document Generation
- Alerts & Notifications
- Integrations

CPS230 Module

Business Continuity

- Critical Operations
- Testing Program
- Recovery Actions

Risk Management

- Risk Assessment
- Control Assessment
- Risk Taxonomy

Incident Management

- Incident & Near Misses
- Reporting
- Indicators

Service Provider Management

- Vendor Register
- Contract Management
- Due Diligence

Configurable Forms & Screens | Dashboards | Analytics | Workflow | Mobile | Role Based Security | Document Generation | Alerts & Notifications | Integrations

CPS230 Module

- ✓ Manage all your CPS230 requirements
- ✓ Auto-generate APRA notification reports
- ✓ Executive-Level Insights with real-time CPS230 dashboards for Management and Board reporting
- ✓ Leverage no-code automation for effortless control of Risk, Business Continuity, Incident and Vendor Management.

Configurable Forms & Screens | Dashboards | Analytics | Workflow | Mobile | Role Based Security | Document Generation | Alerts & Notifications | Integrations

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Live Demo