

RITS Corporate Governance Standards for Non-ADIs

June 2022



**RESERVE BANK
OF AUSTRALIA**

Payments Settlements Department

1 Introduction

The Reserve Bank (the Bank) requires Exchange Settlement Account (ESA) holders to comply with a range of requirements relating to the holding of an ESA. One of these requirements is that an ESA holder must have a “sufficiently developed risk culture in its business and operations” which includes “...the ability to meet corporate governance requirements for RITS members”.¹

Corporate governance plays an important role in ensuring an organisation has robust risk and compliance procedures, and appropriate board oversight. This paper outlines the minimum corporate governance requirements that the Bank requires all unlisted, non-prudentially regulated (i.e. non-ADI) RITS members to meet on an ongoing basis, as these entities are subject to very few corporate governance laws or regulations.

2 RITS Corporate Governance Standards for Non-ADIs

A non-ADI RITS member must be able to demonstrate, both during the ESA application process and on an ongoing basis if approved to hold an ESA, that it meets the following minimum corporate governance standards established by the Bank:

- it must have at least three directors on its board of directors;
- it must have at least one Independent Director²;
- it must include RITS operations as a standing item on the agenda for the meetings of its board of directors; and
- within 60 days after the end of each calendar year, it must deliver to the RBA a certificate signed by all of its directors which includes:
 - i. a statement as to whether the directors are satisfied that the member has complied with its obligations under the RITS Regulations and any additional conditions of membership; and
 - ii. if the directors are not so satisfied:
 - a) the details of any non-compliance with its obligations (including the nature and period of non-compliance);
 - b) the reasons for such non-compliance;
 - c) the steps taken to avoid such non-compliance from occurring in future; and
 - d) any other information required by the RBA.

As noted, the above requirements are the minimum to be met by non-ADI RITS Members. The Bank reserves the right to vary the requirements based on the particular circumstances, and also to impose additional conditions of membership, as required.

In addition to the above conditions, as part of the initial ESA application process the Bank will collect additional information on management accountability, reporting lines in relation to RITS, audit

¹ Refer to the Reserve Bank's [Exchange Settlement Account Policy](#), s3(g)(iii).

² An Independent Director is a director of the company who: (a) would be considered independent under the standard set out in Banking, Insurance and Life Insurance (prudential standard) determination No. 8 of 2016 – Prudential Standards CPS 510 Governance dated 8 September 2016 or any later version or replacement of that determination (CPS 510); and (b) for the avoidance of doubt, is not a relative of a person who would not be considered independent under CPS 510.

controls and any other information the Bank deems necessary to assess an entity's governance arrangements.

3 RBA Contact Information

Members should contact the RITS Membership team if they have any questions in relation to the corporate governance arrangements outlined in this paper. Contact details are as follows:

Email: RITSMembership@rba.gov.au