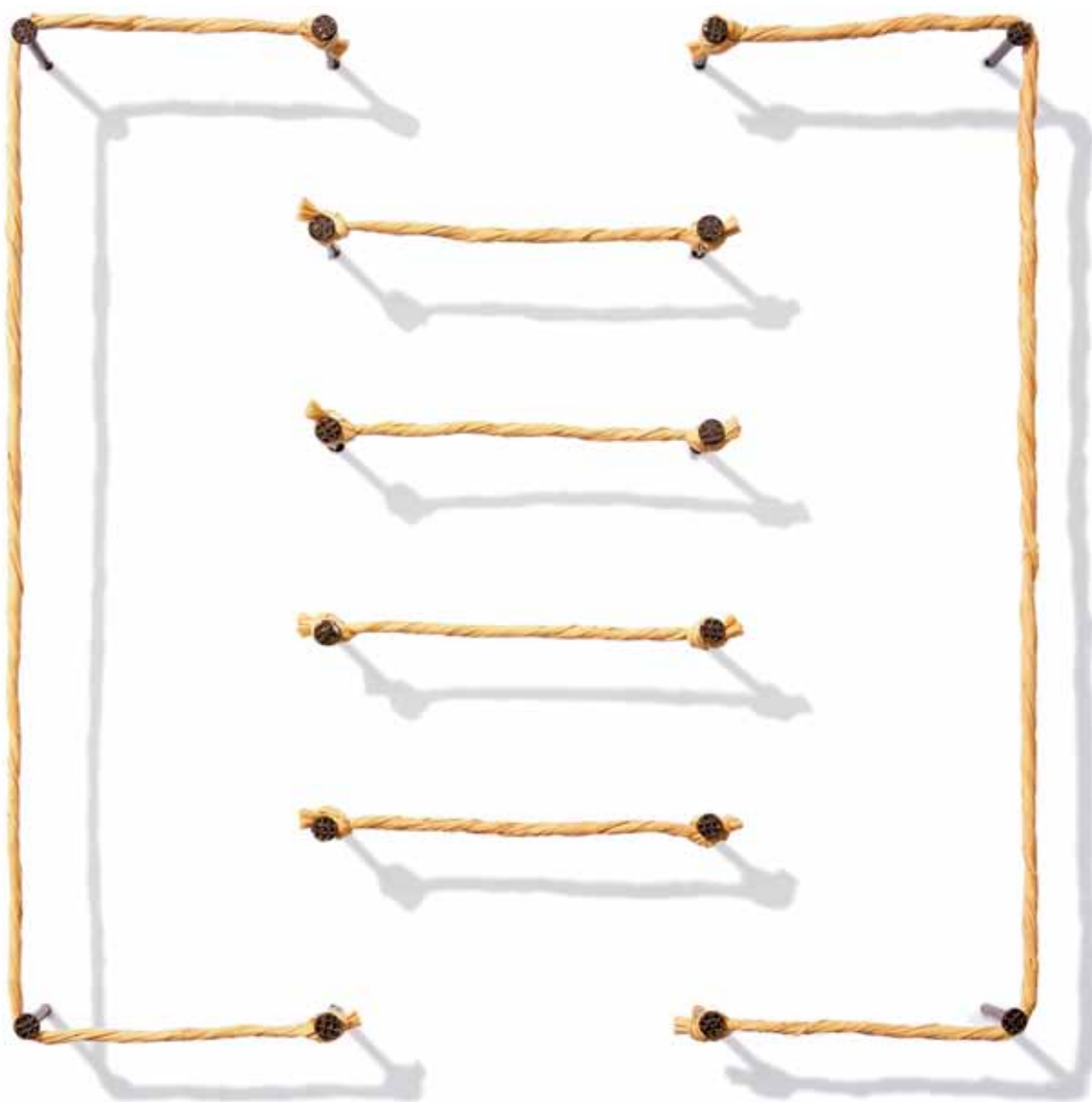




# Annual Regulatory Plan

**APRA 2010–2011**

October 2010



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# Introduction

The Annual Regulatory Plan (ARP) details APRA's planned activities for regulatory changes in the 2010-2011 financial year. The ARP also provides a summary of regulatory proposals that were finalised in the 2009-2010 financial year.

## APRA's consultation strategy

Effective consultation is a central element of APRA's policy development process.

The key objective of APRA's consultation strategy is to ensure that relevant stakeholders are provided with sufficient opportunity to engage with APRA about proposed changes to its regulatory framework. Effective consultation also allows relevant stakeholders to develop a sound understanding of the issues which APRA is seeking to address via the regulatory change.

In order to achieve these objectives, APRA's consultation strategy ensures consultation occurs at a sufficiently early stage in the policy development process, and with sufficient frequency thereafter, to allow issues raised during the process to be incorporated within the final policy direction adopted by APRA.

APRA actively consults with stakeholders through mechanisms such as industry presentations, workshops, quantitative impact studies and targeted consultation with select stakeholders if appropriate. APRA also actively engages with relevant industry bodies through participating in and co-hosting information sessions for the members of such bodies.

The nature and extent of APRA's consultation for a particular policy proposal is dependent on the expected impact of the proposals. APRA may undertake a single round of consultation for less complex proposals that are expected to have minimal impact on industry. However, multiple rounds of consultations will often be undertaken for more complex proposals or those that may have more significant impacts. Depending on the complexity and impact on the industry, each round of consultation for a proposal may range from six to twelve weeks.

APRA's consultation packages are available to all stakeholders and interested parties on [www.apra.gov.au/policy/](http://www.apra.gov.au/policy/). APRA also issues media releases on its website and notifies industry subscribers of the release of a consultation package via email.

For details of consultation plans for individual policy proposals please refer to the planned regulatory activities October 2010 – June 2011.

## Past regulatory changes July 2009 – September 2010

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| <b>Title</b>                | Remuneration – proposed extensions to governance requirements for APRA-regulated institutions  |
| <b>Description of issue</b> | In November 2009, APRA released its final package on remuneration for authorised deposit-taking institutions (ADIs) and general and life insurance companies. The package comprised a response paper, extensions to the governance standards already applying in these industries and a prudential practice guide (PPG). APRA's requirements on remuneration are designed to endorse and implement the Financial Stability Board's (FSB) <i>Principles of Sound Compensation Practices</i> . They deal with an important deficiency highlighted by the FSB's work, in which APRA participated, namely the lack of alignment of remuneration with risk management. APRA's requirements also respond to the Prime Minister's request in October 2008 that APRA consider the linkages between remuneration practices and the capital adequacy requirements of regulated institutions.   |
| <b>Consultation plan</b>    | <p>Prior to undertaking public consultation, APRA consulted with a selection of industry experts on 28 April 2009, comments from which were taken into account in preparing the draft documents that were released for the first round of public consultation.</p> <p>As part of its first round of public consultation, APRA released a discussion paper entitled <i>Remuneration – proposed extensions to governance requirements for APRA-regulated institutions</i> on 28 May 2009 for a consultation period of eight weeks. The discussion paper was also accompanied by draft prudential standards and a draft prudential practice guide (PPG).</p> <p>APRA received 51 submissions in response to the discussion paper from APRA-authorised insurers, authorised deposit-taking institutions, reinsurance brokers, and other interested parties. APRA staff also met directly with a number of interested parties during the consultation period for this release.</p> <p>In September 2009, APRA and the Australian Institute of Company Directors (AICD) held two seminars in Melbourne and Sydney on APRA's proposals for remuneration. The seminars were an opportunity to learn about the proposed changes first-hand and provided industry with an opportunity to raise concerns with the proposals. Approximately 350 representatives from industry attended the seminars.</p> <p>Revised draft governance standards and PPG were released for a second round of consultation on 7 September 2009. APRA received 19 submissions during the second consultation period.</p> |
| <b>Expected timetable</b>   | The final prudential standards and associated prudential practice guide were released in November 2009 and came into effect on 1 April 2010.   |
| <b>Contact details</b>      | Ms Melisande Waterford<br>Senior Manager, Policy Development<br>Ph: 02 9210 3115<br>Fax 02 9210 3409<br>Email: <a href="mailto:melisande.waterford@apra.gov.au">melisande.waterford@apra.gov.au</a>  |
| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | Maximum Event Retention for lenders mortgage insurers  |
| <b>Description of issue</b> | Attachment A of <i>Prudential Standard GPS 116 Capital Adequacy: Concentration Risk Capital Charge</i> (GPS 116) details the maximum event retention (MER) calculation for lenders mortgage insurers (LMIs). It has been reviewed by APRA to improve its clarity and practical implementation.   |
| <b>Consultation plan</b>    | <p>During the consultation process on the general insurance refinements package in 2007, APRA asked LMIs to provide submissions on any substantive issues industry had with Attachment A of GPS 116. In September 2008, APRA released the discussion paper <i>Maximum Event Retention for Lenders Mortgage Insurers</i>, for a consultation period of eight weeks in response to those submissions. The discussion paper made six key proposals in relation to the determination of the MER for LMIs. The discussion paper was accompanied by draft revisions to Attachment A of GPS 116 and a quantitative impact study (QIS).</p> <p>APRA received five submissions and nine QIS responses and has held multiple discussions with a range of LMIs and other interested parties.</p> <p>APRA decided that the proposals will proceed in two steps and notified industry and other stakeholders of APRA's intent. An amended standard was released with a response paper in March 2010 that implemented four of the proposals from the September 2008 discussion paper.</p> <p>Consideration will be given to the remaining two proposals in conjunction with the broader review of the general insurance and life insurance capital standards currently being undertaken by APRA.</p> |
| <b>Expected timetable</b>   | A response to submissions paper was released by APRA in March 2010 together with revisions to Attachment A of GPS 116. The revisions to Attachment A of GPS 116 came into effect on 1 May 2010.  |
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| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | Major event data collection from general insurers  |
| <b>Description of issue</b> | APRA sought to improve the collection of industry data regarding major events to assist it in assessing the impact of major insurance events on the capital position of insurers, individually and in the aggregate. The data sought by APRA includes information about the nature and quantum of claims. APRA has agreed with industry to pursue a voluntary collection of these data.  |
| <b>Consultation plan</b>    | <p>Informal consultation, by way of correspondence and two meetings with the Insurance Council, took place in 2009/2010. APRA reached an agreement with the Insurance Council regarding the nature and technical specifications of the voluntary data collection.</p> <p>APRA also consulted with insurers that are not members of the Insurance Council and obtained their agreement to also provide data to APRA. The consultation with non-members included written correspondence and a meeting held at APRA in September 2010.</p> <p>Queries and ongoing correspondence on major event reporting is managed via an email address <a href="mailto:majorinsuranceevents@apra.gov.au">majorinsuranceevents@apra.gov.au</a>.</p> |
| <b>Expected timetable</b>   | The first data collections from Insurance Council members have taken place. General insurers that are not members of the Insurance Council have also provided data to APRA.  |
| <b>Contact details</b>      | <p>Ms Melisande Waterford<br/> Senior Manager, Policy Development<br/> Ph: 02 9210 3115<br/> Fax 02 9210 3409<br/> Email: <a href="mailto:melisande.waterford@apra.gov.au">melisande.waterford@apra.gov.au</a></p>   |
| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | <b>General insurance performance reporting</b>   |
| <b>Description of issue</b> | This project aligns prudential reporting more closely with Australian equivalents to International Financial Reporting Standards (AIFRS) for general insurers. This is intended to reduce reporting obligations and enhance the dialogue between APRA and individual insurers on their financial performance. The proposed changes were not intended to materially affect the capital of the industry as a whole or at individual insurer level.   |
| <b>Consultation plan</b>    | <p>On 3 December 2009, APRA released a consultation package, for a period of eight weeks, relating to proposals to align prudential reporting more closely with statutory reporting for general insurers. The December 2009 consultation package comprised a discussion paper, drafts of the amended prudential standards, reporting forms and instructions and a quantitative impact study (QIS). APRA received 11 written submissions and 45 QIS responses.</p> <p>Implementation of the new reporting framework is being managed with industry via an email address (<a href="mailto:gipr@apra.gov.au">gipr@apra.gov.au</a>) where queries are lodged and responses provided by APRA.</p> |
| <b>Expected timetable</b>   | The final prudential standards were released in June 2010. The reporting framework together with final reporting standards, forms and instructions, that implemented the simplified reporting framework for general insurers, were released in July 2010. The new reporting standards were effective for the reporting period ending 30 September 2010 for both quarterly and annual returns.  |
| <b>Contact details</b>      | <p>Ms Melisande Waterford<br/> Senior Manager, Policy Development<br/> Ph: 02 9210 3115<br/> Fax 02 9210 3409<br/> Email: <a href="mailto:melisande.waterford@apra.gov.au">melisande.waterford@apra.gov.au</a></p>   |
| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | <b>Unauthorised foreign insurer (UFI) data collection</b>   |
| <b>Description of issue</b> | <p>The need for a data collection from Australian Financial Services License (AFSL) holders is linked to changes to the <i>Insurance Act 1973</i>, effective in mid-2008, requiring unauthorised foreign insurers to become authorised or only write business in Australia subject to certain exemptions. The data collection will assist the Government to assess the operation of the exemption regime, by providing information about continuing use of unauthorised foreign insurers.</p> <p>APRA is acting as the data collection agent on behalf of ASIC and the Government in its role as a statistical agency, rather than as a prudential regulator.</p> |

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| <b>Consultation plan</b>  | <p>The Treasury released a discussion paper outlining the proposed data collection in September 2009, with a four-week consultation period. The <i>Corporations Amendment Regulations 2009 (No. 11)</i> was approved in December 2009 to amend the <i>Corporations Regulations 2001</i> by implementing the intermediated general insurance business data collection regime.</p> <p>APRA held numerous meetings with brokers and data providers, mailed information packages to likely reporting entities, and called approximately 900 entities directly to ensure they understood their reporting obligations.</p> |
| <b>Expected timetable</b> | <p>The data collection commenced for an interim reporting period of two months to 30 June 2010, with the first submissions due within two months of the end of this period. Subsequent data collections will cover a six-month reporting period ending 31 December and 30 June each year.</p>  |
| <b>Contact details</b>    | <p>Mr Peter Macris<br/> Manager, UFI Data Collection<br/> Ph: 02 9210 3024<br/> Fax: 02 9210 3021<br/> Email: <a href="mailto:peter.macris@apra.gov.au">peter.macris@apra.gov.au</a></p>   |
| <b>Date last modified</b> | October 2010   |

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| <b>Title</b>                | <b>Enhanced supervision of life companies</b>  |
| <b>Description of issue</b> | <p>In early 2010, APRA released a package <i>Enhanced Supervision of Life Companies</i>, having publicly consulted on the proposals in 2009.</p> <p>As part of this package, APRA made limited amendments to the audit and actuarial requirements for life companies to clarify the requirements and align them more closely with those applying to ADIs and general insurers. Additionally, APRA restructured the original audit and actuarial related prudential standard into two separate prudential standards <i>LPS 310 Audit and related matters</i> and <i>LPS 320 Actuarial and related matters</i>.</p> <p>Secondly, with the passing of the <i>Financial Sector Legislation Amendment (Enhancing Supervision and Enforcement) Act 2009</i>, APRA was given powers to register non-operating holding companies of life companies (life NOHCs) and to enable APRA to make prudential standards for life NOHCs. Initially, APRA has extended its prudential standards on governance and fit and proper to life NOHCs, bringing these standards in the life insurance industry into line with existing requirements in the ADI and general insurance industries. The changes will better protect life insurance policyholders from risks that may exist in related companies, by ensuring that authorised NOHCs of life companies have adequate governance.</p> |

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| <b>Consultation plan</b>  | <p>Prior to undertaking public consultation, APRA liaised with several professional industry bodies in developing the proposals.</p> <p>Draft versions of the standards and a discussion paper explaining the changes, were released in May 2009 and were available for comment from the public for approximately eight weeks from 9 May 2009 to 30 June 2009.</p> <p>The discussion paper requested comments on the proposed changes, and specifically requested information on the costs that were likely to be incurred as a consequence of complying with the changes.</p> <p>APRA received seven responses from the consultation with industry, including responses from professional bodies; the Australian Auditing and Assurance Standards Board, the Institute of Actuaries of Australia, and the Institute of Internal Auditors.</p> |
| <b>Expected timetable</b> | Final prudential standards were released in March 2010 and came into effect on 1 July 2010.  |
| <b>Contact details</b>    | <p>Ms Melisande Waterford<br/>         Senior Manager, Policy Development<br/>         Ph: 02 9210 3115<br/>         Fax 02 9210 3409<br/>         Email: <a href="mailto:melisande.waterford@apra.gov.au">melisande.waterford@apra.gov.au</a></p>   |
| <b>Date last modified</b> | October 2010   |

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| <b>Title</b>                | <b>Guidance on the management of security risk in information and information technology</b>  |
| <b>Description of issue</b> | <p>In February 2010, APRA published <i>Prudential Practice Guide PPG 234 Management of security risk in information and information technology</i>.</p> <p>The PPG aims to target areas where APRA's ongoing supervisory activities continue to identify weaknesses. Topics addressed include the importance of an overarching framework, systematic IT asset life-cycle management, effective monitoring processes and robust IT security reporting and assurance mechanisms.</p> <p>The PPG is designed to provide guidance to senior management, risk management and IT security specialists (management and operational). It does not seek to provide an all-encompassing framework nor to replace or endorse existing industry standards and guidelines.</p> |
| <b>Consultation plan</b>    | APRA released a discussion paper and draft PPG for consultation in May 2009 for a period of four weeks.   |
| <b>Expected timetable</b>   | The final PPG was released in February 2010.  |
| <b>Contact details</b>      | <p>Ms Jane Sharkey<br/>         Advisor, Policy Development<br/>         Ph: 02 9210 3393<br/>         Fax: 02 9210 3166<br/>         Email: <a href="mailto:jane.sharkey@apra.gov.au">jane.sharkey@apra.gov.au</a></p>   |
| <b>Date last modified</b>   | October 2010  |

## Planned regulatory activities October 2010 – June 2011

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| <b>Title</b>                | Basel II enhancements – July 2009 package  |
| <b>Description of issue</b> | <p>APRA is reviewing its capital requirements for ADIs in relation to <i>Prudential Standard APS 111 Capital Adequacy: Measurement of Capital</i> (APS 111), <i>Prudential Standard APS 116 Capital Adequacy: Market Risk</i> (APS 116), <i>Prudential Standard APS 120 Securitisation</i> (APS 120), <i>Prudential Standard APS 310 Audit and Related Matters</i> (APS 310), and <i>Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information</i> (APS 330) in light of the enhancements to the Basel II Framework released by the BCBS in July 2009 (referred to as the Basel II enhancements – July 2009 package).</p> <p>As part of these changes, APRA is also taking the opportunity to propose other amendments to prudential standards on capital adequacy to clarify existing provisions and to support the implementation of the Basel II enhancements.</p>  |
| <b>Consultation plan</b>    | <p>APRA consulted industry on proposed changes to APS 111, APS 116, APS 120, APS 310 and APS 330 in December 2009, for a period of eight weeks and on the related reporting requirements in May 2010 for a period of four weeks.</p> <p>APRA and a number of ADIs participated in a Basel Committee on Banking Supervision (BCBS) global Quantitative Impact Study (QIS) exercise conducted in early 2010, which included an assessment of the likely impact of the Basel II enhancements.</p> <p>The BCBS announced, in June 2010, further minor amendments to the Basel II enhancements – July 2009 package and a delayed implementation timetable. These reforms must now be implemented by 31 December 2011, rather than the original target date of 31 December 2010.</p> <p>In October 2010 APRA released a letter to industry regarding the most recent amendments announced by the BCBS. In October 2010, APRA also consulted with industry on two revised proposals and sought responses within four weeks. APRA has informed ADIs that it will adopt the delayed implementation timetable.</p> |
| <b>Expected timetable</b>   | Revised prudential standards are proposed to be released for consultation in early 2011, for a period of at least eight weeks. Final prudential standards are expected to be released in 2011.   |
| <b>Contact details</b>      | <p>Ms Joy Wann<br/>         Advisor, Policy Development<br/>         Ph: 02 9210 3638<br/>         Fax: 02 9210 3420<br/>         Email: <a href="mailto:joy.wann@apra.gov.au">joy.wann@apra.gov.au</a></p>  |
| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | BCBS proposals to strengthen the resilience of the banking sector (Basel III)   |
| <b>Description of issue</b> | <p>In December 2009, the BCBS released for consultation a package of proposals to promote a more resilient banking sector.</p> <p>In addition to liquidity proposals (see below), the consultative documents cover the following key areas:</p> <ul style="list-style-type: none"> <li>• raising the quality, consistency and transparency of the capital base;</li> <li>• strengthening the capital requirements for counterparty credit risk exposures arising from derivatives, repos and securities financing activities;</li> <li>• the introduction of a leverage ratio as a supplementary measure to the Basel II risk-based framework; and</li> <li>• the introduction of a series of measures to promote the build-up of capital buffers in good times that can be drawn upon in periods of stress.</li> </ul> <p>The BCBS proposes to release a final set of standards by the end of 2010, with the aim of implementation by end of 2012.</p>                                   |
| <b>Consultation plan</b>    | <p>APRA and a number of ADIs participated in the BCBS QIS exercise conducted in early 2010 to assess the likely impact of the BCBS December 2009 proposals.</p> <p>On 6 September 2010, APRA co-hosted an industry conference with the Financial Services Institute of Australasia (Finsia) to discuss the impacts of the Basel reforms on Australia's banking system and to give some preliminary views as to how these changes will be implemented in Australia.</p> <p>APRA and a number of the larger banks also participated in a BCBS follow-up QIS conducted in September 2010 to estimate the impact of the agreed amendments to the December 2009 proposals announced by the BCBS on 26 July 2010.</p> <p>APRA has held several meetings in various forums with potentially affected ADIs.</p> <p>APRA will consult publicly on proposed revisions to prudential standards, guidance and reporting requirements to give effect to these changes in global capital standards.</p> |
| <b>Expected timetable</b>   | APRA proposes to release a consultation package in 2011 for a period of at least eight weeks, with a view to issuing final standards, guidance and reporting requirements in 2012. We expect multiple rounds of consultation and standards development over the next two years.   |
| <b>Contact details</b>      | <p>Ms Jane Sharkey<br/> Advisor, Policy Development<br/> Ph: 02 9210 3393<br/> Fax: 02 9210 3166<br/> Email: <a href="mailto:jane.sharkey@apra.gov.au">jane.sharkey@apra.gov.au</a></p>   |
| <b>Date last modified</b>   | October 2010  |

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| <b>Title</b>                | <b>Review of liquidity standards – ADIs</b>   |
| <b>Description of issue</b> | <p>APRA's current prudential framework for ADI liquidity risk management, set out in <i>Prudential Standard APS 210 Liquidity (APS 210)</i>, was introduced in 1998. In light of financial market developments and changing ADI practices over the past decade, APRA has undertaken a broad-ranging review of the prudential framework. The review has also taken into account lessons learned from the global financial crisis and recent international supervisory developments, including the BCBS proposals on liquidity. APRA's objective is to strengthen the resilience of ADIs to liquidity risk and improve APRA's ability to assess and monitor ADIs' liquidity risk profiles.</p>  |
| <b>Consultation plan</b>    | <p>In May 2007, APRA held a conference on liquidity risk management for industry participants and other regulators to discuss current practices and ongoing developments in liquidity risk management.</p> <p>In July 2008, an industry working group on liquidity (LWG) was formed at APRA's request. APRA worked with the LWG in developing its liquidity policy proposals and draft reporting templates.</p> <p>On 11 September 2009, APRA released a discussion paper and draft reporting forms for public consultation until 30 November 2009. In response to industry requests, the consultation period was extended to mid-December 2009.</p> <p>APRA participated in a liquidity forum on 30 September 2009 to discuss its proposals with industry.</p> <p>In October and November 2009, APRA met with various industry bodies (Australian Bankers' Association, Australian Financial Markets Association and Abacus) and individual ADIs to discuss APRA's liquidity proposals and impact.</p> <p>APRA and a number of ADIs have participated in the BCBS global QIS exercise conducted in early 2010 to assess the likely impact of the BCBS December 2009 liquidity proposals.</p> <p>On 6 September 2010, APRA co-hosted an industry conference with Finsia to discuss the impacts of the Basel reforms on Australia's banking system and to give some preliminary views as to how these changes will be implemented in Australia.</p> <p>APRA and a number of the larger banks have participated in the BCBS follow-up QIS conducted in September 2010 to estimate the impact of the agreed amendments to the December 2009 liquidity proposals announced by the BCBS on 26 July 2010.</p> <p>Further consultation will be conducted in the course of developing the final framework (refer to expected timetable below for planned consultation).</p> |

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| <b>Expected timetable</b> | <p>APRA proposes to issue:</p> <ul style="list-style-type: none"> <li>• clarification on what will constitute 'liquid assets' for the purpose of meeting the new rules in early 2011;</li> <li>• draft reporting standards and second-round draft reporting forms (including instructions) for (at least six weeks) public consultation in the first half of 2011; and</li> <li>• a consultation paper and a draft APS 210 and prudential practice guide for (at least eight weeks) public consultation in the second half of 2011.</li> </ul> <p>Subject to industry feedback, final reporting standards, forms and instructions as well as the final APS 210 and prudential practice guide are expected to be released in early to mid 2012.</p> |
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| <b>Date last modified</b> | October 2010   |

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| <b>Title</b>                | <b>Level 3 conglomerate framework</b>  |
| <b>Description of issue</b> | <p>In March 2010, APRA released a discussion paper on its proposal for the supervision of conglomerate groups i.e. groups that have material operations in more than one prudentially regulated industry and/or have one or more material unregulated entities. This substantial initiative aims to better protect the interests of depositors and insurance policyholders by ensuring that APRA has a broader group-wide view of the financial and operational soundness of the group, thus limiting the risks to APRA-regulated entities that are members of the group.</p>  |
| <b>Consultation plan</b>    | <p>On 18 March 2010, APRA released a discussion paper for a public consultation period of twelve weeks. 18 submissions were received on the discussion paper which included responses from the groups likely to be subject to the Level 3 framework (candidate Level 3 groups), industry associations and professional bodies.</p> <p>APRA held seminars on the discussion paper with all candidate Level 3 groups in March 2010. There were also separate bilateral meetings held with these groups and their relevant industry associations.</p> <p>APRA will also be undertaking a QIS for the candidate Level 3 groups. A draft QIS was released to candidate Level 3 groups on 31 August for a consultation period of three weeks. APRA proposes to release the QIS package later this year and the response period will be for at least six weeks.</p> <p>Further discussion and response papers together with draft standards and reporting standards will be issued for public consultation in the course of developing the final framework.</p> |

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| <b>Expected timetable</b> | APRA will conduct a QIS in late 2010. Subject to industry feedback, draft prudential standards, reporting standards, forms and instructions will be issued for consultation in 2011 with the final versions expected to be issued in the latter half of 2012. |
| <b>Contact details</b>    | Ms Evelyn Hauw<br>Senior Manager, Policy Development<br>Ph: 02 9210 3447<br>Fax: 02 9210 3021<br>Email: <a href="mailto:evelyn.hauw@apra.gov.au">evelyn.hauw@apra.gov.au</a>  |
| <b>Date last modified</b> | October 2010  |

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| <b>Title</b>                | <b>Review of capital standards in life and general insurance</b>  |
| <b>Description of issue</b> | <p>APRA proposes to update its capital standards for both life insurance and general insurance.</p> <p>APRA announced the broad scope of the review in May 2009 and issued a discussion paper in May 2010. The discussion paper outlines the major proposals arising from the review, with further technical details to follow in July 2010.</p> <p>For general insurers, APRA aims to complete the refinements that it commenced in 2008.</p> <p>For life insurers, APRA is reassessing the structure of the existing capital standards in the light of underlying changes to the industry over the last 15 years. The review will complete work commenced by the Life Insurance Actuarial Standards Board (LIASB) before it was dissolved in December 2007. At that time the responsibility for making capital standards passed from the LIASB to APRA.</p> <p>In general, the review aims to:</p> <ul style="list-style-type: none"> <li>• review the risk-sensitivity and appropriateness of the capital standards;</li> <li>• improve the alignment of the standards between APRA-regulated industries; and</li> <li>• consider the standards in light of international developments.</li> </ul> <p>In commencing this review, APRA's starting position was not that current capital requirements for the general and life insurance industries were, overall, either too low or too high. APRA has not set out to achieve any material change in overall industry capital levels; however, as the proposed changes would increase the risk-sensitivity of the standards, capital requirements for individual insurers may increase or decrease.</p> |

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| <b>Consultation plan</b>  | <p>APRA released, for public consultation for a period of twelve weeks, an initial discussion paper on 13 May 2010, followed by two technical papers on 12 July 2010 and the third technical paper on 30 September 2010.</p> <p>APRA issued a draft QIS for comment on 6 August 2010. The final version of the QIS was issued on 1 September for insurers to complete by 29 October 2010.</p> <p>There will be a further twelve week consultation period on the draft prudential standards and consultation on the draft reporting standards, once they are released in 2011.</p> <p>APRA conducted industry-wide public conferences on its proposals on 30 June 2010 (hosted jointly by the Insurance Council of Australia and the Financial Services Council) and 8 and 23 September 2010 (hosted by the Institute of Actuaries of Australia).</p> <p>Since the beginning of this project APRA has also given presentations and provided speakers at approximately 50 seminars to various stakeholders and interested parties. APRA has also met with many insurers individually, as part of the normal supervisory process, to discuss the implications of this project. This process will continue until the project's completion.</p> |
| <b>Expected timetable</b> | <p>Draft standards are expected to be issued in early 2011, with final capital standards expected to be issued later in 2011.</p> <p>The standards will become effective in 2012.</p>  |
| <b>Contact details</b>    | <p>Mr Allan Watts<br/> Manager, Policy Development<br/> Ph: 02 9210 3551<br/> Fax: 02 9210 3166<br/> Email: <a href="mailto:allan.watts@apra.gov.au">allan.watts@apra.gov.au</a></p>   |
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| <b>Title</b>                | <b>Implementation of reforms that may flow from the Super System Review</b>  |
| <b>Description of issue</b> | The Super System Review (the Review) released preliminary recommendations during 2009/10 and delivered its final report to Government at the end of June 2010. The Government's response will determine the regulatory changes that APRA may be charged with implementing. |
| <b>Consultation plan</b>    | Consultation will occur during the course of development and implementation of any reforms in accordance with APRA's usual consultation procedures.  |
| <b>Expected timetable</b>   | APRA will liaise with Treasury and the Minister and consider its timeframe for implementing the Government's response to the Review proposals over the next few months.  |

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| <b>Title</b>                | <b>Enhanced superannuation statistics collections</b>   |
| <b>Description of issue</b> | Since 2004, the average superannuation fund has become considerably larger and more complex. APRA's experience with the data over this time indicates that to better understand funds and trustees it needs to deepen the statistics collection about each fund. At the same time, there are a few areas of the current collection which might be dispensed with, without undue detriment to APRA's prudential or statistical objectives. APRA therefore proposes to implement a substantially enhanced annual data collection.   |
| <b>Consultation plan</b>    | <p>In May 2009, APRA released a discussion paper outlining proposed enhancements to statistics collection and reporting for a consultation period of four weeks. APRA received 17 submissions on the discussion paper.</p> <p>APRA announced a deferral of the project in November 2009. The deferral was in response to the announcement of the Review, which also examined the issues surrounding the collection and publication of superannuation data. The Review delivered its final report to Government in June 2010.</p> <p>Further consultation opportunities will be provided during the course of the development and implementation of any reforms in accordance with APRA's usual consultation procedures.</p> |
| <b>Expected timetable</b>   | APRA will review the timeframe for the enhanced collection after the Government's response to the Review is released.   |
| <b>Contact details</b>      | Ms Juanita Hoare<br>Senior Manager, Superannuation Statistics<br>Ph: 02 9210 3293<br>Fax: 02 9210 3066<br>Email: <a href="mailto:juanita.hoare@apra.gov.au">juanita.hoare@apra.gov.au</a>   |
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| <b>Title</b>                | <b>Review of superannuation guidance material</b>   |
| <b>Description of issue</b> | <p>APRA has commenced updating its superannuation guidance material and, where appropriate, harmonising the material with other APRA-regulated industries.</p> <p>Review and release of more up-to-date guidance on superannuation requirements will reflect market developments since the introduction of the Super Safety licensing reforms, which became effective from 1 July 2006. APRA is adopting the format of prudential practice guides used in the other industries for superannuation guidance material in face of existing Superannuation Circulars and guidance notes.</p>  |
| <b>Consultation plan</b>    | <p>On August 2009, APRA released for consultation drafts of four prudential practice guides on risk management, capital requirements, fitness and propriety and adequacy of resources in. These updated the guidance issued prior to commencement of trustee licensing in 2004.</p> <p>The consultation period was initially four weeks in duration, with additional time provided where requested. Where necessary, specific comments were followed up with the provider. These guides were finalised in August 2010 and released together with APRA's response paper.</p> <p>Completion of draft guidance issued earlier in 2009 on reserving and conflicts of interest was deferred pending finalisation of the Super System Review. Consultation periods of five and four weeks respectively were provided, with additional time provided where requested.</p> <p>Further consultation will occur as additional prudential practice guidance is developed, in accordance with APRA's usual consultation procedures.</p> |
| <b>Expected timetable</b>   | The Review delivered its final report to Government on 30 June 2010. APRA will review the timeframe for the release of further guidance material when the Government response to the Review is released.  |
| <b>Contact details</b>      | <p>Ms Melisande Waterford<br/> Senior Manager, Policy Development<br/> Ph: 02 9210 3115<br/> Fax 02 9210 3409<br/> Email: <a href="mailto:melisande.waterford@apra.gov.au">melisande.waterford@apra.gov.au</a></p>  |
| <b>Date last modified</b>   | October 2010  |

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| <b>Title</b>                | <b>Financial Claims Scheme – ADIs proposed information collection</b>   |
| <b>Description of issue</b> | <p>The Financial Claims Scheme (FCS) was announced by the Government and passed into legislation in 2008. It will be administered by APRA in the event that an ADI or general insurer fails.</p> <p>For ADIs this will involve APRA making early payments to account-holders who hold deposits in eligible products, using Government funds made available for this purpose in the first instance. APRA would then take the place of the depositors in the liquidation of the failed ADI.</p>   |
| <b>Consultation plan</b>    | <p>APRA invited individual ADIs and industry bodies to talks on the proposed implementation during 2009 in order to reach a considered view with input from industry in formulating initial views on this matter.</p> <p>APRA released a discussion paper in January 2010, setting out the proposed approach to operational aspects of the FCS for ADIs, including the need for ADIs to be able to identify each account-holder to allow payment to be made. This consultation period lasted for six weeks.</p> <p>APRA held meetings with a number of ADIs and industry bodies on a one-on-one basis during this first round of consultation.</p> <p>APRA has continued to engage with industry on this matter outside the formal consultation period.</p> <p>A second round of consultation is currently in progress. This includes the release of a draft reporting standard and associated guidance for ADIs to assist in the development of the necessary processes to aggregate information for each account-holder of an ADI in order to facilitate pay out of depositors of balances held in eligible accounts in the event of the failure of an ADI.</p> <p>APRA also engaged with industry at a one-day industry-wide workshop on the proposals. Representation from a broad cross-section of the industry were present. The workshop was useful in addressing issues from both an industry and APRA perspective.</p> <p>The final form of the information collection and associated matters are currently scheduled for release in early 2011, subject to the outcome of the second round of consultation.</p> |
| <b>Expected timetable</b>   | <p>At this stage, final arrangements will be notified to industry in early 2011 with expected commencement later in 2011. Transition arrangements for ADIs will be set out in the final reporting standard. A standard transition of one year will be provided to all ADIs, with the scope for a longer transition period for individual ADIs where there is a demonstrated need for a longer transition period.</p>  |
| <b>Contact details</b>      | <p>Mr Gavin Maunder<br/> Advisor, Policy Development<br/> Ph: 02 9210 3461<br/> Fax: 02 9210 3021<br/> Email: <a href="mailto:gavin.maunder@apra.gov.au">gavin.maunder@apra.gov.au</a></p>  |
| <b>Date last modified</b>   | October 2010  |

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| <b>Title</b>                | Funds management – ADIs  |
| <b>Description of issue</b> | APRA is reviewing its prudential requirements in relation to the funds management activities of ADIs and groups of which they are members. APRA's requirements for funds management activities of ADIs were previously set out in <i>Prudential Standard APS 120 Funds Management and Securitisation</i> . |
| <b>Consultation plan</b>    | APRA will consult on its proposed funds management requirements for ADIs as part of the development of this policy in accordance with APRA's usual consultation procedures.  |
| <b>Expected timetable</b>   | A discussion paper and draft prudential standard will be released for consultation for a period of at least eight weeks in early 2011.<br>The final prudential standard is expected to be released and implemented in 2011.  |
| <b>Contact details</b>      | Ms Joy Wann<br>Advisor, Policy Development<br>Ph: 02 9210 3638<br>Fax: 02 9210 3021<br>Email: <a href="mailto:joy.wann@apra.gov.au">joy.wann@apra.gov.au</a>   |
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| <b>Title</b>                | Risk management – ADIs  |
| <b>Description of issue</b> | APRA intends to develop an overarching risk management standard for ADIs, having regard to guidance issued by the BCBS on risk management and capital planning processes as part of the Basel II enhancements – July 2009 package. APRA will also have regard to its existing prudential standards on risk management in insurance. |
| <b>Consultation plan</b>    | APRA will consult on its proposed risk management requirements for ADIs as part of the development of this policy in accordance with APRA's usual consultation procedures.  |
| <b>Expected timetable</b>   | Initial consultation is expected to take place in the second half of 2010 for a period of at least eight weeks, with a final prudential standard expected to be released in early 2011 and take effect later in 2011.   |
| <b>Contact details</b>      | Ms Jane Sharkey<br>Advisor, Policy Development<br>Ph: 02 9210 3393<br>Fax: 02 9210 3166<br>Email: <a href="mailto:jane.sharkey@apra.gov.au">jane.sharkey@apra.gov.au</a>  |
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| <b>Title</b>                | <b>Life insurance prudential standards</b>   |
| <b>Description of issue</b> | As a consequence of the <i>Financial Sector Legislation Amendment (Simplifying Regulation and Review) Act 2007</i> , all Prudential Rules made under the Life Act will be remade as prudential standards.  |
| <b>Consultation plan</b>    | This project converts existing requirements within the Prudential Rules into prudential standards and does not represent a change in APRA's policy. As such, the changes being proposed are minor and/or machinery in nature therefore consultation will not be undertaken for this project. |
| <b>Expected timetable</b>   | This project is to be completed by July 2011.  |
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| <b>Date last modified</b>   | October 2010   |

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| <b>Title</b>                | <b>Consolidation of prudential standards</b>   |
| <b>Description of issue</b> | APRA is reviewing existing prudential standards relating to outsourcing, business continuity management, governance and fitness and propriety with a view to harmonising prudential requirements for ADIs, general insurers and life companies.<br><br>It is expected that existing industry-specific prudential standards in these areas will be replaced by single cross-industry prudential standards. The content of the new cross-industry prudential standards is expected to be largely the same as the existing standards. |
| <b>Consultation plan</b>    | APRA will consult on the proposed cross-industry standards as part of the creation of these new standards in accordance with APRA's usual consultation procedures.   |
| <b>Expected timetable</b>   | Draft cross-industry prudential standards are expected to be released for consultation for a period of at least eight weeks from late 2010.<br><br>Final prudential standards will then be released in early 2011, with commencement expected in mid 2011.   |
| <b>Contact details</b>      | Ms Carolyn Morris<br>Advisor, Policy Development<br>Ph: 02 9210 3561<br>Fax: 02 9210 3420<br>Email: <a href="mailto:carolyn.morris@apra.gov.au">carolyn.morris@apra.gov.au</a>   |
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