Response to Submissions

Supervision of conglomerate groups

1. Group governance and risk exposures

14 December 2012
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In March 2010, APRA released a discussion paper outlining proposals for a Level 3 framework for the supervision of conglomerate groups (Level 3 groups). These are groups that perform material activities across more than one APRA-regulated industry and/or in one or more non-APRA-regulated industries.

APRA invited comment on its proposals. It also undertook a Level 3 quantitative impact study (QIS) for potential Level 3 groups in late 2010. APRA subsequently wrote to potential Level 3 groups advising of a revised project implementation schedule to appropriately sequence this policy initiative with related initiatives in the authorised deposit-taking institution (ADI), insurance and superannuation industries.

The proposed Level 3 framework consists of four components: requirements for group governance, risk exposures, risk management and capital adequacy. This response paper focuses on the requirements for group governance and risk exposures. It outlines the main issues raised in relation to these components in submissions received on the discussion paper and the QIS, and provides APRA’s response. Concurrently, APRA is releasing and seeking comments on eight draft prudential standards that detail the proposed Level 3 requirements for these components of the framework.

APRA is proposing changes to the existing cross-industry behavioural standards in order to incorporate Level 3 groups. Beyond the Level 3 framework, APRA has proposed changes that will require Level 2 groups to also establish group-wide policies for governance, and fitness and propriety. Further, APRA proposes minor changes to align the cross-industry behavioural standards with the recently released behavioural standards for superannuation.

The third and fourth components of the Level 3 framework — risk management and capital adequacy — are not covered in this paper. APRA will release in the first half of 2013 a second response paper that will outline submissions received on, and APRA’s response to, capital adequacy proposals and two draft capital adequacy prudential standards. That consultation package will also include a draft cross-industry prudential standard on risk management that will apply to Level 1 ADIs and insurers, Level 2 groups and Level 3 groups.

In 2013, APRA will also consult on a set of prudential practice guides, reporting standards, reporting forms and instructions and consequential amendments to other prudential standards to give effect to the Level 3 framework. APRA expects to finalise the prudential standards, prudential practice guides, reporting forms and instructions prior to the proposed implementation date for the Level 3 framework on 1 January 2014.

Written submissions on this package should be sent to Level3Framework@apra.gov.au by 1 March 2013 and addressed to:

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Important disclosure notice – publication of submissions

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the Freedom of Information Act 1982 (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated institution which is not in the public domain and which is identified as confidential will be protected by section 56 of the Australian Prudential Regulation Authority Act 1998 and therefore will ordinarily be exempt from production under the FOIA.
# Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ADI</td>
<td>An authorised deposit-taking institution under the <em>Banking Act 1959</em></td>
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<tr>
<td>APRA</td>
<td>Australian Prudential Regulation Authority</td>
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<tr>
<td>APRA-regulated institution</td>
<td>A body regulated by APRA as defined in section 3 of the <em>Australian Prudential Regulation Authority Act 1998</em></td>
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<tr>
<td>General insurer</td>
<td>A general insurer authorised under the <em>Insurance Act 1973</em></td>
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<tr>
<td>Insurer</td>
<td>A general insurer or a life insurer</td>
</tr>
<tr>
<td>ITEs</td>
<td>Intra-group transactions and exposures</td>
</tr>
<tr>
<td>Level 1 institutions</td>
<td>Individual operating companies authorised to undertake activities within a single APRA-regulated industry (ADIs, general insurers, life insurers and RSE licensees)</td>
</tr>
<tr>
<td>Level 2 groups</td>
<td>Consolidated groups within a single APRA-regulated industry, headed by an ADI, general insurer or authorised non-operating holding company</td>
</tr>
<tr>
<td>Level 3 groups</td>
<td>Conglomerate groups, containing APRA-regulated institutions, with operations across more than one APRA-regulated industry and/or including material non-APRA-regulated activities</td>
</tr>
<tr>
<td>Level 3 Head</td>
<td>An APRA-regulated institution heading a Level 3 group</td>
</tr>
<tr>
<td>Level 3 supervisory adjustment</td>
<td>An adjustment that APRA may require to the Level 3 capital adequacy requirement</td>
</tr>
<tr>
<td>Life insurer</td>
<td>A life company, including a friendly society, registered under the <em>Life Insurance Act 1995</em></td>
</tr>
<tr>
<td>Non-APRA-regulated institution</td>
<td>An institution other than an APRA-regulated institution</td>
</tr>
<tr>
<td>QIS</td>
<td>The Level 3 quantitative impact study (completed in February 2011)</td>
</tr>
<tr>
<td>RSE licensee</td>
<td>A registrable superannuation entity licensee as defined in the <em>Superannuation Industry (Supervision) Act 1993</em></td>
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In March 2010, APRA released a discussion paper, *Supervision of conglomerate groups*, outlining its proposed prudential framework for the supervision of such groups (Level 3 framework). The Level 3 framework consists of four components: requirements for group governance, risk exposures, risk management and capital adequacy. This response paper focuses on the requirements for group governance and risk exposures. It summarises the main issues raised in responses to the discussion paper on these areas and in subsequent interactions with potential Level 3 groups, and provides APRA's response to these issues.

APRA is releasing and seeking comments on eight draft prudential standards that implement the proposed requirements for these two components of the proposed Level 3 framework. APRA notes that proposed changes to the cross-industry behavioural standards may impact on Level 2 groups as they will be required to establish group-wide policies for governance, and fitness and propriety. In addition, APRA proposes consequential changes to these cross-industry behavioural standards to align with the recently released superannuation behavioural standards; these changes may impact on all ADIs and insurers on a Level 1 basis, Level 2 groups and Level 3 groups.

APRA is still refining the third and fourth components of the framework — risk management and capital adequacy — and will release a separate response paper and relevant draft prudential standards in the first half of 2013.

APRA’s primary objective in implementing the Level 3 framework is to ensure that its supervision adequately captures the risks to which APRA-regulated institutions within a Level 3 group are exposed and which, because of the operations or structures of the group, are not adequately captured by the existing prudential arrangements at Level 1 or Level 2. This objective will be achieved through implementing four overarching requirements:

- a Level 3 group must have an effective group-wide risk management framework in place; and
- a Level 3 group must have sufficient capital to support the risks of the entire group, including material risks that arise from non-APRA-regulated activities.

These requirements will be contained in a suite of prudential standards that are proposed to apply to the APRA-regulated institution heading the Level 3 group (Level 3 Head).

The Level 3 framework is intended to become effective from 1 January 2014. Over the course of 2013, APRA will consult on the risk management and capital adequacy prudential standards not covered in this consultation package and a set of prudential practice guides, reporting standards, reporting forms and instructions, and consequential amendments to other prudential standards that give effect to the Level 3 framework.
Chapter 1 – Introduction

1.1 Background
In March 2010, APRA released a discussion paper, *Supervision of conglomerate groups*, outlining its proposed prudential framework for the supervision of such groups (Level 3 framework). Conglomerate groups (Level 3 groups) are groups that perform material activities across more than one APRA-regulated industry and/or in one or more non-APRA-regulated industries. The framework is designed to complement the existing industry-based Level 1 and Level 2 frameworks. At the same time, the Level 3 framework will provide common measures and tools through which group-wide risk profiles and supervisory assessments can be made.

APRA received 18 formal submissions following the release of the March 2010 discussion paper. This response paper deals with two of the four components of the framework and summarises the main issues raised in submissions on these components, along with APRA’s response.

1.2 Beyond the 2010 discussion paper
Since receiving submissions on the discussion paper, APRA has gathered feedback through a quantitative impact study (QIS) conducted in late 2010 and an information request in mid 2012. As the proposed Level 3 framework has evolved, APRA has undertaken numerous discussions with potential Level 3 groups to communicate the key areas of change.

Broadly, submissions and feedback were supportive of a Level 3 framework. In particular, there was agreement with the need to apply group governance and risk management standards across Level 3 groups. Monitoring and managing aggregate risk exposures and intra-group exposures of the Level 3 group was also supported, though comments were received on current system capabilities.

Since the proposed capital adequacy component of the Level 3 framework is new to potential Level 3 groups, this area of the framework naturally received the most feedback. While there was general support for the principle that a Level 3 group should hold sufficient capital to meet the group’s risks, a number of questions were raised about the determination of an appropriate level of capital. Subsequent to the release of the discussion paper, the key regulatory reforms of Basel III for ADIs, the review of life and general insurance capital standards and Stronger Super have become clearer. The outcomes of these reforms impact on the capital adequacy component of the Level 3 framework. However, APRA is still refining its position on this aspect of the framework. Once it has done so, a separate response paper will address the feedback APRA received along with APRA’s responses on capital adequacy. The second response paper and draft capital adequacy prudential standards will be released for consultation in the first half of 2013.

Under the risk management component of the Level 3 framework, APRA proposes that *Prudential Standard CPS 220 Risk Management* (CPS 220) will apply to Level 3 groups. APRA intends to release a draft CPS 220 as a part of the second consultation package. It will apply to ADIs, general insurers and life insurers at Levels 1 and 2 and will supersede *Prudential Standard GPS 220 Risk Management* and *Prudential Standard LPS 220 Risk Management*.

1.3 The need for a Level 3 framework
As was noted in the March 2010 discussion paper, APRA has for some time been cognisant of the complexity of conglomerate group business and financial structures as well as the contagion risks faced by APRA-regulated institutions within such groups. Recent international experience has shown that these complexities and risks can contribute to the failure of financial institutions of the type regulated by APRA, highlighting the need for conglomerate supervision. Subsequent to the publication of the discussion paper, in September 2012 the Joint Forum released its revised *Principles for the supervision of financial conglomerates* that further support the need for conglomerate supervision. APRA’s Level 3 framework is intended to meet these principles.

APRA's primary objective in implementing the Level 3 framework is to ensure that APRA's supervision adequately captures the risks to which APRA-regulated institutions within a Level 3 group are exposed and which, because of the operations or structures of the group, are not adequately captured by the existing prudential arrangements at Level 1 or Level 2. The Level 3 framework will result in APRA formally having oversight of the material risks faced by Level 3 groups, supported by the implementation of Level 3-specific prudential standards. These prudential standards establish the following overarching requirements:

- A Level 3 group must have a robust governance framework that is applied appropriately throughout the group;
- The intra-group exposures and external aggregate exposures of a Level 3 group must be transparent and prudently managed;
- A Level 3 group must have an effective group-wide risk management framework in place; and
- A Level 3 group must have sufficient capital to support the risks of the entire group, including material risks that arise from non-APRA-regulated activities.

Ultimately, the Level 3 framework will help to underpin a safer Australian financial system.

1.4 The principles of the Level 3 framework

Central to APRA's thinking in developing the Level 3 framework are a number of high-level principles that are reflected in the draft prudential standards. The principles relating to group governance and risk exposures are summarised below:

- Business practices such as governance, fitness and propriety of key staff, business continuity management and outsourcing should be broadly consistent across institutions of a Level 3 group. APRA's cross-industry behavioural prudential standards on these aspects of corporate governance reflect good practice. Therefore, APRA will require these standards to be applied across Level 3 groups, including non-APRA-regulated institutions engaging in business activities that may have a material financial or operational impact on the group.
- A concentration of risk in one part of, or across, a Level 3 group must not pose a threat to the APRA-regulated institutions in the group. In order to adequately manage this risk, Level 3 groups must have systems and processes in place to monitor aggregate exposures across the group as well as intra-group transactions and exposures.

The principles guiding APRA's approach to risk management and capital adequacy for Level 3 groups will be included in the 2013 consultation package.

1.5 Draft prudential standards

The draft prudential standards of the Level 3 framework in this first consultation package comprise a new definitions prudential standard, risk exposures prudential standards, an audit prudential standard and amended principles-based behavioural standards that expand existing cross-industry prudential standards. These standards will apply to the Level 3 Head and, where appropriate, the Level 3 Head will be required to ensure that key elements are applied across the Level 3 group.

New standards

Prudential Standard 3PS 001 Definitions (3PS 001)
Prudential Standard 3PS 221 Aggregate Risk Exposures (3PS 221)
Prudential Standard 3PS 222 Intra-group Transactions and Exposures (3PS 222)
Prudential Standard 3PS 310 Audit and Related Matters (3PS 310)
Amended existing standards

Prudential Standard CPS 231 Outsourcing (CPS 231)
Prudential Standard CPS 232 Business Continuity Management (CPS 232)
Prudential Standard CPS 510 Governance (CPS 510)
Prudential Standard CPS 520 Fit and Proper (CPS 520)

Standards to be released for consultation in the first half of 2013

Prudential Standard 3PS 110 Capital Adequacy (3PS 110)
Prudential Standard 3PS 111 Capital Adequacy: Measurement of Capital (3PS 111)
Prudential Standard CPS 220 Risk Management (CPS 220)

1.6 Public disclosure

APRA proposes to publish a register of the Level 3 Heads on its website, similar to the current register of other APRA-regulated institutions. The 2013 consultation package will address public disclosure of Level 3 capital adequacy.

1.7 Timetable

As was indicated in APRA’s letter to industry in May 2012, the Level 3 framework is intended to become effective on 1 January 2014.

Over the course of 2013, APRA will consult on the risk management and capital adequacy prudential standards, a set of prudential practice guides, reporting standards, reporting forms and instructions, and consequential amendments to other prudential standards that give effect to the Level 3 framework proposals.

1.8 Transition arrangements

As the Level 3 framework will operate concurrently with the Level 1 and 2 frameworks, any relevant industry-specific transitional arrangements in place for Level 1 and/or Level 2 institutions that are part of a Level 3 group will also be recognised for Level 3 purposes. Transitional relief specific to the implementation of the Level 3 framework will be considered by APRA on a case-by-case basis.

1.9 Structure of this paper

Chapter 2 covers the overarching topics of how APRA will determine Level 3 groups and details the scope of Level 3 groups. Chapter 3 describes the key requirements of the cross industry behavioural standards relating to Level 3 groups and Chapter 4 covers the risk exposure standards. Chapter 5 requests affected APRA-regulated institutions to provide cost-benefit analysis information.
Chapter 2 – Level 3 framework

This chapter outlines how APRA will determine which groups are to be subject to Level 3 supervision and specifies the scope of a Level 3 group.

2.1 Determination of a Level 3 group

In the March 2010 discussion paper, APRA proposed guiding principles to assess whether a particular group should be subject to Level 3 supervision. APRA proposes to decide on a case-by-case basis which groups will be subject to Level 3 supervision, based on the following principle:

If a group, containing APRA-regulated institutions, performs material activities across more than one APRA-regulated industry and/or contains non-APRA-regulated institutions that perform material activities in one or more non-APRA-regulated industries, it may be supervised at Level 3 where APRA considers that supervision at Level 1 and/or Level 2 does not adequately capture the risks associated with the group’s activities or provide an adequate view of the overall financial and operational soundness of the group.

In applying this principle, APRA will consider whether the group’s structure enables effective supervision of the group and an accurate assessment of risk to the APRA-regulated institutions in the group. Factors that APRA will take into account include whether existing prudential requirements allow APRA to satisfy itself that the Level 1 and/or Level 2 frameworks provide it with:

• sufficient information about the group; and
• sufficient information and powers to address any potential risks that may affect the prudential soundness of APRA-regulated institutions within that group.

2.2 Scope of a Level 3 group

The discussion paper proposed that APRA determine the parent institution (Level 3 Head) of a Level 3 group, where the Level 3 Head would be an APRA-regulated institution. The Level 3 group would consist of the Level 3 Head plus all of its APRA-regulated and material non-APRA-regulated subsidiaries. Where APRA considered that the Level 3 group is exposed to risks from the activities of related parties, it would be able to adjust capital requirements at Level 3 to reflect these risks.

Comments received

Submissions noted that it was challenging to determine whether a non-APRA-regulated institution is material to the group. They also noted that non-APRA-regulated institutions that individually are not material could still be material when their activities were considered together. In relation to the QIS, potential Level 3 groups commented that it proved difficult to determine the capital adequacy of a subset of the accounting consolidated group, and that it was counterintuitive to treat the group’s non-material institutions, such as intermediate holding companies, as external parties for Level 3 purposes.

APRA’s response

APRA proposes to broadly align the scope of the Level 3 group with the accounting consolidation group such that the Level 3 group will be determined as the accounting consolidated group of which the Level 3 Head is the parent institution. APRA proposes, however, to retain the right to include or exclude specific institutions. APRA may require an institution to be included within the scope of the Level 3 group if, for example, it conducts operations which are material to the Level 3 group.
Chapter 3 – Group governance requirements

APRA’s existing cross-industry behavioural standards cover governance, fit and proper, outsourcing and business continuity management. These standards currently apply to all ADIs, general insurers and life insurers at Level 1 and, where relevant, Level 2 for ADIs and general insurers. The discussion paper proposed to extend these requirements to apply to the Level 3 Head and, in some instances, to the Level 3 group more generally. Where the standards indicate that requirements are to apply across the group, the responsibility for compliance with these requirements will be on the Level 3 Head.

This chapter addresses issues raised in submissions on these proposals, as well as highlighting some further refinements to these proposals subsequent to the discussion paper. In addition to these refinements, APRA proposes a new audit and related matters prudential standard applicable to Level 3 Heads.

Submissions and feedback received were supportive of the proposals for behavioural standards at Level 3. A number of submissions suggested that the proposed requirements were already largely met through existing group policies.

Beyond the Level 3 framework, APRA proposes changes that will require Level 2 groups to also establish group-wide policies for governance, and fitness and propriety. Further, APRA proposes consequential changes to the four cross-industry behavioural standards to align with the recently released behavioural standards for superannuation. These changes impact on all ADIs, general insurers and life insurers on a Level 1 basis, Level 2 groups and Level 3 groups.

3.1 Governance (CPS 510)

The discussion paper outlined APRA’s intention to apply its governance requirements to Level 3 Heads. APRA proposes that Level 3 Heads maintain group-wide governance arrangements that are consistent with the principles and, in some cases, with the requirements of CPS 510. These requirements include:

- the Board of the Level 3 Head is responsible for ensuring that directors and senior management of the group, collectively, have the full range of skills needed for the effective and prudent management of the group;
- the Level 3 Head must establish and maintain a documented remuneration policy that outlines the remuneration objectives and structures of the group;
- the Level 3 Head’s Board Audit Committee must assist the Board by providing an objective review of the effectiveness of the group’s financial reporting and risk framework; and
- the Level 3 Head must ensure employees of the group are not constrained from providing information to APRA.

APRA proposes that similar requirements be imposed on the parent entities of Level 2 groups.

3.2 Fit and proper (CPS 520)

Comments received

One submission suggested that prescriptive fit and proper requirements should not be imposed on overseas executives.

APRA’s response

The discussion paper outlined APRA’s intention of applying fit and proper requirements to Level 3 Heads and that Level 3 Heads ensure that the standard is met by persons whose activities may materially affect the group. These persons could include overseas executives. APRA’s position has not changed on this topic and as such, CPS 520 will apply to Level 3 Heads. Fundamental to the Level 3 framework is the principle that domestic and international activities that are material to the group must be managed taking into consideration the impact they could have on the group’s financial and operational health. Requiring all persons responsible for material activities to meet fitness and propriety standards reflects this principle.

APRA proposes that the parent entities of Level 2 groups must ensure that the standard is met by persons whose activities may materially affect the Level 2 group.
3.3 Outsourcing (CPS 231)

The discussion paper outlined APRA’s intention to apply its outsourcing requirements to Level 3 Heads, and that Level 3 Heads ensure material non-APRA-regulated institutions conform to specific requirements. APRA’s position in this regard has evolved to now require Level 3 Heads to maintain a group-wide outsourcing policy and ensure that if non-APRA-regulated institutions engage in outsourcing arrangements that are material to the group, these arrangements must adhere to CPS 231. This change reflects APRA’s general approach under the Level 3 framework to address material risks to the group rather than risks to material institutions of the group.

3.4 Business continuity management (CPS 232)

The discussion paper outlined APRA’s intention of applying its business continuity management (BCM) requirements to Level 3 Heads, and that Level 3 Heads ensure material non-APRA-regulated institutions conform to key elements of the requirements. Similar to outsourcing, APRA’s position has evolved to now require Level 3 Heads to maintain a group-wide BCM policy, ensuring that if non-APRA-regulated institutions engage in activities that are material to the group, these activities must adhere to CPS 232. This change reflects APRA’s general approach under the Level 3 framework to address material risks to the group rather than risks to material institutions of the group.

3.5 Audit and related matters (3PS 310)

The discussion paper outlined APRA’s proposal to develop a Level 3-specific audit standard. APRA has developed a draft standard with requirements similar to those in the current industry-specific audit standards. The key requirements of 3PS 310 include:

- a Level 3 Head must appoint a group auditor (Appointed Auditor);
- a Level 3 Head must ensure that its Appointed Auditor is fully informed of all prudential requirements applicable to the Level 3 Head;
- an Appointed Auditor must provide assurance on APRA data collections in relation to Level 3 information; and
- an Appointed Auditor must provide assurance that the Level 3 Head has controls that are designed to ensure the Level 3 Head has complied with all prudential requirements.
Chapter 4 – Risk exposure requirements

The discussion paper flagged APRA’s intent to include risk concentration, and intra-group transactions and exposures requirements in the Level 3 framework. This chapter outlines the key requirements of the aggregate risk exposures standard and the intra-group transactions and exposures standard.

4.1 Aggregate risk exposures (3PS 221)

APRA has changed the name of the proposed risk concentration requirements to ‘aggregate risk exposures’. APRA has not changed its proposed key requirements, which include:

- the Board of directors of the Level 3 Head must ensure that adequate systems and controls are in place to identify and manage aggregate risk exposures across the Level 3 group;
- the Level 3 Head must implement a group-wide aggregate risk exposures policy and accompanying systems that manage risk exposures across the group;
- APRA will not prescribe quantitative limits on a Level 3 basis. However, the existing exposure limits at Levels 1 and 2 will continue to apply; and
- the Level 3 Head must report to APRA on aggregate risk exposures.

Subsequent to the release of the discussion paper, APRA is now proposing that the aggregate risk exposures policy must articulate limits across a number of parameters such as counterparties, industry sectors and geographical locations. APRA would expect such limits to appropriately reflect the risk appetite of the Board of the Level 3 Head. 3PS 221 also proposes that APRA may impose a Level 3 supervisory adjustment if it believes a Level 3 group is exposed to a significant level of aggregate risk exposures. In addition, APRA proposes to be able to impose limits on aggregate risk exposures where it views a Level 3 group’s aggregate risk exposures to be excessive or the limits set by the Board of the Level 3 Head to be inappropriate.

Submissions raised concerns that current system limitations may pose impediments to meeting the requirements in 3PS 221. However, APRA expects potential Level 3 groups to have adequate systems in place when the standards are implemented, as the monitoring and managing of aggregate risk exposures align with the central principle that Level 3 Heads must have clear oversight of material risks across the group.

4.2 Intra-group transactions and exposures (ITEs) (3PS 222)

APRA has not altered its position from the key ITE requirements outlined in the discussion paper, including:

- the Board of directors of the Level 3 Head must ensure that adequate systems and controls are in place to identify and manage ITEs;
- a Level 3 Head must implement an ITE policy and accompanying systems that manage ITEs across the group;
- APRA will not prescribe quantitative limits on a Level 3 basis. However, the existing exposure limits at Levels 1 and 2 will continue to apply; and
- the Level 3 Head must report to APRA on ITEs.

3PS 222 contains similar requirements to 3PS 221, such as the ITE policy needing to articulate prudent internal ITE limits. In addition, APRA may also impose a Level 3 supervisory adjustment or limits on ITEs if, in its view, a Level 3 group is exposed to a significant level of ITEs.

In response to the concern that systems capability may pose impediments to meeting the requirements in 3PS 222, APRA considers (as with 3PS 221) that potential Level 3 groups will need to enhance any relevant systems to ensure the requirements of 3PS 222 are met.
Chapter 5 – Cost-benefit analysis information

To improve the quality of regulation, the Australian Government requires all proposals to undergo a preliminary assessment to establish whether it is likely that there will be business compliance costs. In order to perform a comprehensive cost-benefit analysis, APRA welcomes information from interested parties on the financial impact of the changes proposed under this review and any other substantive costs associated with the proposed reforms. These costs could include the impact on balance sheets, profit and loss, and capital.

As part of the consultation process, APRA also requests respondents to provide an assessment of the compliance impact of the proposed changes. Given that APRA’s proposed requirements may impose some compliance and implementation costs, respondents may also indicate whether there are any other requirements that should be improved or removed to reduce compliance costs. In doing so, please explain what they are and why they need to be improved or removed.

Respondents are requested to use the Business Cost Calculator (BCC) to estimate costs to ensure that the data supplied to APRA can be aggregated and used in an industry-wide assessment. APRA would appreciate being provided with the input to the BCC as well as the final result. The BCC can be accessed at www.finance.gov.au/obpr/bcc/index.html.