



31 July 2015

To all RSE licensees

REVISIONS TO SUPERANNUATION REPORTING STANDARDS

On 28 April 2015, APRA released five revised reporting standards for consultation as part of a package of 31 standards. These revisions responded to industry feedback received since the introduction of the reporting standards and other recent developments which affect APRA's data collection.

The five reporting standards released for consultation were:

- Draft *Reporting Standard SRS 532.0 Investment Exposure Concentrations* (SRS 532.0);
- Draft *Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows* (SRS 533.1);
- Draft *Reporting Standard SRS 534.0 Derivative Financial Instruments* (SRS 534.0);
- Draft *Reporting Standard SRS 702.0 Investment Performance* (SRS 702.0); and
- Draft *Reporting Standard SRS 703.0 Fees Disclosed* (SRS 703.0).

Consultation closed on 19 June 2015. APRA received six submissions, which will be made available on the APRA website.

After consideration of the submissions received, APRA has made further updates to these five reporting standards.

Attachment A of this letter summarises these changes. Revised versions of the reporting standards, forms and instructions, with the changes indicated, are also being released with this letter.

These revised reporting standards will all commence on 1 July 2016. The revisions, where relevant, will be incorporated in D2A forms so that RSE licensees will be able to submit data based on these versions of the reporting standards when the requirements commence.

Update on consultation on data for the purposes of the Australian Bureau of Statistics

In January 2015, the Australian Bureau of Statistics (the ABS) and APRA released proposed reporting standards relating to data to be collected primarily for the purposes of the ABS, with consultation closing on 17 April. In late April, the ABS notified industry that APRA had delayed some planned minor amendments to the following three reporting standards until the ABS confirmed their data requirements:

- *Reporting Standard SRS 320.0 Statement of Financial Position (SRS 320.0)*;
- *Reporting Standard SRS 330.0 Statement of Financial Performance (SRS 330.0)*; and
- *Reporting Standard SRS 330.1 Statement of Financial Performance (SRS 330.1)*.

The ABS has confirmed that it no longer intends to seek further amendments to SRS 320.0 or SRS 330.1.

Accordingly, attached to this letter are the final versions of SRS 320.0 and SRS 330.1 which include further clarification on reporting requirements previously provided via APRA's frequently asked questions. The minor amendments to SRS 320.0 and SRS 330.1 are summarised in Attachment A of this letter. As these amendments are minor in nature, and have previously been communicated to industry, finalised SRS 320.0 and SRS 330.1 take effect immediately.

This means that the clarifications in SRS 320.0 will apply to reporting in respect of quarters ending on 30 September 2015 and SRS 330.1 will apply to reporting in respect of the current year of income.

The ABS and APRA will provide further information on proposed amendments to SRS 330.0 in a separate letter to be issued shortly.

Industry is encouraged to continue to contact APRA with queries about the reporting collection via email at statistics@apra.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'S Goodman', with a long horizontal flourish extending to the right.

Sarah Goodman
Executive General Manager
Policy and Advice

Attachment A - Detail of revisions to each reporting standard

Revised versions of the reporting standards are available at <http://www.apra.gov.au/Super/Pages/Superannuation-reporting-framework.aspx>.

Reporting Standard SRS 532.0 Investment Exposure Concentrations

Proposed changes

Draft SRS 532.0 proposed that the RSE-level large exposure threshold be based on 'total investments' rather than 'total assets', in response to feedback from industry that the 'total assets' threshold could not be calculated in a sufficiently timely manner to allow accurate reporting of large exposure information.

Draft SRS 532.0 also reflected further amendments to clarify reporting of 'asset listing type' for fixed income and cash and to amend the definition of 'initial cost' to remove the reference to Australian Accounting Standards.

Comments received

Submissions expressed support for these proposed changes.

APRA response

Final SRS 532.0 reflects the version released for consultation with no significant changes.

Final SRS 532.0 will apply to quarterly reporting periods ending on or after 1 July 2016.

Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows

Proposed changes

SRS 533.1 sets out the requirements for the provision of information relating to strategic and actual asset allocation and members' benefits flows for select investment options. APRA proposed changes to the reporting of cash accounts in wrap offerings which serve as transactional accounts to better reflect the practical operation of such offerings.

Comments received

Submissions expressed support for these proposed changes and suggested that APRA also consider aligning the reporting of direct and indirectly held investments with equivalent reporting for MySuper products under *Reporting Standard SRS 533.0 Asset Allocation* (SRS 533.0).

APRA response

Final SRS 533.1 reflects the version released for consultation with an additional amendment to include 'fixed income currency type' in item 2, to ensure consistency with SRS 533.0, as this data item was unintentionally omitted from the draft version of SRS 533.1.

Final SRS 533.1 will commence for quarterly reporting periods ending on or after 1 July 2016.

Reporting Standard SRS 534.0 Derivative Financial Instruments

Proposed changes

APRA proposed a number of amendments to SRS 534.0 to allow for clearer reporting about directly held derivatives and over-the-counter (OTC) derivatives and to remove requirements which had been identified by industry as being impractical to report to APRA.

Comments received

Whilst submissions expressed support for the proposed amendments, clarification was sought on the definition of net exposure. Submissions also noted the difficulty in obtaining information from third parties about whether any OTC derivative contracts were not subject to netting agreements. Submissions also requested further clarity on the reporting of cash to cover OTC derivative positions and raised a number of complexities regarding the reporting of data on the form more generally.

APRA response

Final SRS 534.0 has been updated to reflect issues arising during the consultation period.

In response to the concerns about the availability of information relating to contracts not subject to netting agreements, final SRS 534.0 no longer requires reporting about net collateral. APRA will instead rely on the principal amount for the largest ten counterparties based on net exposure reported in item 3, recognising the very low likelihood of engaging in OTC derivatives contracts without a netting agreement in place.

The requirement to report 'net exposure' in item 3 has been replaced with a requirement to report 'net market value' as, in APRA's view, 'net market value' more accurately defines the information it is seeking in respect of derivative positions. This item will be derived from the sum of gross positive market value and gross negative market value.

In response to concerns about the complexity of the proposed reporting obligations, APRA has removed items relating to 'holding type', 'cash to cover' and 'cumulative gains and losses' from final SRS 534.0.

Final SRS 534.0 will apply to annual reporting periods ending on or after on 1 July 2016.

Reporting Standard SRS 702.0 Investment Performance

Proposed changes

Draft SRS 702.0 reflected amendments to allow the reporting of indirect cost ratio data on the same basis as data required to be disclosed under the Corporations Regulations 2001 (as modified by class order 14/1252) and on an APRA-look through basis where the indirect cost was not otherwise captured in the disclosed indirect cost ratio.

APRA also proposed to move from deriving the net return on SRS 702.0 to requiring calculation and reporting of this number by the RSE licensee.

Comments received

Submissions indicated that the majority of indirect costs will be captured by the definition of indirect costs in the Corporations Regulations.

The only area where an indirect cost might not form part of the indirect cost ratio but might otherwise be captured by APRA's look-through reporting basis is investment in real estate investment trusts (REITs). Under the Corporations Regulations, if an RSE licensee has exposure to an REIT that forms part of an asset allocation that is classified as equity, costs associated

with this investment would not have to be reflected in the indirect cost ratio as the REIT would not meet the definition of 'interposed entity'. Applying APRA's look-through reporting basis might result in that cost having to be identified and separately reported.

Submissions also queried whether calculating net returns and net investment returns on SRS 702.0 based on Australian Accounting Standards meant that RSE licensees would have to use 'hard close' valuations. Submissions noted concerns with both the availability of information to be able to meet reporting requirements within the required timeframe as well as noting the potential for this to be further exacerbated depending on the final application of proposed s. 29QC of the *Superannuation Industry (Supervision) Act 1993*.

Submissions also sought greater clarity in relation to reporting under SRS 702.0 on a gross of tax basis.

APRA response

In light of the feedback received, final SRS 702.0 will only require reporting of indirect costs on the same basis as it is required to be disclosed publicly.

This means that references to APRA look-through reporting have been removed from SRS 702.0 with the exception of look-through reporting in relation to performance fee information which does not impact the net return calculation (refer to item 1.3). Note that the definition of APRA look-through reporting in respect of the performance fee information has been updated to ensure consistency across the entire data collection.

Proposed items 1.2.2, 2.2.2 and 3.2.2 are not, therefore, included in final SRS 702.0.

To respond to the questions about the impact of the valuation basis on the net return, final SRS 702.0 makes clear that quarterly reporting under this standard does not have to be completed in accordance with Australian Accounting Standards. An RSE licensee must instead ensure that the information reported in respect of the end of each quarter is the most accurate information available to the RSE licensee within a timeframe that enables submission by the due date. This may, for example, include end of period asset valuations or indirect costs related to third party providers reported to the RSE licensee after the end of the quarter. APRA expects that RSE licensees would report in respect of end of period transactional prices only where no further information is made available to the RSE licensee between the end of the quarter and the reporting due date.

APRA has added additional guidance to assist reporting gross of tax obligations.

Final SRS 702.0 will apply to quarterly reporting periods ending on or after 1 July 2016.

Reporting Standard SRS 703.0 Fees Disclosed

Proposed changes

To more closely align APRA reporting with the fee disclosure requirements of the Corporations Regulations and information required to be disclosed in Product Disclosure Statements, draft SRS 703.0 removed references to APRA-look through reporting. Additional minor changes to the instructions were proposed to provide further clarity on the reporting requirements.

Comments received

No significant feedback was received on the proposed changes to SRS 703.0. Submissions did, however, suggest minor amendments to further clarify the reporting of insurance.

APRA response

Final SRS 703.0 reflects the version released for consultation with no significant changes. Minor amendments are reflected in the final standard to clarify reporting on insurance costs.

Final SRS 703.0 will apply on and after 1 July 2016.

Reporting Standard SRS 320.0 Statement of Financial Position

These amendments clarify the application of offsetting rules, as outlined in Australian Accounting Standards, when reporting derivative assets and liabilities, that reporting of insurance liabilities relates to benefits which are self-insured and that the reporting of 'Defined benefit members' benefits' aligns with the concept of 'defined benefit member liabilities' as defined in Australian Accounting Standards.

Amendments to SRS 320.0 will apply to quarterly reporting periods ending on or after 30 September 2015.

Reporting Standard SRS 330.1 Statement of Financial Performance

These amendments clarify the fair and reasonable allocation requirements under s. 99E of the *Superannuation Industry (Supervision) Act 1993*.

Amendments to SRS 330.1 will apply to the current year of income.