



1 October 2014

To all registrable superannuation entity (RSE) licensees

Prudential Standard SPS 220 Risk Management (SPS 220): Risk Management Declaration

On 8 May 2014, APRA wrote to the CEOs of all ADIs, general insurers and life companies regarding *Prudential Standard CPS 220 Risk Management* (CPS 220). In this letter, APRA noted that the risk management declaration in CPS 220 does not contain any reference to materiality. In response to industry submissions, APRA confirmed that it considers that the concept of materiality is appropriate for the Board declaration and indicated that the wording of CPS 220 would be amended accordingly.

CPS 220 does not apply to RSE licensees. Under APRA's prudential framework for superannuation, RSE licensees are required to comply with *Prudential Standard SPS 220 Risk Management* (SPS 220).

At the time that APRA's May 2014 letter was written, SPS 220 had only recently been consulted-upon and finalised. In developing SPS 220, APRA did not receive specific commentary from the superannuation industry in relation to inclusion of the concept of materiality for the risk management declaration under SPS 220. Since APRA's May 2014 letter, however, a number of industry participants have contacted APRA to advance arguments in support of changes to Attachment A of SPS 220 to align with the position adopted for CPS 220.

Given APRA's general approach towards cross-industry harmonisation of prudential requirements where appropriate, and the recent feedback provided by industry, APRA's view is that it is appropriate to include the concept of materiality for the risk management declaration required under SPS 220. A revised version of the declaration that reflects this proposed change is attached.

APRA will revise SPS 220 to incorporate this change in due course. In the meantime, RSE licensees may adopt the approach to materiality set out in this letter in providing risk management declarations to APRA under paragraph 33 of SPS 220.

Any questions in relation to this proposed refinement to SPS 220 should be directed to your Responsible Supervisor in the first instance, or to superannuation.policy@apra.gov.au.

Yours sincerely,

Helen Rowell
Member

Attachment A

Risk management declaration

For the purposes of paragraph 33 of this Prudential Standard, an RSE licensee's risk management declaration must cover the following matters, confirming that in all material respects:

- (a) the RSE licensee has in place systems for ensuring compliance with all prudential requirements;
- (b) the systems and resources that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the RSE licensee, having regard to the size, business mix and complexity of the RSE licensee's business operations;
- (c) the RSE licensee has assessed the risks of outsourcing any business activity, and is satisfied that the risks and relevant controls relating to these risks are appropriate to the RSE licensee, having regard to the size, business mix and complexity of the RSE's licensee's business operations and the operational capabilities of the RSE licensee itself;
- (d) the risk management and internal control systems in place are operating effectively and are adequate having regard to the risks they are designed to control;
- (e) the RSE licensee has an RMS that complies with this Prudential Standard, and that the RSE licensee has complied with each measure and control described in the RMS;
- (f) the RSE licensee is satisfied with the efficacy of the processes and systems surrounding the production of financial information for each RSE within its business operations;
- (g) the RSE licensee has adequate reporting systems and internal controls supporting the preparation and reporting of accurate financial and statistical information to APRA; and
- (h) information provided to APRA accurately represents the transactions for the year and financial position at year end in accordance with the provisions of the SIS Act and FSCOD Act.