



5 July 2017

**TO: ALL RSE LICENSEES**

**OFFSHORING CONSULTATION REQUIREMENTS – INVESTMENT MANAGEMENT AGREEMENTS**

In the Regulatory Cost Savings Update published in August 2016<sup>1</sup>, APRA responded to industry feedback on the offshoring consultation requirements in *Prudential Standard SPS 231 Outsourcing* (SPS 231) and their application to investment management agreements (IMAs). Use of IMAs is very common in the superannuation industry and does not generally raise prudential concerns when the processes and requirements under SPS 231 and *Prudential Standard SPS 220 Risk Management* are effectively implemented.

APRA continues to receive enquiries on this issue and understands there may be different approaches across the industry with respect to compliance with SPS 231. As a result, APRA is issuing this letter to clarify expectations in relation to consultation and notification requirements for offshore IMAs.

Provided the assets covered by an IMA are subject to Australian custody, or an offshore custody arrangement that has been subject to prior consultation with APRA with no issues raised, the following expectations apply:

- where an RSE licensee is entering into a new offshore IMA with a manager with which it currently does not have a separate offshore IMA, the RSE licensee is not required to consult APRA, but must comply with the outsourcing notification requirements set out in paragraphs 26 – 27 of SPS 231; and
- where an RSE licensee is amending an existing offshore IMA or entering into a new offshore IMA with a manager with which it has a current separate offshore IMA, the RSE licensee is not required to consult or notify APRA.

In all other instances, the consultation requirements in SPS 231 relating to outsourcing and offshoring of material business activities apply. Further, RSE licensees are required to continue to address the outsourcing risks and controls associated with offshoring of IMAs within their risk management framework.

APRA will continue to monitor this issue to consider if any changes may be required to SPS 231 and *Prudential Practice Guide SPG 231 Outsourcing* in the future.

---

<sup>1</sup> APRA publication, *Update on regulatory cost savings*, August 2016 ([Link](#)).

RSE licensees are encouraged to contact their responsible supervisor if they wish to clarify how this guidance applies to their circumstances.

Yours sincerely,

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

Pat Brennan  
Executive General Manager  
Policy and Advice Division