



14 August 2013

To: All authorised deposit-taking institutions (ADIs), general insurers, life companies and Level 2 Heads

Harmonising cross-industry risk management requirements

On 9 May 2013, APRA released for consultation *Prudential Standard CPS 220 Risk Management* (CPS 220), a proposed cross-industry prudential standard to harmonise, consolidate and enhance its risk management requirements. In addition, APRA proposed changes to *Prudential Standard CPS 510 Governance* (CPS 510) to enhance its governance requirements. These proposed enhancements to existing prudential requirements reflect and make more explicit APRA's heightened expectations in these areas¹.

The enhancements to APRA's risk management requirements will affect all Level 1 ADIs and insurers, Level 2 groups and proposed Level 3 groups. The consultation package proposed that these changes would be effective from 1 January 2014. Over the consultation period, APRA has had a number of positive discussions with industry and is considering the issues raised in those discussions. Further, submissions received identified several practical constraints to implementing these enhancements by 1 January 2014. APRA acknowledges these concerns.

APRA still proposes to respond to submissions and finalise the prudential standards by 1 January 2014 (to provide certainty to all affected entities and groups) but the standards will not be fully effective until 1 January 2015. However, affected entities and groups will be expected to develop and introduce implementation plans to ensure that they are able to meet all requirements by 1 January 2015. APRA will monitor the progress of these implementation plans.

APRA considers this additional 12-month transition period will provide industry with sufficient time to comply fully with the proposed enhancements. The existing industry-specific risk management requirements and CPS 510 will continue to apply to all ADIs, general insurers, life companies and Level 2 Heads over this transition period. APRA expects to finalise and release CPS 220 and the revised CPS 510 by the end of 2013. In addition, APRA expects to release a prudential practice guide on risk management within the same period.

Queries in relation to the issues raised in this letter should be directed to your Responsible Supervisor or the dedicated riskmanagement@apra.gov.au email address.

Yours sincerely

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¹ The consultation package is available on the APRA website at:
<http://www.apra.gov.au/CrossIndustry/Consultations/Pages/May-2013-Consultation-Risk-Management.aspx>