



Reporting Standard GRS 114.3

Off-balance Sheet Business

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a general insurer's off-balance sheet business.

It includes *Form GRF 114.3 Off-balance Sheet Business* and associated specific instructions and must be read in conjunction with the general instruction guide.

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

Purpose

2. Information collected in *Form GRF 114.3 Off-balance Sheet Business* (GRF 114.3) is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers). This Reporting Standard applies for reporting periods ending on or after 1 January 2013.

Information required

4. An insurer must provide APRA with the information required by Form GRF 114.3 for each reporting period.

Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the insurer; and
 - (b) in respect of each financial year of the insurer.

Note: The annual information required from an insurer by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the *Insurance Act 1973* (the Insurance Act). This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.
8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
 - (a) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or
 - (b) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

Note: Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in subparagraph 6(b) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

Quality control

9. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Appointed Auditor of the insurer. This will require the Appointed Auditor to review and test the insurer's systems, processes and controls designed to enable the insurer to report reliable financial information to APRA. This review and testing must be done on:
 - (a) an annual basis or more frequently if necessary to enable the Appointed Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB)

as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.

10. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.
12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:
 - (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
 - (b) retain the completed copy.
13. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
 - (a) the Principal Executive Officer of the insurer; or
 - (b) the Chief Financial Officer of the insurer.

Variations

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 114.3 in relation to that insurer.

Transition

15. An insurer must report under the old reporting standards in respect of a transitional reporting period. For these purposes:

old reporting standards means the reporting standards revoked in the determination making this Reporting Standard (being the reporting standards which this Reporting Standard replaces); and

transitional reporting period means a reporting period under the old reporting standards:

- (a) which ended before the date of revocation of the old reporting standards; and
- (b) in relation to which the insurer was required, under the old reporting standards, to report by a date on or after the date of revocation of the old reporting standards.

Note: For the avoidance of doubt, if an insurer was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standards, the insurer is still required to provide any overdue reporting documents in accordance with the old reporting standards.

Interpretation

16. In this Reporting Standard (including the attachments):

(a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and

(b) ***Appointed Auditor*** means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

APRA-authorised reinsurer means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Insurance Act is an APRA-authorised reinsurer if it carries on reinsurance business. The Australian Reinsurance Pool Corporation is also an APRA-authorised reinsurer for the purposes of this definition;

capital standards means the prudential standards which relate to capital adequacy as defined in GPS 001;

Chief Financial Officer means the chief financial officer of the insurer, by whatever name called;

financial year means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

foreign insurer means a foreign general insurer within the meaning of the Insurance Act;

Note: A reference to a 'branch' or 'branch operation' is a reference to the Australian operations of a foreign insurer.

general instruction guide refers to the general instruction guide set out in Attachment A of GRS 001;

Insurance Act means the *Insurance Act 1973*;

insurer means a general insurer within the meaning of section 11 of the Insurance Act;

Note: In the forms and instructions, a reference to an 'authorised insurer', 'authorised insurance entity' or 'licensed insurer' is a reference to an insurer, and a reference to an 'authorised reinsurance entity' is a reference to an insurer whose business consists only of undertaking liability by way of reinsurance.

non-APRA-authorised reinsurer means any reinsurer that is not an APRA-authorised reinsurer;

Principal Executive Officer means the principal executive officer of the insurer, by whatever name called, and whether or not he or she is a member of the governing board of the insurer; and

reporting period means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

GRF_114_3: Off-balance Sheet Business (GEN)

Australian Business Number	Entity identifier, to be provided
Institution Name	Name of general insurer
Reporting Period	As at each quarter end and as at financial year end
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Licensed Insurer

Section 1: Credit substitutes provided

	Counterparty grade of obligation / asset over which the credit substitute has been written							Total (9)
	Grade 1 (Government) (1)	Grade 1 (Other) (2)	Grade 2 (3)	Grade 3 (4)	Grade 4 (5)	Grade 5 (6)	Grade 6 (7)	
1. Direct credit substitutes:								
1.1. Guarantees.....								
1.2. Credit derivatives.....								
1.3. Standby letters of credit.....								
1.4. Bill endorsements.....								
1.5 Other direct credit substitutes.....								
2. Performance related contingencies.....								
3. Trade-related contingencies.....								
4. Sale and repurchase agreements.....								
5. Assets sold with recourse.....								
6. Forward asset purchases.....								
7. Partly paid shares and securities.....								
8. Placements of forward deposits.....								
9. Surety bonds.....								
10. All other non-market-related off balance sheet items.....								
11. Total non-market-related off balance sheet business.....								
11.1. Of which: deemed as Inside Australia.....								

12. Total non-market related off balance sheet business (total of item 11) which are provided to related parties:	
12.1. Parent entity.....	
12.1.1. Controlled entities / controlled entities of parent.....	
12.2. Joint ventures / Associates.....	
12.3. Other related parties.....	

Section 2: Liquidity support facilities obtained

TYPE OF FACILITY	Approved balance available (1)	Undrawn balance available (2)
1. Standby facilities:		
1.1. Facilities with same day draw down.....		
1.2. Facilities with 2 - 5 day draw down.....		
1.3. Facilities with greater than 5 day draw down.....		
2. Bill acceptance and discount facilities.....		
3. Letter of credit facilities.....		
4. Overdrafts.....		
5. Other liquidity support facilities.....		
6. Total liquidity support facilities.....		
7. Total which are with related entities.....		
7.1. Parent entity.....		
7.1.1. Controlled entities / controlled entities of parent.....		
7.2. Joint ventures / Associates.....		
7.3. Other related parties.....		

Section 3: Charges granted

Type of charge / encumbrance (1)	Principal value of the charge (2)	Outstanding value of the charge (3)	Fair value of assets subject to the charge (4)	Asset subject to charge is an Inside Australia asset? (5)	Grade of asset subject to charge (6)	Value of insurance liabilities supported by security given (7)

Section 4A: Credit support received - eligible collateral provided to reporting insurer

Name of entity providing collateral to the reporting insurer (1)	Relating to reinsurance recoverable due from non-APRA- authorised reinsurers? (2)	Fair value of eligible collateral provided (3)	Fair value of assets subject to credit support (4)	Eligible collateral is from a related party? (5)	Type of collateral (6)

Section 4B: Credit support received - guarantees or letters of credit provided to reporting insurer

Name of entity providing the guarantee or letter of credit to the reporting insurer (1)	Relating to reinsurance recoverable due from non-APRA- authorised reinsurers? (2)	Value of the guarantee or credit received in relation to assets of the insurer (3)	Counterparty rating grade of guarantor or issuer (4)	Fair value of assets subject to credit support (5)	Guarantee / letter of credit is from a related party? (6)

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These instructions must be read in conjunction with the general instruction guide.

Explanatory notes

Counterparty grade

For each item in section 1, report the amounts corresponding to each counterparty grade in Columns (1) to (8). The counterparty grade is to be determined in accordance with *Prudential Standard GPS 001 Definitions* (GPS 001) and *Prudential Standard GPS 114 Capital Adequacy: Asset Risk Charge* (GPS 114), and is in reference to the obligation / asset over which the credit substitute has been written.

Instructions for specific items

Section 1: Credit substitutes provided

1. Direct credit substitutes

A direct credit substitute is any irrevocable off-balance sheet obligation that carries the same credit risk as a direct extension of credit, such as an undertaking to make a payment to a third party in the event that a counterparty fails to meet a financial obligation, or an undertaking to a counterparty to acquire a potential claim on another party in the event of default by that party (i.e. the risk of loss depends on the creditworthiness of the counterparty or the party on whom a potential claim is acquired).

1.1. Guarantees

This is the value, as at the relevant date, of guarantees that constitute direct credit substitutes. A guarantee is a pledge or agreement to be responsible for another party's debt or contractual performance if that other party does not pay or perform.

1.2. Credit derivatives

This is the value, as at the relevant date, of sold credit derivative contracts, consistent with the classification and measurement basis used for derivatives by institutions in accordance with accounting standards. A sold credit derivative is a credit derivative that has been sold, or written, by an entity. A credit derivative enables the user to transfer the credit risk of an underlying asset from one party, the protection buyer, to another, the protection seller, in isolation from other risks.

Report this item regardless of whether it is favourable or unfavourable to the reporting entity.

1.3. Standby letters of credit

This is the value, as at the relevant date, of standby letters of credit on issue that are serving as financial guarantees for loans, securities and any other financial liabilities. Report only standby letters of credit that constitute direct credit substitutes.

1.4. Bill endorsements

This is the value, as at the relevant date, of bills that have been endorsed under bill endorsement lines, but have not been accepted by, or had the prior endorsement of, another authorised deposit-taking institution. Report only bills that constitute direct credit substitutes.

1.5. Other direct credit substitutes

This is the value of all other credit substitutes that do not appropriately fall under the above categories.

This is automatically calculated as Item 1 less the sum of Items 1.1 to 1.4.

2. Performance related contingencies

Report contingent liabilities that involve an irrevocable obligation to pay a third party in the event that a counterparty fails to fulfil or perform a contractual non-monetary obligation, such as delivery of goods by a specified date, etc (i.e. the risk of loss depends on a future event that is not directly related to the creditworthiness of the counterparty involved). Include:

- issue of performance bonds;
- bid bonds;
- warranties;
- indemnities; and
- standby letters of credit in relation to a non-monetary obligation of a counterparty under a particular transaction.

3. Trade-related contingencies

This is the value, as at the relevant date, of any potential credit exposures arising from trade-related contingencies. A trade-related contingency is a contingent (off-balance sheet) liability arising from a trade-related obligation that is secured against an underlying shipment of goods for both issuing and confirming parties. This includes but is not limited to: documentary letters of credit issued; acceptances on trade bills; shipping guarantees issued; and any other trade-related contingencies.

4. Sale and repurchase agreements

This is the value, as at the relevant date, of any potential credit exposures arising from sale and repurchase agreements (also known as 'repos'). Sale and repurchase agreements represent arrangements whereby an entity sells a loan, security or other asset to another party with a commitment to repurchase the asset at an agreed price on an agreed future date.

5. Assets sold with recourse

This is the value, as at the relevant date, of any potential credit exposures arising from assets sold with recourse. Assets sold with recourse are asset sales (to the extent that such assets are not included on-balance sheet) by an entity where the holder of the asset is entitled to 'put' the

asset back to the entity within an agreed period or under certain prescribed circumstances (e.g. deterioration in the value or credit quality of the asset concerned).

6. Forward asset purchases

This is the value, as at the relevant date, of any potential credit exposures arising from forward asset purchases deemed non-market-related off-balance sheet transactions. A forward asset purchase is a commitment to purchase at a specified future date, and on pre-arranged terms, a loan, security or other asset from another entity, including written put options on specified assets with the character of a credit enhancement.

For the purposes of this item, non-market-related off-balance sheet forward asset purchases exclude:

- commitments where the entity purchasing the asset has an unequivocal right to substitute cash settlement in place of accepting delivery of the asset, and the price on settlement is calculated with reference to a general market price indicator (and not to the financial condition of any specific entity). This is deemed a market-related off-balance sheet transaction; and
- written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk. This is also deemed a market-related off-balance sheet transaction.

7. Partly paid shares and securities

This is the value, as at the relevant date, of any potential credit exposures (off-balance sheet) arising from partly paid shares and securities. This includes any amounts owing on the uncalled portion of partly paid shares, as well as securities held by an entity that represent commitments with certain drawdown by the issuer at a future date.

8. Placements of forward deposits

This is the value, as at the relevant date, of any potential credit exposures relating to the placements of forward deposits. Placements of forward deposits are off-balance sheet transactions that relate to any agreement between an entity and another party whereby the entity will place a deposit at an agreed rate of interest with that party at a predetermined future date.

9. Surety bonds

This is the value, as at the relevant date, of surety bonds which are treated as a type of direct credit substitute by the reporting insurer, in accordance with Attachment B of GPS 114.

10. All other non-market-related off balance sheet items

This is a balancing item and is the value, as at the relevant date, of all other non-market-related off-balance sheet transactions giving rise to credit risk.

This is automatically calculated as Item 11 less the sum of Items 1 to 9.

11. Total non-market-related off balance sheet business

This is the value, as at the relevant date, of all credit substitutes that are not transacted in financial markets.

11.1. Of which: deemed as Inside Australia

Of the value of all credit substitutes that are not transacted in financial markets, report the value that relates to business that is deemed to be inside Australia in accordance with *Prudential Standard GPS 120 Assets in Australia* (GPS 120).

12. Total non-market related off balance sheet business (total of item 11) which are provided to related parties

Of the value of all credit substitutes that are not transacted in financial markets, report the value that is provided to related parties.

12.1. Parent entity

This refers to credit substitutes that are not transacted in financial markets that are with/from the parent entity of the reporting insurer.

12.1.1. Controlled entities / controlled entities of parent

This refers to credit substitutes that are not transacted in financial markets that are with/from a subsidiary of the reporting insurer, or another branch of the parent entity for a Category C insurer.

12.2. Joint ventures / Associates

This refers to credit substitutes that are not transacted in financial markets that are with/from an associate or joint venture of the reporting insurer.

12.3. Other related parties

This refers to credit substitutes that are not transacted in financial markets that are with/from a related party of the reporting insurer that is not the parent entity, a subsidiary, a related party of a director, an associate or a joint venture of the reporting insurer.

This is automatically calculated as Item 12 less the sum of Items 12.1, 12.1.1 and 12.2.

Section 2: Liquidity support facilities obtained

(1) Approved balance available

Report the maximum approved amount that can be drawn down in relation to the facility.

(2) Undrawn balance available

Report the balance of the facility that has not been used or drawn down by the reporting insurer at the relevant date.

1. Standby facilities

A standby facility is an arrangement in which a party has the right but not the obligation to draw down funds to a specified limit. Generally, the drawing party is required to provide written notice to trigger draw down (access to the funds) on these facilities.

1.1. Facilities with same day draw down

Report the value of the standby facilities that are able to be drawn down (funds accessed) the same day as notice is given by the reporting insurer of its intention to draw down on the standby facility.

1.2. Facilities with 2 - 5 day draw down

Report the value of the standby facilities that are able to be drawn down (funds accessed) within two to five days after notice is given by the reporting insurer of its intention to draw down on the standby facility (i.e. a two to five day waiting period).

1.3. Facilities with greater than 5 day draw down

Report the value of the standby facilities that are only able to be drawn down (funds accessed) more than five days after notice is given by the reporting insurer of its intention to draw down on the standby facility.

2. Bill acceptance and discount facilities

Report the value, as at the relevant date, of bill acceptance and discount facilities provided to the reporting insurer. Bill acceptance and discount facilities are a form of liquidity, or funding, provided to the reporting insurer through a facility that discounts bills (e.g. bank accepted bills). Principal and interest owing on the bill is repaid or 'rolled over' by the reporting insurer on maturity of the bill.

3. Letter of credit facilities

Report the value, as at the relevant date, of letter of credit facilities committed to by the reporting insurer. A letter of credit facility is an irrevocable and unconditional undertaking to repay the principal and interest of a loan in the event of default.

4. Overdrafts

Report the value, as at the relevant date, of overdraft facilities available to the reporting insurer. Overdraft facilities are accounts which may be overdrawn up to a limit agreed by the parties involved.

5. Other liquidity support facilities

This is a balancing item and is the value, as at the relevant date, of all other off-balance sheet liquidity support facilities.

It is automatically calculated as Item 6 less the sum of Items 1 to 4 in Section 2.

6. Total liquidity support facilities

This is the total, as at the relevant date, of liquidity support facilities contracted to the reporting insurer.

7. Total which are with related entities

Report the liquidity support facilities that are provided by related entities of the reporting insurer.

7.1. Parent entity

This refers to liquidity support facilities that are from the parent entity of the reporting insurer.

7.1.1. Controlled entities / controlled entities of parent

This refers to liquidity support facilities that are from a subsidiary of the reporting insurer, or another branch of the parent entity for a Category C insurer.

7.2. Joint ventures / Associates

This refers to liquidity support facilities that are from an associate or joint venture of the reporting insurer.

7.3. Other related parties

This refers to liquidity support facilities that are from a related party of the reporting insurer that is not the parent entity, a subsidiary, a related party of a director, an associate or a joint venture of the reporting insurer.

It is automatically calculated as Item 7 less the sum of Items 7.1, 7.1.1 and 7.2.

Section 3: Charges granted

(1) Type of charge / encumbrance

Report the type of charge granted against the assets of the reporting insurer. For example, the charge could be:

- a fixed charge which is generally given in relation to a specific asset or assets and it will generally limit the ability or right of the reporting insurer to deal with those assets; or
- a floating charge which may be given over specific assets or all assets of the reporting insurer and may generally only crystallise and become a fixed charge on the occurrence of a specific event that is agreed between the parties (i.e. default on payment, or not maintaining specified interest coverage ratios).

(2) Principal value of the charge

Report the principal or face value amount of the charge or encumbrance given over assets of the reporting insurer.

(3) Outstanding value of the charge

Report the outstanding value of the charge or encumbrance (as at the relevant date) given over assets of the reporting insurer.

(4) Fair value of assets subject to the charge

Report the fair value of the assets that are subject to the charge or encumbrance. Fair value has the same meaning as in the Australian Accounting Standards.

(5) Asset subject to charge is an Inside Australia asset?

If the asset subject to the charge granted by the reporting insurer is an asset inside Australia as per GPS 120, report a 'Y', otherwise 'N'.

(6) Grade of asset subject to charge

Report the counterparty grade of the asset/counterparty that is subject to the charge or encumbrance. The counterparty grade is as per Attachment C of GPS 001.

(7) Value of insurance liabilities supported by security given

Report the value, as at the relevant date, of insurance liabilities that are supported by charges or encumbrances granted over assets of the reporting insurer.

Section 4A: Credit support received - eligible collateral provided to reporting insurer

This section provides information on eligible collateral provided to the reporting insurer. Eligible collateral includes any form of security that supports the value of assets held by the reporting insurer other than guarantees and letters of credit.

(1) Name of entity providing collateral to the reporting insurer

Report the name of the entity that is providing the eligible collateral to the reporting insurer.

(2) Relating to reinsurance recoverable due from non-APRA-authorized reinsurers?

Disclose whether the collateral is related to reinsurance recoverable due from non-APRA-authorized reinsurers by selecting 'Y' or 'N'.

(3) Fair value of eligible collateral provided

This is the fair value, as at the relevant date, of eligible collateral provided to the reporting insurer. The fair value of the outstanding balance is to be reported where appropriate. Fair value is determined in accordance with the Australian Accounting Standards.

(4) Fair value of assets subject to credit support

This is the fair value, as at the relevant date, of assets of the reporting insurer that are subject to credit support from collateral.

(5) Eligible collateral is from a related party?

For each eligible collateral item that is provided by a related party, describe the type of related party by selecting 'Parent', 'Subsidiary' or 'Other'.

(6) Type of collateral

This represents the type of collateral being provided to support the asset, e.g. cash, government securities, subordinated debt, listed equity instruments.

Section 4B: Credit support received - guarantees or letters of credit provided to reporting insurer

This section provides information on guarantees and standby letters of credit provided to the reporting insurer. A guarantee is a pledge or agreement to be responsible for another party's debt or contractual performance if that other party does not pay or perform. A standby letter of credit is an irrevocable undertaking given by a third party to pay an amount owing to the reporting insurer should the original counterparty default.

(1) Name of entity providing the guarantee or letter of credit to the reporting insurer

Report the name of the entity that is providing the guarantee or standby letter of credit to the reporting insurer.

(2) Relating to reinsurance recoverable due from non-APRA-authorized reinsurers?

Disclose whether the guarantee or standby letter of credit is related to reinsurance recoverable due from non-APRA-authorized reinsurers by selecting 'Y' or 'N'.

(3) Value of the guarantee or credit received in relation to assets of the insurer

This is the value of the guarantee or letter of credit received by the reporting insurer that is supporting assets of the reporting insurer.

(4) Counterparty rating grade of guarantor or issuer

Report the counterparty grade of the counterparty issuing the guarantee or letter of credit to the reporting insurer. The counterparty grade is as per Attachment C of GPS 001.

(5) Fair value of assets subject to credit support

This is the fair value, as at the relevant date, of assets of the reporting insurer that are subject to credit support from a guarantee or letter of credit.

(6) Guarantee / letter of credit is from a related party?

For each guarantee or letter of credit that is provided by a related party, describe the type of related party by selecting 'Parent', 'Subsidiary' or 'Other'.