



# Reporting Standard LRS 114.2

## Derivatives Activity

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a life company's derivatives activity.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard LRS 001 Reporting Requirements (LRS 001)*, the *Life Insurance General Instruction Guide* and *Prudential Standard LPS 114 Capital Adequacy: Asset Risk Charge Form LRF 114.2 Derivatives Activity* and ~~associated specific instructions and must be read in conjunction with the general instruction guide.~~

### Authority

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

### Purpose

2. The information reported to APRA under this Reporting Standard ~~Information collected in Form LRF 114.2 Derivatives Activity (LRF 114.2)~~ is used by APRA for the purpose of prudential supervision including assessing compliance with capital adequacy standards.

### Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life ~~Insurance~~ Act). This Reporting Standard applies for reporting periods ending on or after 1 April 2023 ~~31 December 2026~~.

### Information required

4. A life company must provide APRA with the information required by ~~Form LRF 114.2~~ this Reporting Standard for each reporting period.

5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life ~~Insurance~~ Act. It does not constitute a reporting document for the purposes of section 124.

### Method of submission

6. The information required by this Reporting Standard must be given to APRA:
  - (a) in electronic format using an electronic method available on APRA's website; or
  - (b) by a method notified by APRA prior to submission.

### Reporting periods and due dates

7. Subject to paragraph ~~88~~, a life company must provide the information required by this Reporting Standard:
  - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
  - (b) in respect of each financial year of the life company on an audited basis.

*Note 1:* This means that ~~information provided under this Reporting Standard this form~~ will be submitted five times for a full financial year.

*Note 2:* The annual audited ~~information provided under this Reporting Standard form~~ must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters* (LPS 310).

8. If, having regard to the particular circumstances of a life company, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph ~~7(a) 7(a) or 7(b) 7(b)~~, APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
  - ~~(a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;~~
  - ~~(a) in the case of annual information, within three months after the end of the reporting period to which the information relates; or within the time stated in Reporting Standard LRS 001 Reporting Requirements (LRS 001); or~~
  - ~~(b)~~
  - ~~(c) in the case of information provided in accordance with paragraph ~~8 8~~, within the time specified by notice in writing.~~
10. APRA may, in writing, grant a life company an extension of a due date, in which case the new due date will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, a life company is nonetheless required to submit the information required no later than the due date.

## Quality control

~~10.11.~~ The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life company's systems, processes and controls supporting the reporting of the information to enable the life company to provide 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 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 LPS 310.

~~11.12.~~ All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

~~12.13.~~ Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

## Authorisation

~~13.14.~~ When an officer of a life company provides the information required by this Reporting Standard using an electronic format, it will be necessary for the officer or agent to must digitally sign the relevant information using a digital certificate acceptable to APRA.

~~14.15.~~ An officer of a life company submitting information under this Reporting Standard must be authorised by either:

- (a) the Principal Executive Officer of the life company; or
- (b) the Chief Financial Officer of the life company.

## Variations

~~16.~~ APRA may, by written notice to the life company, vary the reporting requirements of ~~Form LRF 114.2~~ this Reporting Standard in relation to that life company.

## Transition

17. A life company must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

*old reporting standard* means the reporting standard revoked in the determination making this Reporting Standard; and

*transitional reporting period* means a reporting period under the old reporting standard:

- (a) which ended before 31 December 2026; and
- (b) in relation to which the life company was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

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

## Interpretation

~~15.18.~~ 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 LPS-CPS 001 Definitions* (LPS-CPS 001); and
- (b) the following definitions are applicable:

*Auditor* means an auditor appointed under section 83 of the Life Act.

*capital adequacy standards* means the prudential standards which relate to capital adequacy as defined in LPS-CPS 001;

*Chief Financial Officer* means the chief financial officer of the life company, by whatever name called;

*financial year* has the meaning in the *Corporations Act 2001*;

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

*Life Act* means the *Life Insurance Act 1995*.

***Principal Executive Officer*** means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity; ~~and.~~

***reporting period*** means a reporting period under subparagraph 7(a) ~~7(a)~~ or 7(b) ~~7(b)~~ or, if applicable, paragraph ~~8~~ 8.

19. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

DRAFT

# Reporting Standard LRS 114.2

## Derivatives Activity

### General instructions

#### Reporting tables

Tables described in this reporting standard list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided. Any specific combination of values in a table must not appear on more than one row in that table when reported.

#### Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

#### **A**

<u><b><i>Associates / joint ventures</i></b></u>	<u><b><i>Associate</i></b> means an <b><i>associate</i></b> as defined under Australian Accounting Standard <i>AASB 128 Investments in Associates and Joint Ventures</i>. <b><i>A joint venture</i></b> is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.</u>
--	---

#### **B**

<u><b><i>Bought option positions</i></b></u>	<u>A bought option includes both put and call options that have been purchased by an entity. It provides the purchasing entity with the right, but not the obligation, to buy or sell a specific amount of an underlying asset at a pre-agreed price, on or before a specific future date.</u>
<u><b><i>Benefit Fund</i></b></u>	<u>Means an approved benefit fund as defined in CPS 001.</u>

#### **C**

<u><b><i>Credit derivatives - bought protection</i></b></u>	<u>This refers to credit derivatives that have been purchased by the life company.  Credit derivatives enable users 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.</u>
---	--

<u><b>Credit derivatives - sold protection</b></u>	<p>This refers to credit derivatives that have been sold, or written, by the life company.</p> <p>Credit derivatives enable users 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.</p>
--	--

**E**

<u><b>Equity contracts</b></u>	<p>All open equity derivative contracts, whereby the contracts involve the transfer of equity risks on underlying equity security from one party to another.</p> <p>Include:</p> <ul style="list-style-type: none"> <li>• swaps;</li> <li>• forwards;</li> <li>• futures; and</li> <li>• purchased options/warrants.</li> </ul>
<u><b>Exchange-Traded Derivatives</b></u>	Derivatives traded on recognised exchanges.
<u><b>Exchange type</b></u>	<p>Refers to the type of derivative according to its trading venue. <b>Exchange types</b> are:</p> <ul style="list-style-type: none"> <li>• <u>Exchange-traded derivatives</u></li> <li>• <u>Over-the-counter derivatives</u></li> </ul>
<u><b>Exposure type</b></u>	<p>Refers to the type of derivative according to the underlying risk exposure. <b>Exposure types</b> are:</p> <ul style="list-style-type: none"> <li>• <u>Interest rate contracts;</u></li> <li>• <u>Foreign exchange contracts;</u></li> <li>• <u>Equity contracts;</u></li> <li>• <u>Precious metal contracts (excluding gold);</u></li> <li>• <u>Other derivative contracts.</u></li> </ul>

**F**

<u><b>Fair value</b></u>	<p>Fair value is the amount which could be expected to be received from the disposal of an asset in an orderly market; or in an arm's length transaction between knowledgeable, willing parties; after deducting costs expected to be incurred in realising the proceeds of such a disposal.</p>
--------------------------	--

<u><b>Foreign exchange contracts</b></u>	<p><u>All open foreign exchange derivative contracts, whereby the contracts involve the transfer of foreign exchange risks on underlying foreign exchange currencies from one party to another.</u></p> <p><u>Include:</u></p> <ul style="list-style-type: none"> <li>• <u>cross currency swaps;</u></li> <li>• <u>forward foreign exchange contracts;</u></li> <li>• <u>currency futures;</u></li> <li>• <u>currency options purchased;</u></li> <li>• <u>hedge contracts; and</u></li> <li>• <u>gold contracts.</u></li> </ul> <p><u>Outstanding spot transactions should be treated as forward foreign exchange contracts.</u></p>
<u><b>Forwards</b></u>	<p><u>Forwards are agreements to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price.</u></p>

!

<u><b>Interest rate contracts</b></u>	<p><u>All open interest rate derivative contracts, whereby the contracts involves the transfer of interest rate risks on underlying interest-bearing instruments from one party to another.</u></p> <p><u>Include:</u></p> <ul style="list-style-type: none"> <li>• <u>single currency interest rate swaps;</u></li> <li>• <u>basis swaps;</u></li> <li>• <u>forward rate agreements;</u></li> <li>• <u>interest rate futures; and</u></li> <li>• <u>interest rate options purchased.</u></li> </ul>
---------------------------------------	--

L

<u><b>Life company fund</b></u>	<p><u>This means the type of <i>life company fund</i>. Possible types are:</u></p> <ul style="list-style-type: none"> <li>• <u>statutory fund;</u></li> <li>• <u><i>benefit fund</i>.</u></li> </ul>
---------------------------------	--

**O**

<b><u>Other (Over-The-Counter Derivatives)</u></b>	<u>All other over-the-counter derivative financial instruments that have not been categorised elsewhere.</u>
<b><u>Other derivative contracts</u></b>	<u>All other open derivative contracts which are not separately reported as an <i>exposure type</i>. This</u>  <u>Includes:</u>  <ul style="list-style-type: none"> <li>• <u>credit derivatives;</u></li> <li>• <u>commodity derivatives; and</u></li> <li>• <u>any contracts covering other items, that give rise to credit risk.</u></li> </ul>
<b><u>Other related parties</u></b>	<u>Means any counterparty that is a deemed a related party in accordance with <i>AASB 124 Related Party Disclosures</i>, which is not separately reported as a <i>related party type</i>.</u>
<b><u>Over-The-Counter Derivatives</u></b>	<u>Derivative instruments that are not traded on recognised exchanges.</u>
<b><u>Over-The-Counter Derivative Contract type</u></b>	<u>Refers to the type of over-the-counter derivative financial instrument. <i>Over-The-Counter Derivative Contract types</i> are:</u> <ul style="list-style-type: none"> <li>• <u><i>Forwards</i></u></li> <li>• <u><i>Swaps</i></u></li> <li>• <u><i>Bought option positions</i></u></li> <li>• <u><i>Written option positions</i></u></li> <li>• <u><i>Credit derivatives - bought protection</i></u></li> <li>• <u><i>Credit derivatives - sold protection</i></u></li> <li>• <u><i>Other</i></u></li> </ul>

**P**

<b><u>Parent</u></b>	<u>Means an entity that controls one or more entities.</u>
<b><u>Precious metal contracts (excluding gold)</u></b>	<u>All open precious metal derivative contracts (excluding gold), whereby the contracts involve the transfer of asset pricing risks on the underlying precious metal assets from one party to another.</u>
<b><u>Principal amount</u></b>	<u>The principal amount reported is the absolute principal amount. That is, the amount must be reported as a positive value, even for short positions in derivative financial instruments.</u>

**R**

<b><u>Related party type</u></b>	The type of counterparty involved in the derivative contract. <b><u>Related party types</u></b> are: <ul style="list-style-type: none"> <li>• <b><u>parent</u></b>;</li> <li>• <b><u>subsidiaries</u></b>;</li> <li>• <b><u>associates / joint ventures</u></b>; and</li> <li>• <b><u>other related parties</u></b>.</li> </ul>
----------------------------------	---

**S**

<b><u>Subsidiaries</u></b>	Means a <b><u>subsidiary</u></b> as defined in the <i>Corporations Act 2001</i> .
<b><u>Swaps</u></b>	Swaps are financial instruments representing a transaction in which two parties agree to swap or exchange some obligation, generally a series of cash flows, on differing terms.

**W**

<b><u>Written option positions</u></b>	A sold, or written, option includes both put and call options that have been sold by an entity. It obliges the selling entity to buy or sell a specific amount of equity securities at a pre-agreed price, on or before a specific future date.
--	---

DRAFT

## Specific Instructions

### Table 1: Derivatives Activity

#### Reporting basis

This table applies to life companies including friendly societies. This table applies to statutory and benefit funds.

#### Units of measurement

Unless otherwise stated, report the values in this table in whole Australian dollars.

	<u>Name</u>	<u>Valid values</u>	<u>Description</u>
<u>1</u>	<u>Life Company Fund Type</u>	<ul style="list-style-type: none"> <li>• <u>Statutory fund</u></li> <li>• <u>Benefit fund</u></li> </ul>	<u>Report <i>life company fund</i>.</u>
<u>2</u>	<u>Life Company Fund Name</u>	<u>Free text</u>	<u>Report the name of the <i>life company fund</i>.</u>
<u>3</u>	<u>Related Party Type</u>	<ul style="list-style-type: none"> <li>• <u>Parent</u></li> <li>• <u>Subsidiaries</u></li> <li>• <u>Associates /Joint ventures</u></li> <li>• <u>Other related parties</u></li> </ul>	<u>Report the appropriate <i>related party type</i>.</u>
<u>4</u>	<u>Derivative Exposure Type</u>	<ul style="list-style-type: none"> <li>• <u>Interest Rate Contracts</u></li> <li>• <u>Foreign Exchange Contracts</u></li> <li>• <u>Equity Contracts</u></li> <li>• <u>Precious metal contracts (excluding gold)</u></li> <li>• <u>Other Derivative Contracts</u></li> </ul>	<u>Report the appropriate <i>exposure type</i>.</u>
<u>5</u>	<u>Derivative Exchange Type</u>	<ul style="list-style-type: none"> <li>• <u>Exchange-Traded Derivatives</u></li> <li>• <u>Over-The-Counter Derivatives</u></li> </ul>	<u>Report the appropriate <i>exchange type</i>.</u>

	<u>Name</u>	<u>Valid values</u>	<u>Description</u>
<u>6</u>	<u>Over-The-Counter Derivative Contract Type</u>	<ul style="list-style-type: none"> <li>• <u>Forwards</u></li> <li>• <u>Swaps</u></li> <li>• <u>Bought option positions</u></li> <li>• <u>Written option positions</u></li> <li>• <u>Credit derivatives - bought protection</u></li> <li>• <u>Credit derivatives - sold protection</u></li> <li>• <u>Other</u></li> <li>• Not applicable</li> </ul>	<u>Report the appropriate <i>over-the-counter derivative contract type</i>.</u>
<u>7</u>	<u>Principal Amount</u>	<u>Whole dollars</u>	<u>Report the <i>principal amount</i>.</u>
<u>8</u>	<u>Fair Value</u>	<u>Whole dollars</u>	<u>Report the <i>fair value</i>.</u>

## LRF\_114\_2: Derivatives Activity

**Australian Business Number**

**Institution Name**

	Life Insurers and Friendly Societies
--	--------------------------------------

**Reporting Period**

**Scale Factor**

Quarterly / Annual	Thousands
--------------------	-----------

**Reporting Consolidation**

Statutory fund
----------------

### Statement of Derivatives Activity

Interest Rate Contracts		Foreign Exchange Contracts		Equity Contracts		Precious metal contracts (excluding gold)		Other Derivative Contracts	
Principal Amount	Fair Value	Principal Amount	Fair Value	Principal Amount	Fair Value	Principal Amount	Fair Value	Principal Amount	Fair Value

**1. Exchange-Traded Derivatives (traded on recognised exchanges)**

--	--	--	--	--	--	--	--	--	--

**2. Over-The-Counter Derivatives**

--	--	--	--	--	--	--	--	--	--

2.1. Forwards

2.2. Swaps

2.3. Bought option positions

2.4. Written option positions

2.5. Credit derivatives – bought protection


2.6. Credit derivatives—sold protection

2.7. Other

**3. Total Derivatives**

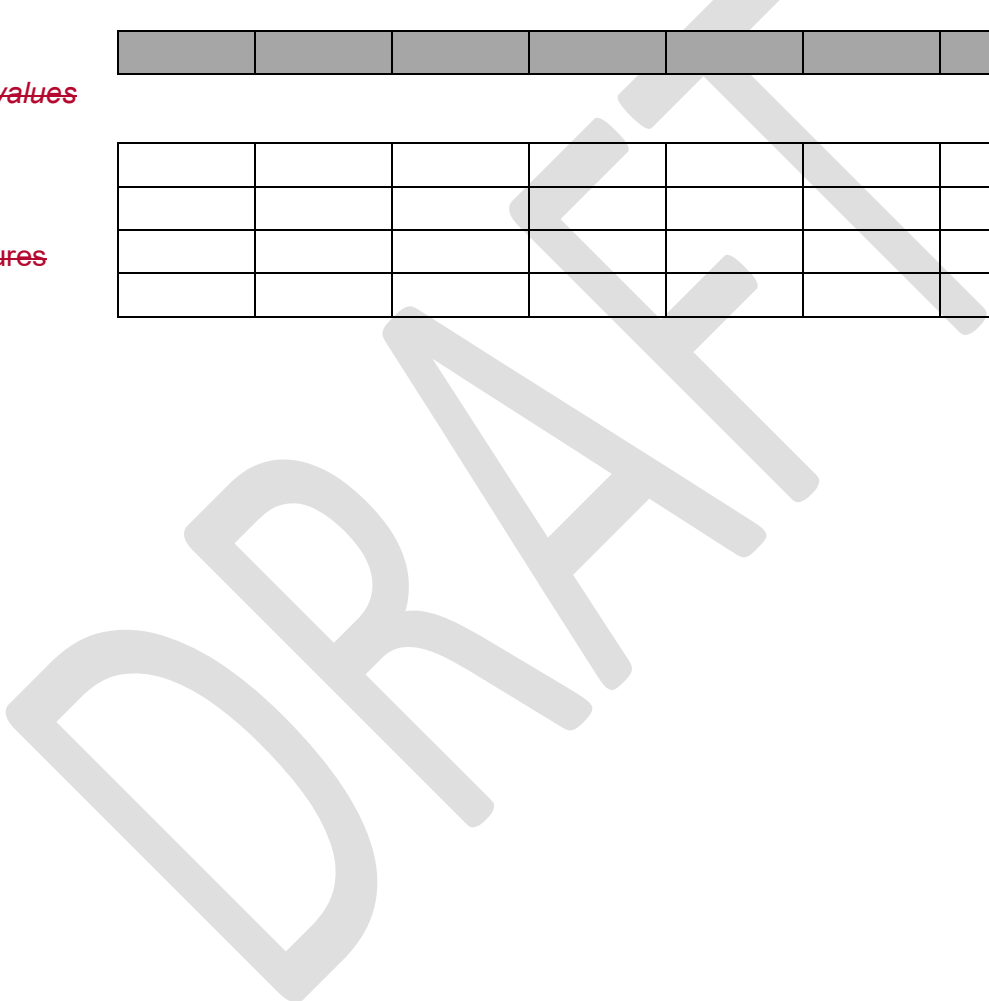
*of which the amounts and values with:*

3.1. Parent entity

3.2. Controlled entities

3.3. Associates / joint ventures

3.4. Other related parties

## **~~LRF\_114\_2 Derivatives Activity~~**

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

### **~~Explanatory notes~~**

#### **~~Principal amount~~**

~~The principal amount reported is the absolute principal amount. That is, the amount must be reported as a positive value, even for short positions in derivative financial instruments.~~

#### **~~Fair value~~**

~~Fair value is the amount which could be expected to be received from the disposal of an asset in an orderly market; or in an arm's length transaction between knowledgeable, willing parties; after deducting costs expected to be incurred in realising the proceeds of such a disposal. Record the aggregate fair value of the derivative exposure/position by summing the absolute fair value of each exposure, for each of the items listed.~~

### **~~Instructions for specific items~~**

#### **~~Section 1: Statement of derivative activity~~**

##### **~~1(1). Interest rate contracts – Principal amount~~**

~~This column is the principal amount of all open interest rate derivative contracts, whereby the contracts involves the transfer of interest rate risks on underlying interest bearing instruments from one party to another.~~

~~Include:~~

- ~~• single currency interest rate swaps;~~
- ~~• basis swaps;~~
- ~~• forward rate agreements;~~
- ~~• interest rate futures; and~~
- ~~• interest rate options purchased.~~

##### **~~1(2). Interest rate contracts – Fair value~~**

~~This column is the fair value of all open interest rate derivative contracts, whereby the contracts involve the transfer of interest rate risks on underlying interest bearing instruments from one party to another.~~

##### **~~1(3). Foreign exchange contracts – Principal amount~~**

~~This column is the principal amount of all open foreign exchange derivative contracts, whereby the contracts involve the transfer of foreign exchange risks on underlying foreign exchange currencies from one party to another.~~

~~Include:~~

- ~~• cross currency swaps;~~
- ~~• forward foreign exchange contracts;~~

- ~~currency futures;~~
- ~~currency options purchased;~~
- ~~hedge contracts; and~~
- ~~gold contracts.~~

~~Outstanding spot transactions should be treated as forward foreign exchange contracts.~~

**~~1(4). Foreign exchange contracts – Fair value~~**

~~This column is the fair value of all open foreign exchange derivative contracts, whereby the contracts involve the transfer of foreign exchange risks on underlying foreign exchange currencies from one party to another.~~

**~~1(5). Equity contracts – Principal amount~~**

~~This column is the principal amount of all open equity derivative contracts, whereby the contracts involve the transfer of equity risks on underlying equity security from one party to another.~~

~~Include:~~

- ~~swaps;~~
- ~~forwards;~~
- ~~futures; and~~
- ~~purchased options/warrants.~~

**~~1(6). Equity contracts – Fair value~~**

~~This column is the fair value of all open equity derivative contracts, whereby the contracts involve the transfer of equity risks on underlying equity security from one party to another.~~

**~~1(7). Precious metal contracts (excluding gold) – Principal amount~~**

~~This column is the principal amount of all open precious metal derivative contracts (excluding gold), whereby the contracts involve the transfer of asset pricing risks on the underlying precious metal assets from one party to another.~~

**~~1(8). Precious metal contracts (excluding gold) – Fair value~~**

~~This column is the fair value of all open precious metal derivative contracts (excluding gold), whereby the contracts involve the transfer of asset pricing risks on the underlying precious metal assets from one party to another.~~

**~~1(9). Other derivative contracts – Principal amount~~**

~~This column is the total principal amount of all other open derivative contracts not falling in the previous derivative categories.~~

~~Include:~~

- ~~credit derivatives;~~
- ~~commodity derivatives; and~~
- ~~any contracts covering other items, that give rise to credit risk.~~

**~~1(10). Other derivative contracts – Fair value~~**

This column is the total fair value of all other open derivative contracts not falling in the previous derivative categories.

**1. Exchange-Traded Derivatives (traded on recognised exchanges)**

Exchange-traded derivatives relate to the total of all derivatives traded on recognised exchanges.

**2. Over-The-Counter Derivatives**

This is the total of all derivative instruments that are not traded on recognised exchanges.

**2.1. Forwards**

Forwards are agreements to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price.

**2.2. Swaps**

Swaps are financial instruments representing a transaction in which two parties agree to swap or exchange some obligation, generally a series of cash flows, on differing terms.

**2.3. Bought option positions**

A bought option includes both put and call options that have been purchased by an entity. It provides the purchasing entity with the right, but not the obligation, to buy or sell a specific amount of an underlying asset at a pre-agreed price, on or before a specific future date.

**2.4. Written option positions**

A sold, or written, option includes both put and call options that have been sold by an entity. It obliges the selling entity to buy or sell a specific amount of equity securities at a pre-agreed price, on or before a specific future date.

**2.5. Credit derivatives – bought protection**

This refers to credit derivatives that have been purchased by the life company.

Credit derivatives enable users 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.

**2.6. Credit derivatives – sold protection**

This refers to credit derivatives that have been sold, or written, by the life company.

**2.7. Other**

This is the totality of all other over-the-counter derivative financial instruments not categorised above.

It is calculated automatically as item 2 less the sum of items 2.1 to 2.6.

**3. Total derivatives**

This is the total value of derivatives across all contract types. It is calculated automatically as the sum of items 1 and 2.

**3.1. Parent entity**

This is the total value of derivatives where the counterparty is the parent entity.

**3.2. Controlled entities**

This is the total value of derivatives where the counterparty is a controlled entity.

**3.3. ~~Associates / joint ventures~~**

~~This is the total value of derivatives where the counterparty is an associate or joint venture.~~

**3.4. ~~Other related parties~~**

~~This is the total value of derivatives where the counterparty is any other related parties.~~

DRAFT