



31 May 2012

To all Chief Executive Officers (or equivalent) of potential Level 3 groups

Update on the prudential framework for conglomerate groups (Level 3 framework)

APRA's letter of 5 May 2011 advised the proposed implementation schedule for the prudential framework for the supervision of conglomerate groups (Level 3 framework). That letter noted that a number of related domestic and global prudential reforms could affect the Level 3 policy proposals and implementation schedule. In particular, the life and general insurance capital review (LAGIC), Basel III capital reforms and Stronger Super reforms may have a material impact on the framework. Given the importance of coordinating these various initiatives, APRA is now of the view that a revision in the proposed implementation date for Level 3 is warranted.

You will recall that APRA conducted a quantitative impact study on the Level 3 framework between November 2010 and February 2011. Since then, key aspects of the LAGIC, Basel III and Stronger Super reforms have been clarified and APRA is in the process of refining its Level 3 policy proposals accordingly. To understand the impact of any refinements on the Level 3 framework, APRA will need to ensure it has up-to-date and accurate data on each potential Level 3 group. Therefore, potential Level 3 groups will be contacted shortly to assist with these data queries.

APRA will defer the implementation date of the Level 3 framework to 1 January 2014 to enable it to finalise its policy proposals and impact analysis. In the fourth quarter of this year, APRA intends to release a consultation package comprising a response to submissions paper and a set of draft prudential standards for the Level 3 framework. Further details on the implementation schedule will be provided in due course.

Queries in relation to the Level 3 project should be directed to your Responsible Supervisor or the dedicated Level3Framework@apra.gov.au email address.

Yours sincerely

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