



27 September 2012

To: All locally incorporated authorised deposit-taking institutions

Consultation on draft *Prudential Practice Guide CPG 110 Internal Capital Adequacy Assessment Process and supervisory review*

As part of its implementation of the Basel III capital reforms in Australia, APRA has revised and expanded its requirements for an authorised deposit-taking institution's (ADI's) Internal Capital Adequacy Assessment Process (ICAAP).

In March 2012, APRA released draft *Prudential Standard APS 110 Capital Adequacy* (APS 110), which incorporates APRA's proposals on the requirements for an ADI's ICAAP. The proposals take account of observed good practice internationally and align regulatory requirements for ADIs with those that APRA intends to implement for general insurers and life insurers. APRA will shortly release the final version of APS 110.

APRA highlighted in its September 2011 discussion paper *Implementing Basel III capital reforms in Australia* that, where appropriate, it intended to release draft prudential practice guides (PPGs) for consultation in 2012. PPGs assist APRA-regulated entities to comply with prudential requirements and provide guidance on APRA's view of good practice.

APRA has today released for consultation draft *Prudential Practice Guide CPG 110 Internal Capital Adequacy Assessment Process and supervisory review* (CPG 110). Draft CPG 110 aims to assist both ADIs and insurers in developing their ICAAP and in understanding APRA's supervisory review process. The information in draft CPG 110 supports ADIs in complying with APS 110.

APRA welcomes feedback from industry on draft CPG 110 by 21 December 2012. Submissions should be sent to Basel3capital@apra.gov.au. APRA will consider any feedback received and expects to release the final CPG 110 in the first quarter of 2013.

Yours sincerely



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