



9 May 2013

**To all Chief Executive Officers of potential Level 3 groups**

APRA has today released the second consultation package on the supervision of conglomerate groups (Level 3 groups). This package includes a response paper to the March 2010 discussion paper and draft prudential standards, which focus on requirements for group risk management and capital adequacy. This package complements a first consultation package, released in December 2012, regarding proposed requirements for group governance and risk exposures.

APRA has also released a consultation package on harmonising and enhancing cross-industry risk management requirements, which contains a new cross-industry risk management prudential standard and an updated governance standard. These standards are proposed to apply to all Level 1 ADIs, general insurers, life companies, Level 2 groups and Level 3 groups. A separate letter on this consultation package has been issued to all affected institutions. However, proposals in the risk management prudential standard which affect Level 3 groups are addressed as part of the supervision of conglomerate groups response paper.

During the course of developing these proposals, APRA has had a number of positive discussions with potential Level 3 groups and have taken into consideration many of the issues raised in those discussions.

Consultation on the proposed risk management and capital adequacy prudential standards closes on 5 July 2013.

Over the course of 2013, APRA will consult on a set of prudential practice guides, reporting standards, reporting forms and instructions, and consequential amendments to other prudential standards to give effect to the Level 3 framework proposals.

The consultation package is available on the APRA website at:

<http://www.apra.gov.au/CrossIndustry/Consultations/Pages/Supervision-of-conglomerate-groups-May-2013.aspx>

The Level 3 prudential standards and the cross-industry risk management prudential standard are expected to take effect from 1 January 2014.

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

Yours sincerely



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