



14 December 2012

To all Chief Executive Officers of potential Level 3 groups

APRA has today released for consultation proposed requirements for the supervision of conglomerate groups (Level 3 groups). The consultation package includes a response paper to the March 2010 discussion paper and eight draft prudential standards, which focus on requirements for group governance and risk exposures.

APRA considers your group to be a candidate Level 3 group that will be subject to the proposed requirements. These include:

- a Level 3 group must have a robust governance framework that is applied appropriately throughout the group;
- the intra-group exposures and external aggregate exposures of a Level 3 group must be transparent and prudently managed;
- a Level 3 group must have an effective group-wide risk management framework in place; and
- a Level 3 group must have sufficient capital to support the risks of the entire group, including material risks that arise from non-APRA-regulated institutions.

Consultation on the proposed governance and risk exposure prudential standards closes on 1 March 2013.

Over the course of 2013, APRA will consult on additional proposals for Level 3 groups covering risk management and capital adequacy. There will also be consultation 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 Level 3 prudential standards 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 email address.

Yours sincerely



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