



9 May 2013

**To: All authorised deposit-taking institutions (ADIs), general insurers, and life companies**

**Harmonising cross-industry risk management requirements**

APRA has today released for consultation a proposed cross-industry prudential standard to harmonise and consolidate its risk management requirements - *Prudential Standard CPS 220 Risk Management* (CPS 220). In addition, APRA proposes enhancements to existing prudential requirements in order to reflect and make more explicit its heightened expectations in this area. In some respects the enhancements will underpin the improvements that have been made in risk management practices, locally and globally, in response to lessons learned in the global financial crisis.

The proposed harmonisation and enhancement of APRA's risk management requirements will affect all Level 1 ADIs and insurers, Level 2 groups and proposed Level 3 groups. These changes are detailed in the consultation package which includes a discussion paper, a new risk management prudential standard and proposed changes to the cross-industry governance prudential standard. The proposed CPS 220 will replace the existing industry-specific risk management standards for general insurers and life insurers, and will include the risk management requirements for ADIs that are currently spread across a number of ADI prudential standards.

The most important enhancements contained in CPS 220 are the requirements for:

- a Chief Risk Officer (CRO) who is independent from business lines, the finance function and other revenue-generating capabilities. The CRO must not be the Chief Executive Officer, the Chief Financial Officer, Appointed Actuary or Head of Internal Audit; and
- the establishment of a Board Risk Committee that provides objective non-executive oversight of the implementation and on-going operation of the institution's risk management framework. The Committee must be chaired by an independent director who is not the chair of the Board.

During the second half of 2013, APRA expects to finalise the prudential standards and a prudential practice guide on risk management.

The consultation package is available on the APRA website at:

<http://www.apra.gov.au/CrossIndustry/Consultations/Pages/May-2013-Consultation-Risk-Management.aspx>

Consultation on the proposed risk management and governance prudential standards closes on 5 July 2013. The proposed prudential standards are expected to take effect from 1 January 2014.

Queries and written submissions on this package should be directed to your Responsible Supervisor or the dedicated [riskmanagement@apra.gov.au](mailto:riskmanagement@apra.gov.au) email address.

Yours sincerely

A handwritten signature in black ink, appearing to be 'CL', written in a cursive style.

Charles Littrell  
Executive General Manager  
Policy, Research and Statistics