



Financial Sector (Collection of Data) (reporting standard) determination No. 45 of 2013

Reporting Standard LRS 112.3 Related Party Exposures

Financial Sector (Collection of Data) Act 2001

I, Ian Laughlin, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) DETERMINE *Reporting Standard LRS 112.3 Related Party Exposures*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 January 2013.

This instrument commences on the day it is signed.

Dated: 12 February 2013

[Signed]

Ian Laughlin
Member

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

financial sector entity has the meaning given in section 5 of the Act.

Schedule

Reporting Standard LRS 112.3 Related Party Exposures comprises the 10 pages commencing on the following page.



Reporting Standard LRS 112.3

Related Party Exposures

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to a life company's related party exposures.

It includes *Form LRF 112.3 Related Party Exposures* and associated specific instructions and must be read in conjunction with the general instruction guide.

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (Collection of Data Act).

Purpose

2. Information collected in *Form LRF 112.3 Related Party Exposures* (LRF 112.3) is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life Insurance Act). This Reporting Standard applies for reporting periods ending on or after 1 January 2013.

Information required

4. A life company must provide APRA with the information required by Form LRF 112.3 for each reporting period.

5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Insurance Act. It does not constitute a reporting document for the purposes of section 124.

Forms and method of submission

6. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

Note: The 'Direct to APRA' application software may be obtained from APRA.

Reporting periods and due dates

7. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that this form will be submitted five times for a full financial year.

Note 2: The annual audited form must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters* (LPS 310).

8. If, having regard to the particular circumstances of a life company, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 7(a) or 7(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
 - (a) within the time stated in *Reporting Standard LRS 001 Reporting Requirements* (LRS 001); or
 - (b) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.

Quality control

10. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life company's systems, processes and controls supporting the reporting of the information to enable the life company to provide reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB) as may be amended from time to time, to the extent that they are not inconsistent with the requirements of LPS 310.
- 11. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
- 12. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

Authorisation

- 13. When an officer of a life company provides the information required by this Reporting Standard using the 'Direct to APRA' software, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.
- 14. An officer of a life company submitting information under this Reporting Standard must be authorised by either:
 - (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

- 15. APRA may, by written notice to the life company, vary the reporting requirements of the Form LRF 112.3 in relation to that life company.

Interpretation

- 16. In this Reporting Standard (including the attachments):
 - (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard LPS 001 Definitions* (LPS 001); and

- (b) ***capital standards*** means the prudential standards which relate to capital adequacy as defined in LPS 001;

Chief Financial Officer means the chief financial officer of the life company, by whatever name called;

financial year has the meaning in the *Corporations Act 2001*

general instruction guide refers to the general instruction guide set out in Attachment A of LRS 001;

Principal Executive Officer means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity;

reporting period means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

LRF_112_3: Related Party Exposures

Australian Business Number	Entity identifier, to be provided
Institution Name	Life companies, including friendly societies
Reporting Period	As at end of each quarter and as at financial year end
Scale Factor	Thousands of dollars, no decimal places
Reporting Consolidation	One form per statutory fund and general fund

Section 1: Investments in subsidiaries, joint ventures and associates and contributions to regulatory adjustments

Name (1)	ACN / ABN (2)	Category (3)	Description / nature of business (4)	Country of incorporation (5)	Total assets (6)	Value of investment net of goodwill and other intangibles (7)	Ownership percentage (%) (8)	Goodwill (9)	Other intangibles (10)	Adjustment for goodwill / other intangibles (11)	Nature of regulatory capital requirement (12)	Regulatory capital requirement (13)	Adjustment for regulatory capital requirement (14)
Total													

Section 2: Other related party exposures

Name (1)	ACN / ABN (2)	Category (3)	Type of exposure (4)	Fair value of exposure (5)
Total				

LRF_112_3 Related Party Exposures

These instructions must be read in conjunction with the general instruction guide.

Explanatory notes

Reported exposures

All equity investments in subsidiaries, associates and joint ventures should be reported in Section 1, Columns 1 to 8, regardless of whether the investment is subject to the regulatory adjustments relating to goodwill, intangibles and regulatory capital requirements.

Columns 9 to 14 do not apply to investments in a subsidiary, joint venture or associate that:

- is operationally independent;
- represents a genuine arm's-length investment;
- is not subject to regulatory capital requirements; and
- does not undertake life insurance business or business related to insurance business.

Any other related party exposures (both on and off-balance sheet) are to be reported in Section 2.

Exposures to the same related party across multiple types of exposures should be reported on separate lines.

Joint operations

For the purposes of this form, a joint operation as defined under *Australian Accounting Standard AASB 11 Joint Arrangements* (AASB 11) is to be treated as a joint venture.

Instructions for specific items

Section 1: Investments in subsidiaries, joint ventures and associates and contributions to regulatory adjustments

1(1). Name

This column reports the registered business name of the subsidiary, joint venture or associate of the life company.

1(2). ACN / ABN

Where relevant, this column reports the Australian Company Number (ACN) of the reported subsidiary, associate or joint venture. In cases where an entity doesn't have an ACN but it does have an Australian Business Number (ABN) or an Australian Registered Body Number (ARBN), the ABN or ARBN should be reported. If an entity does not have an ACN, ABN, or ARBN the column should be left blank.

Input the number without spaces.

1(3). Category

This column reports the appropriate category of the related entity i.e. whether it is a subsidiary, joint venture or associate.

1(4). Description / nature of business

This column provides a brief description of the main business conducted by the subsidiary, joint venture or associate.

1(5). Country of incorporation

This column reports the country in which the subsidiary, joint venture or associate is incorporated.

1(6). Total assets

This column reports the total assets of the subsidiary, joint venture or associate as reported on its statement of financial position

1(7). Value of investment net of goodwill and other intangibles

This column reports the value of the investment in the subsidiary, joint venture or associate as reported on the life company's statement of financial position, adjusted for goodwill and intangible assets.

1(8). Ownership percentage (%)

This column reports the percentage of ownership interest held by the reporting life company in the subsidiary, joint venture or associate.

Figures are to be reported in percentage points.

1(9). Goodwill

This is the value of goodwill reported on the statement of financial position of the subsidiary, joint venture or associate, net of adjustments to profit or loss reflecting changes arising from any impairment.

The amounts reported must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

1(10). Other intangibles

This is the value of intangible assets, other than goodwill reported on the statement of financial position of the subsidiary, joint venture or associate, net of adjustments to profit or loss reflecting changes arising from any impairment and amortisation. The amounts reported must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.

1(11). Adjustment for goodwill / other intangibles

This column reports the amount of regulatory adjustments applied in respect of goodwill (net of impairment) and other intangible assets (net of impairment) in relation to investments in subsidiaries, joint ventures and associates as required by *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital* (LPS 112).

This adjustment is automatically calculated as column 8 multiplied by the sum of columns 9 and 10.

1(12). Nature of regulatory capital requirement

This column reports the nature of the regulatory capital requirement (if any) of the subsidiary, joint venture or associate. An appropriate category is to be selected from the drop-down box, which is either:

- the prescribed capital amount if the investment is in a life company as defined under the *Life Insurance Act 1995*;

- the equivalent amount to the prescribed capital amount if the investment is an entity carrying on life insurance business in a foreign jurisdiction;
- a comparable regulatory capital requirement as agreed with APRA; or
- no regulatory capital requirement.

1(13). Regulatory capital requirement

This column reports, where applicable, the regulatory capital requirement of the subsidiary, joint venture or associate.

Where such capital requirements do not exist, this item should be reported as zero.

1(14). Adjustment for regulatory capital requirement

This column reports the adjustment for investment in subsidiaries, joint ventures and associates that are subject to regulatory capital requirements.

As per Attachment B of LPS 112, this adjustment is calculated automatically as the lesser of the life company's share of the regulatory capital requirements and the value of the investment that is recorded on the life company's balance sheet after adjustment for any intangible component as reported in column (11).

Section 2: Other related party exposures

2(1). Name

This column reports the registered business name of the relevant individual related party that the life company has exposures to.

2(2). ACN / ABN

Where relevant, this column reports the Australian Company Number (ACN) of the reported subsidiary, associate or joint venture. In cases where an entity doesn't have an ACN but it does have an Australian Business Number (ABN) or an Australian Registered Body Number (ARBN), the ABN or ARBN should be reported. If an entity does not have an ACN, ABN, or ARBN the column should be left blank.

Input the number without spaces.

2(3). Category

This column reports the appropriate category of the related party i.e. whether it is the parent, subsidiary, associate, joint venture or other related parties.

2(4). Type of exposure

This column reports the appropriate category for the exposure to the related party.

2(5). Fair value of exposure

This column reports the fair value of the exposures to the related party.