

Financial Sector (Collection of Data) (reporting standard) determination No. 1 of 2017

**Reporting Standard SRS 534.0 Derivative Financial Instruments**

Financial Sector (Collection of Data) Act 2001

I, Steven John Davies, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

1. REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 39 of 2015, including *Reporting Standard SRS 534.0 Derivative Financial Instruments* made under that Determination; and
2. DETERMINE *Reporting Standard SRS 534.0 Derivative Financial Instruments*, 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, and the revoked reporting standard shall cease to apply, on 1 July 2016.

This instrument commences on 1 July 2016.

Dated: 5 January 2017

[Signed]

Steven John Davies

General Manager

Statistics

**Interpretation**

In this Determination:

***APRA*** means the Australian Prudential Regulation Authority.

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

Schedule

*Reporting Standard SRS 534.0 Derivative Financial Instruments* comprises the 13 pages commencing on the following page.



**Reporting Standard SRS 534.0**

**Derivative Financial Instruments**

**Objective of this Reporting Standard**

This Reporting Standard sets out the requirements for the provision of information to APRA relating to derivative financial instruments of a registrable superannuation entity.

It includes *Form SRF 534.0 Derivative Financial Instruments* and associated specific instructions and must be read in conjunction with *Prudential Standard SPS 530 Investment Governance*.

**Authority**

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

**Purpose**

1. Information collected in *Form SRF 534.0 Derivative Financial Instruments* (SRF 534.0) is used by APRA for the purposes of prudential supervision and publication, including assessing compliance with *Prudential Standard SPS 530 Investment Governance*. It may also be used by the Australian Bureau of Statistics.

**Application and commencement**

1. This Reporting Standard applies to each registrable superannuation entity (RSE) licensee (RSE licensee) in respect of each RSE, defined benefit RSE, pooled superannuation trust (PST) and eligible rollover fund (ERF) within its business operations.[[1]](#footnote-2)
2. This Reporting Standard applies for reporting periods ending on or after 1 July 2016.

**Information required**

1. An RSE licensee to which this Reporting Standard applies must provide APRA with the information required by SRF 534.0 in respect of each reporting period.

**Forms and method of submission**

1. 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, in writing, prior to submission.

*Note*: the ‘Direct to APRA’ application software (also known as ‘D2A’) may be obtained from APRA.

**Reporting periods and due dates**

1. Subject to paragraph 8, an RSE licensee to which this Reporting Standard applies must provide the information required by this Reporting Standard in respect of each year of income of each RSE, defined benefit RSE, PST or ERF within its business operations.
2. If, having regard to the particular circumstances of an RSE, defined benefit RSE, PST or ERF, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by paragraph 7, APRA may, by notice in writing, change the reporting periods for the particular RSE, defined benefit RSE, PST or ERF.
3. The information required by this Reporting Standard must be provided to APRA:
	1. within three months after the end of the year of income to which the information relates; and
	2. in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.
4. APRA may grant, in writing, an RSE licensee an extension of a due date with respect to one or more RSEs, defined benefit RSEs, PSTs or ERFs within its business operations, in which case the new due date for the provision of the information will be the date on the notice of extension.

**Quality control**

1. The information provided by an RSE licensee under this Reporting Standard must be the product of systems, procedures and internal controls that have been reviewed and tested by the RSE auditor of the RSE, defined benefit RSE, PST or ERF to which the information relates.[[2]](#footnote-3) This will require the RSE auditor to review and test the RSE licensee’s systems, procedures and internal controls designed to enable the RSE licensee to report reliable information to APRA. This review and testing must be done on:
	1. an annual basis or more frequently if necessary to enable the RSE auditor to form an opinion on the reliability and accuracy of information; and
	2. at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board as may be amended from time to time, to the extent that they are not inconsistent with the requirements of SPS 310.
2. All information provided by an RSE licensee under this Reporting Standard must be subject to systems, processes and controls developed by the RSE licensee for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the RSE licensee to ensure that an appropriate set of policies and procedures for the authorisation of information submitted to APRA is in place.

**Authorisation**

1. When an officer or agent of an RSE licensee provides the information required by this Reporting Standard using the ‘Direct to APRA’ software, it will be necessary for the officer or agent to digitally sign the relevant information using a digital certificate acceptable to APRA.
2. If the information required by this Reporting Standard is provided by an agent who submits using the ‘Direct to APRA’ software on the RSE licensee’s behalf, the RSE licensee must:
	1. obtain from the agent a copy of the completed form with the information provided to APRA; and
	2. retain the completed copy.
3. An officer or agent of an RSE licensee who submits the information under this Reporting Standard for, on behalf of, the RSE licensee must be authorised by either:
	1. the Chief Executive Officer of the RSE licensee; or
	2. the Chief Financial Officer of the RSE licensee.

**Variations**

1. APRA may, by written notice to an RSE licensee, vary the reporting requirements of SRF 534.0 in relation to that RSE licensee or one or more RSEs, defined benefit RSEs, PSTs or ERFs within that RSE licensee’s business operations.

**Interpretation**

1. In this Reporting Standard:

***APRA*** means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*;

***Chief Executive Officer*** means the chief executive officer of the RSE licensee, by whatever name called, and whether or not he or she is a member of the Board of the RSE licensee[[3]](#footnote-4);

***Chief Financial Officer*** means the chief financial officer of the RSE licensee, by whatever name called;

***defined benefit RSE*** means an RSE that is a defined benefit fund within the meaning given in *Prudential Standard SPS 160 Defined Benefit Matters*;

***due date*** means the relevant date under paragraph 9 or, if applicable, paragraph 10;

***eligible rollover fund (ERF)*** has the meaning given in section 10(1) of the SIS Act;

***pooled superannuation trust (PST)*** has the meaning given in section 10(1) of the SIS Act;

***reporting period*** means a period mentioned in paragraph 7 or, if applicable, paragraph 8;

***RSE*** means a registrable superannuation entity as defined in section 10(1) of the SIS Act that is not a defined benefit RSE, PST, ERF, small APRA fund or single member approved deposit fund[[4]](#footnote-5);

***RSE auditor*** means an auditor appointed by the RSE licensee to perform functions under this Reporting Standard;

***RSE licensee*** has the meaning given in section 10(1) of the SIS Act;

***SIS Act*** means *Superannuation Industry (Supervision) Act 1993*; and

***year of income*** has the meaning given in section 10(1) of the SIS Act.

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| **SRF 534.0: Derivative Financial Instruments** |

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| **Australian Business Number** | **Institution Name** |  |
|  |  |  |
| **Reporting Period** | **Scale Factor** | **Reporting Consolidation** |
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| 1. **Directly held derivative financial instruments**
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| --- | --- | --- | --- | --- | --- | --- |
| **Exposure type** | **Derivative type** | **Contract type** | **Principal amount** | **Gross positive market value** | **Gross negative market value** | **Net market value** |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** |
| Interest rate contract | Exchange traded | Options |  |  |  |  |
| Foreign exchange contract | Over the counter (cleared) | Forwards  |  |  |  |  |
| Credit risk contract | Over the counter (not cleared) | Futures |  |  |  |  |
| Equity contract |  | Swaps |  |  |  |  |
| Commodity contract |  | Other |  |  |  |  |
| Other contract |  |  |  |  |  |  |

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| --- | --- | --- | --- | --- |
| * 1. Total directly held derivative financial instruments
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| --- | --- |
| 1. **Value of assets of the RSE that are pledged to secure derivative positions**
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| 1. **Details of directly held over the counter derivatives**
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| --- | --- | --- | --- | --- | --- |
| **Counterparty name** | **Counterparty rating grade** | **Exposure type** | **Principal amount** | **Gross positive market value** | **Gross negative market value** |
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** |
|   | Grade 1  | Interest rate contract |   |   |   |
|  | Grade 2  | Foreign exchange contract |  |  |  |
|  | Grade 3  | Credit risk contract |  |  |  |
|  | Grade 4  | Equity contract |  |  |  |
|  | Grade 5  | Commodity contract |  |  |  |
|  | Grade 6  | Other contract |  |  |  |
|  | Grade 7 |  |  |  |  |
|  | Not applicable |  |  |  |  |

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| --- | --- | --- | --- |
| * 1. Total directly held over the counter derivatives
 |  |  |  |

1. **Details of net collateral pledged to secure positions per counterparty**

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| --- | --- |
| **Counterparty name** | **Net collateral pledged to secure positions with the counterparty** |
| **(1)** | **(2)** |
|  |  |

**Reporting Form SRF 534.0**

**Derivative Financial Instruments**

**Instructions**

These instructions assist completion of *Reporting Form SRF 534.0 Derivative Financial Instruments* (SRF 534.0). SRF 534.0 collects information on derivative financial instruments of a registrable superannuation entity (RSE). Information reported in SRF 534.0 is required primarily for prudential, publication and statistical purposes. Information reported in SRF 534.0 is also required for the purposes of the Australian Bureau of Statistics.

**Reporting level**

SRF 534.0 must be completed for each RSE, defined benefit RSE, pooled superannuation trust (PST) and eligible rollover fund (ERF).

**Reporting basis and unit of measurement**

Report all items on SRF 534.0 in accordance with the Australian Accounting Standards unless otherwise specified.

Assets and liabilities denominated in currencies other than AUD are to be converted to AUD using the mid-point rate (of market buying and selling spot quotations) effective as at the end of the reporting period. An RSE licensee is free to use those AUD exchange rates that it judges to be a representative closing mid-market rate as at the end of the reporting period. However, to ensure consistency across related returns and to assist in the reconciliation between these returns, an RSE licensee should attempt to use the same exchange rates across all returns to APRA.

Note: for the major currencies, an RSE licensee may want to use the exchange rates available in the Reserve Bank of Australia (RBA), which are available on the RBA website: <http://www.rba.gov.au/statistics/hist-exchange-rates/index.html>.

Items on SRF 534.0 must be reported as at the end of the reporting period or with respect to transactions that occurred during the reporting period. Items on SRF 534.0 are to be reported as thousands of dollars and whole numbers.

Items on SRF 534.0 are to be reported on a non look through basis. A look through basis is where information about the underlying investments in an investment vehicle must be reported.

These instructions specify the reporting basis and unit of measurement that applies to each item.

**Specific instructions**

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions. Additional definitions are provided at the end of these instructions.

Report only directly held investments in derivative financial instruments on SRF 534.0, which may or may not be invested via an individually managed mandate. An individually managed mandate represents an asset portfolio managed by an investment manager in accordance with a formal agreement.

Do not report indirectly held investments in derivative financial instruments on SRF 534.0; report them instead on *Reporting Form SRF 530.0 Investments* as indirectly held investments.

**Directly held derivative financial instruments**

Item 1 collects information about the notional principal amount (principal amount) and market value of an RSE’s directly held investments in derivative financial instruments. **Reporting basis**: report item 1 column 4 to column 7 inclusive as at the end of the reporting period.

**Unit of measurement**: report column 4 to column 7 inclusive as thousands of dollars.

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| **Item 1** | Report, for each combination of exposure type, derivative type and contract type: the exposure type in column 1, derivative type in column 2, and contract type in column 3, ***principal amount*** in column 4, ***gross positive market value*** in column 5, and ***gross negative market value*** in column 6. Item 7 is a derived item and represents the net of ***gross positive market value*** reported in column 5 and ***gross negative market value*** reported in column 6. Item 1.1 is a derived item. Report the total directly held derivative financial instruments in item 1.1 as the totals of column 4 to column 7 inclusive reported in item 1.The exposure types are: ***interest rate contract***, ***foreign exchange contract***, ***credit risk contract***, ***equity contract***, ***commodity contract*** and other.The derivative types are: ***exchange traded***, ***over the counter (cleared)*** and ***over the counter (not cleared)***.The contract types are: ***option***, ***forward, futures, swaps*** and ‘other’. |
| ***Directly held*** | Represents investments made by the RSE in its own name. Includes: investments held by a custodian in trust for the RSE. |
| ***Principal amount*** | Represents the face value of a financial instrument.  |
| ***Gross positive market value*** | Represents the aggregate amount of all exposures with a positive market value. |

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| ***Gross negative market value*** | Represents the aggregate amount of all exposures with a negative market value. |
| ***Net market value*** | Represents the net amount of derivative exposures. |

**Assets pledged to secure derivative positions**

Item 2 collects information about the value of assets held in the RSE that are pledged to secure derivative positions.

**Reporting basis**: report item 2 as at the end of the reporting period

**Unit of measurement**: report item 2 as thousands of dollars.

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| **Item 2** | Report the market value of ***assets pledged to secure derivative positions***. |
| ***Assets pledged to secure derivative positions*** | Represents cash or assets pledged or lodged with an entity to support derivative positions as collateral.  |

**Directly held over the counter derivatives**

Item 3 collects detail information about over the counter derivative contracts for the ten largest counterparties by net exposure.

**Reporting basis**: report item 3 column 4 to column 6 inclusive as at the end of the reporting period.

**Unit of measurement**: report item 3 column 4 to column 6 inclusive as thousands of dollars.

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| **Item 3** | Report item 3 for each of the ten largest counterparties based on the net exposure of all over the counter derivatives with that counterparty. Report each combination of ***counterparty*** name, counterparty credit rating and exposure on a separate line. For each combination of ***counterparty*** name, counterparty credit rating and exposure type report: the name of the ***counterparty*** in column 1, the counterparty credit rating in column 2, the exposure type in column 3, ***principal amount*** in column 4, the ***gross positive market value*** in column 5, and the ***gross negative market value*** in column 6.Item 3.1 is a derived item. Report the total directly held derivative financial instruments in item 3.1 as the totals of column 4 to column 6 inclusive, reported in item 3.The exposure types are: ***interest rate contract, foreign exchange contract, credit risk contract, equity contract, commodity contract*** and **‘**other contract’.The counterparty credit ratings are: ***grade 1, grade 2, grade 3, grade 4, grade 5, grade 6, grade 7*** and ‘not applicable’. Where the counterparty credit rating is not known, report counterparty credit rating as ‘not applicable’ |
| ***Counterparty*** | Represents the entity with which an investment is being transacted. |

**Net collateral pledged to secure positions**

Item 4 collects detail information about the net collateral pledged to secure over the counter derivative contracts for the ten largest counterparties by net exposure.

**Reporting basis**: report item 4 column 2 and column 3 as at the end of the reporting period.

**Unit of measurement**: report item 4 column 2 and column 3 inclusive as thousands of dollars.

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| **Item 4** | Report item 4 for each of the ten largest counterparties based reported in item 3.Report each combination of ***counterparty*** name and ***net collateral pledged to secure positions with the counterparty*** on a separate line. Where collateral is received from the counterparty, then this amount should be negative. Where collateral is posted (or pledged) to the counterparty, then this amount should be positive.For each combination of ***counterparty*** name, ***net collateral pledged to secure positions with the counterparty*** and ***principal amount*** report: the name of the ***counterparty*** in column 1 and the ***net collateral pledged to secure positions with the counterparty*** in column 2.  |
| ***Net collateral pledged to secure positions with the counterparty*** | Represents the collateral posted on a bilateral basis, such that either party may be required to provide or entitled to receive, depending on the net exposure under a collateral agreement. |

**Glossary of additional items**

**Derivative type**

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| ***Exchange traded derivative*** | Represents a standardised derivative contract transacted on a recognised stock exchange, subject to daily mark-to-market and margin settlements. |

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| ***Over the counter derivative*** | Represents a derivative contract transacted between individual counterparties outside a recognised stock exchange, with contract details negotiated by those parties. Over the counter derivatives are either cleared through a central counterparty or not cleared through a central counterparty.  |

**Exposure type**

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| --- | --- |
| ***Interest rate contract*** | Represents a contract that transfers the interest rate risk on an underlying asset from one party to another. |
| ***Foreign exchange contract*** | Represents a contract that transfers the exchange rate risk on an underlying asset from one party to another. Includes: gold contracts. |
| ***Credit risk contract*** | Represents a contract that transfers the credit risk of an underlying asset from one party to another. |
| ***Equity contract*** | Represents a contract that transfers the equity risk on an underlying equity security from one party to another. Excludes: credit risk on an underlying equity security. |
| ***Commodity contract*** | Represents a contract that transfers the precious metal price risk on an underlying precious metal from one party to another. Excludes: gold contracts. |

**Contract type**

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| --- | --- |
| ***Option*** | Represents a contract that provides the holder with the right, but not the obligation, to buy or sell a specific amount of the underlying asset at an agreed price, on or before a specific future date. |
| ***Forward***  | Represents a negotiated agreement to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price. |
| ***Future*** | Represents a standardised agreement to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price. |
| ***Swap*** | Represents an agreement between two or more parties to exchange a series of cash flows over a period in the future.  |

**Counterparty credit ratings**

The counterparty grades are used in classifying the credit rating of debt investments. An RSE licensee must directly request credit grades from the counterparty or investment manager, and must not rely on consumer rating agencies which rate collective investments.

Where an RSE has investments with multiple ratings from two or more rating agencies, the RSE licensee must consistently apply the lowest rating of a single agency whenever the individual ratings conflict.

The counterparty credit ratings used in these instructions are generally consistent with long term rating/debt securities. Where an RSE invests in counterparties/securities that have only been issued with a short term counterparty credit rating, the RSE licensee must use the most closely matched counterparty credit rating.

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| ***Grade 1*** | Represents a rating of Standard & Poor's AAA, Moody's Aaa, AM Best aaa, Fitch AAA. |
| ***Grade 2*** | Represents a rating of Standard & Poor's AA+, AA, AA-; Moody's Aa1, Aa2, Aa3; AM Best aa+, aa, aa-; Fitch AA+, AA, AA. |
| ***Grade 3*** | Represents a rating of Standard & Poor's A+, A, A-; Moody's A1, A2, A3; AM Best a+, a, a-; Fitch A+, A, A-. |
| ***Grade 4*** | Represents a rating of Standard & Poor's BBB+, BBB, BBB-; Moody's Baa1, Baa2, Baa3; AM Best bbb+, bbb, bbb-; Fitch BBB+, BBB, BBB-. |
| ***Grade 5*** | Represents a rating of Standard & Poors BB+, BB, BB-; Moodys Ba1, Ba2, Ba3; AM Best bb+, bb, bb-; Fitch BB+, BB, BB-. |
| ***Grade 6*** | Represents a rating of Standard & Poor's B+, B, B-; Moody’s B1, B2, B3; AM Best b+, b, b-; Fitch B+, B, B-. |
| ***Grade 7*** | Represents a rating of Standard & Poor's CCC or below; Moody’s Caa or below; AM Best b or below; Fitch CCC or below; unrated. |

**Interpretation**

For the purposes of these instructions:

* ***defined benefit RSE*** means an RSE that is a defined benefit fund within the meaning given in *Prudential Standard SPS 160 Defined Benefit Matters*;
* ***eligible rollover fund (ERF)*** has the meaning given in section 10(1) of the SIS Act;
* ***pooled superannuation trust (PST)*** has the meaning given in section 10(1) of the SIS Act;
* ***RSE*** means a registrable superannuation entity as defined in section 10(1) of the SIS Act that is not a defined benefit RSE, PST, ERF, small APRA fund or single member approved deposit fund[[5]](#footnote-6);
* ***RSE licensee*** has the meaning given in section 10(1) of the SIS Act;
* ***SIS Act*** means *Superannuation Industry (Supervision) Act 1993*; and
* ***SIS Regulations*** means *Superannuation Industry (Supervision) Regulations 1994*.
1. For the purposes of this Reporting Standard, an ‘RSE licensee’s business operations’ includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee. For the avoidance of doubt, if the RSE licensee is trustee of more than one RSE, defined benefit RSE, PST or ERF, the RSE licensee must separately provide the information required by the form for each RSE, defined benefit RSE, PST or ERF within its business operations. [↑](#footnote-ref-2)
2. Refer also to *Prudential Standard SPS 310 Audit and Related Matters* (SPS 310). [↑](#footnote-ref-3)
3. Refer to *Prudential Standard SPS 510 Governance*. [↑](#footnote-ref-4)
4. For the purposes of this Reporting Standard, ‘small APRA fund’ means a superannuation entity that is a regulated superannuation fund, within the meaning of the SIS Act, which has fewer than five members and ‘single member approved deposit fund’ means a superannuation entity that is an approved deposit fund, within the meaning of the SIS Act, and has only one member. [↑](#footnote-ref-5)
5. For the purposes of these instructions, ‘small APRA fund’ means a superannuation entity that is a regulated superannuation fund, within the meaning of the SIS Act, which has fewer than five members and ‘single member approved deposit fund’ means a superannuation entity that is an approved deposit fund, within the meaning of the SIS Act, and has only one member. [↑](#footnote-ref-6)