



# Financial Sector (Collection of Data) (reporting standard) determination No. 27 of 2023

## Reporting Standard LRS 114.2 Derivatives Activity

### *Financial Sector (Collection of Data) Act 2001*

---

I, Michael Murphy, 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*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 47 of 2013, including *Reporting Standard LRS 114.2 Derivatives Activity* made under that Determination; and
- (b) DETERMINE *Reporting Standard LRS 114.2 Derivatives Activity*, 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 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy  
General Manager – Chief Data Officer (Acting),  
Technology and Data Division

## **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 LRS 114.2 Derivatives Activity* comprises the document commencing on the following page.



# Reporting Standard LRS 114.2

## Derivatives Activity

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a life company's derivatives activity.

It includes *Form LRF 114.2 Derivatives Activity* 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 114.2 Derivatives Activity* (LRF 114.2) 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 April 2023.

### Information required

4. A life company must provide APRA with the information required by Form LRF 114.2 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.

## Method of submission

6. The information required by this Reporting Standard must be given to APRA:
  - (a) in electronic format using an electronic method available on APRA's website; or
  - (b) by a method notified by APRA prior to submission.

## 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, 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 Form LRF 114.2 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; and

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

LRF\_114\_2: Derivatives Activity

Australian Business Number	Institution Name
	Life Insurers and Friendly Societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Statutory fund	

Statement of Derivatives Activity

	Interest Rate Contracts		Foreign Exchange Contracts		Equity Contracts		Precious metal contracts (excluding gold)		Other Derivative Contracts	
	Principa l Amount	Fair Value	Principa l Amount	Fair Value	Principa l Amount	Fair Value	Principa l Amount	Fair Value	Principa l Amount	Fair Value
1. Exchange-Traded Derivatives (traded on recognised exchanges)										
2. Over-The-Counter Derivatives										
2.1. Forwards										
2.2. Swaps										
2.3. Bought option positions										
2.4. Written option positions										
2.5. Credit derivatives - bought protection										

2.6. Credit derivatives - sold protection

2.7. Other

**3. Total Derivatives**  
*of which the amounts and values with:*

- 3.1. Parent entity
- 3.2. Controlled entities
- 3.3. Associates / joint ventures
- 3.4. Other related parties




## **LRF\_114\_2 Derivatives Activity**

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

### **Explanatory notes**

#### **Principal amount**

The principal amount reported is the absolute principal amount. That is, the amount must be reported as a positive value, even for short positions in derivative financial instruments.

#### **Fair value**

Fair value is the amount which could be expected to be received from the disposal of an asset in an orderly market; or in an arm's length transaction between knowledgeable, willing parties; after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Record the aggregate fair value of the derivative exposure/position by summing the absolute fair value of each exposure, for each of the items listed.

### **Instructions for specific items**

#### **Section 1: Statement of derivative activity**

##### **1(1). Interest rate contracts - Principal amount**

This column is the principal amount of all open interest rate derivative contracts, whereby the contracts involves the transfer of interest rate risks on underlying interest bearing instruments from one party to another.

Include:

- single currency interest rate swaps;
- basis swaps;
- forward rate agreements;
- interest rate futures; and
- interest rate options purchased.

##### **1(2). Interest rate contracts - Fair value**

This column is the fair value of all open interest rate derivative contracts, whereby the contracts involve the transfer of interest rate risks on underlying interest bearing instruments from one party to another.

### **1(3). Foreign exchange contracts - Principal amount**

This column is the principal amount of all open foreign exchange derivative contracts, whereby the contracts involve the transfer of foreign exchange risks on underlying foreign exchange currencies from one party to another.

Include:

- cross currency swaps;
- forward foreign exchange contracts;
- currency futures;
- currency options purchased;
- hedge contracts; and
- gold contracts.

Outstanding spot transactions should be treated as forward foreign exchange contracts.

### **1(4). Foreign exchange contracts - Fair value**

This column is the fair value of all open foreign exchange derivative contracts, whereby the contracts involve the transfer of foreign exchange risks on underlying foreign exchange currencies from one party to another.

### **1(5). Equity contracts - Principal amount**

This column is the principal amount of all open equity derivative contracts, whereby the contracts involve the transfer of equity risks on underlying equity security from one party to another.

Include:

- swaps;
- forwards;
- futures; and
- purchased options/warrants.

### **1(6). Equity contracts - Fair value**

This column is the fair value of all open equity derivative contracts, whereby the contracts involve the transfer of equity risks on underlying equity security from one party to another.

### **1(7). Precious metal contracts (excluding gold) - Principal amount**

This column is the principal amount of all open precious metal derivative contracts (excluding gold), whereby the contracts involve the transfer of asset pricing risks on the underlying precious metal assets from one party to another.

### **1(8). Precious metal contracts (excluding gold) - Fair value**

This column is the fair value of all open precious metal derivative contracts (excluding gold), whereby the contracts involve the transfer of asset pricing risks on the underlying precious metal assets from one party to another.

### **1(9). Other derivative contracts - Principal amount**

This column is the total principal amount of all other open derivative contracts not falling in the previous derivative categories.

Include:

- credit derivatives;
- commodity derivatives; and
- any contracts covering other items, that give rise to credit risk.

### **1(10). Other derivative contracts - Fair value**

This column is the total fair value of all other open derivative contracts not falling in the previous derivative categories.

## **1. Exchange-Traded Derivatives (traded on recognised exchanges)**

Exchange-traded derivatives relate to the total of all derivatives traded on recognised exchanges.

## **2. Over-The-Counter Derivatives**

This is the total of all derivative instruments that are not traded on recognised exchanges.

### **2.1. Forwards**

Forwards are agreements to exchange a predetermined amount of an underlying asset financial instrument at a specified future date and at a predetermined price.

### **2.2. Swaps**

Swaps are financial instruments representing a transaction in which two parties agree to swap or exchange some obligation, generally a series of cash flows, on differing terms.

### **2.3. Bought option positions**

A bought option includes both put and call options that have been purchased by an entity. It provides the purchasing entity with the right, but not the obligation, to buy or sell a specific amount of an underlying asset at a pre-agreed price, on or before a specific future date.

### **2.4. Written option positions**

A sold, or written, option includes both put and call options that have been sold by an entity. It obliges the selling entity to buy or sell a specific amount of equity securities at a pre-agreed price, on or before a specific future date.

### **2.5. Credit derivatives - bought protection**

This refers to credit derivatives that have been purchased by the life company.

Credit derivatives enable users to transfer the credit risk of an underlying asset from one party, the protection buyer, to another, the protection seller, in isolation from other risks.

### **2.6. Credit derivatives - sold protection**

This refers to credit derivatives that have been sold, or written, by the life company.

### **2.7. Other**

This is the totality of all other over-the-counter derivative financial instruments not categorised above.

It is calculated automatically as item 2 less the sum of items 2.1 to 2.6.

## **3. Total derivatives**

This is the total value of derivatives across all contract types. It is calculated automatically as the sum of items 1 and 2.

### **3.1. Parent entity**

This is the total value of derivatives where the counterparty is the parent entity.

### **3.2. Controlled entities**

This is the total value of derivatives where the counterparty is a controlled entity.

### **3.3. Associates / joint ventures**

This is the total value of derivatives where the counterparty is an associate or joint venture.

### **3.4. Other related parties**

This is the total value of derivatives where the counterparty is any other related parties.