

**Financial Sector (Collection of Data) (reporting standard) determination Nos. 22, 23, 24, 26, 29, 30, 31, 32, 33, 35, 36 and 37 of 2023**

**EXPLANATORY STATEMENT**

**Prepared by the Australian Prudential Regulation Authority (APRA)**

*Financial Sector (Collection of Data) Act 2001*, sections 13 and 15

*Acts Interpretation Act 1901*, section 33

Under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities. Subsection 33(3) of the *Acts Interpretation Act 1901* provides that where an Act confers a power to make, grant or issue an instrument of a legislative or administrative character the power shall, unless the contrary intention appears, be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to revoke any such instrument.

Subsection 15(1) of the Act provides that APRA may declare a day on and after which the reporting standards are to apply.

On 22 March 2023, APRA made the following determinations:

1. the Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2023 which:
  - (i) revokes *Reporting Standard LRS 001 Reporting Requirements* (LRS 001) made under Financial Sector (Collection of Data) (reporting standard) determination No. 42 of 2013; and
  - (ii) determines a new version of LRS 001; and
2. the Financial Sector (Collection of Data) (reporting standard) determination No. 24 of 2023 which:
  - (i) revokes *Reporting Standard LRS 112.0 Determination of Capital Base* (existing LRS 112.0) made under by Financial Sector (Collection of Data) (reporting standard) determination No. 44 of 2013; and
  - (ii) determines a new version of LRS 112.0.

On 16 March 2023, APRA made the following determinations:

3. the Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2023 which:
  - (i) revokes *Reporting Standard LRS 110.1 Prescribed Capital Amount* (LRS 110.1) made under Financial Sector (Collection of Data) (reporting standard) determination No. 43 of 2013; and

- (ii) determines a new LRS 110.1;
- 4. the Financial Sector (Collection of Data) (reporting standard) determination No. 26 of 2023 which:
  - (i) revokes *Reporting Standard LRS 114.0 Asset Risk Charge* (LRS 114.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 46 of 2013; and
  - (ii) determines a new version of LRS 114.0;
- 5. the Financial Sector (Collection of Data) (reporting standard) determination No. 29 of 2023 which:
  - (i) revokes *Reporting Standard LRS 115.0 Insurance Risk Charge* (LRS 115.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 49 of 2013; and
  - (ii) determines a new version of LRS 115.0;
- 6. the Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2023 which:
  - (i) revokes *Reporting Standard LRS 118.0 Operational Risk Charge* (LRS 118.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 51 of 2013; and
  - (ii) determines a new version of LRS 118.0;
- 7. the Financial Sector (Collection of Data) (reporting standard) determination No. 31 of 2023 which:
  - (i) revokes *Reporting Standard LRS 200.0 Capital Adequacy Supplementary Information* (LRS 200.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 52 of 2013; and
  - (ii) determines a new version of LRS 200.0;
- 8. the Financial Sector (Collection of Data) (reporting standard) determination No. 32 of 2023 which:
  - (i) revokes *Reporting Standard LRS 300.0 Statement of Financial Position* (LRS 300.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 53 of 2013; and
  - (ii) determines a new version of LRS 300.0;
- 9. the Financial Sector (Collection of Data) (reporting standard) determination No. 33 of 2023 which:

- (i) revokes *Reporting Standard LRS 310.0 Income Statement* (LRS 310.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 54 of 2013; and
  - (ii) determines a new version of LRS 310.0;
- 10. the Financial Sector (Collection of Data) (reporting standard) determination No. 35 of 2023 which:
  - (i) revokes reporting standard *LRS 340.0 Retained Profits* (LRS 340.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 56 of 2013; and
  - (ii) determines a new version of LRS 340.0;
- 11. the Financial Sector (Collection of Data) (reporting standard) determination No. 36 of 2023 which:
  - (i) revokes *Reporting Standard LRS 400.0 Statement of Policy Liabilities* (LRS 400.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 57 of 2013; and
  - (ii) determines a new version of LRS 400.0; and
- 12. the Financial Sector (Collection of Data) (reporting standard) determination No. 37 of 2023 which:
  - (i) revokes *Reporting Standard LRS 420.0 Assets Backing Policy Liabilities* (LRS 420.0) (as determined by Financial Sector (Collection of Data) (reporting standard) No. 58 of 2013; and
  - (ii) determines a new version of LRS 420.0.

The determinations above are collectively referred to in this Explanatory Statement as the instruments. These instruments commence on 1 April 2023.

## **1. Background**

APRA's prudential framework includes a suite of prudential standards that impose capital requirements for life insurers (LIs), for the purpose of ensuring LIs hold sufficient capital to address the risks associated with their operations.

APRA's reporting standards collect financial data from regulated entities. This data contains critical indicators of a regulated entity's financial wellbeing, including capital adequacy. APRA relies heavily on this financial data to inform its supervisory actions towards its regulated entities. Without timely and complete data, APRA may miss indicators that a LI is taking on imprudent risk or is in distress. APRA's supervisory decisions may be jeopardised if its receipt of data is unreliable due to entities seeking merits review under its reporting standards.

In 2013, APRA introduced new reporting requirements for LIs following the Life and General Insurance Capital review of the regulatory capital framework for general insurers (GIs) and LIs that APRA commenced in 2010 (LAGIC review). APRA made a range of amendments to its prudential framework to give effect to the findings of the review. As a result of the changes, there was a common capital framework across GIs and LIs.

The new reporting requirements introduced as a result of the LAGIC review permit APRA to collect data to support APRA's prudential supervision of LIs and are used by APRA to assess compliance with the capital standards.

The instruments were last determined by APRA in 2013 (the previous instruments).

## **2. Purpose and operation of the instruments**

The previous instruments were to be repealed by sunseting on 1 April 2023 under subsection 50(1) of the *Legislation Act 2003*. APRA has reviewed the regulatory performance of the previous instruments and found that they continue to be fit for purpose. Consequently, APRA intends that they be remade without substantive changes.

The purpose of the instruments is to revoke the previous instruments and remake the instruments with minor changes to use the drafting style employed currently for APRA's reporting standards, such as formatting to improve readability and accessibility in line with government requirements, make minor definitional changes and update the commencement date. The changes to the instruments do not alter the existing reporting obligations or interests of LIs. The due dates, data required and the application of the reporting standards have not changed.

The instruments incorporate by reference certain provisions of Acts, Prudential Standards, and Australian Accounting Standards issued by the Australian Accounting Standards Board. All of these references are references to the instruments as they exist from time to time. These instruments are disallowable instruments and are available on the Federal Register of Legislation at [www.legislation.gov.au](http://www.legislation.gov.au).

There are a number of powers that may be exercised by APRA in reporting standards that involve an element of discretion and which may impact the interests of the financial sector entity to which the reporting standard applies. These decisions include APRA refusing to change a reporting period or due date for a LI to provide information required by the instruments. Decisions made by APRA exercising those powers are not subject to merits review. Delays caused by an entity seeking merits review of APRA's decisions under one or more reporting standards could significantly compromise use of the data at an entity and aggregate level by APRA. It is necessary that these reporting standards be allowed to continue in force from 1 April 2023 onwards.

APRA considers decisions made by APRA exercising discretions under its reporting standards should not be subject to merits review as they are financial decisions with a significant public interest element.

## **3. Consultation**

The substance of the instruments has already been consulted on with industry when originally determining the reporting standards (see the Explanatory Statements for the previous

instruments). APRA is satisfied that further consultation is not necessary and not reasonably practicable to undertake for these instruments. The instruments do not alter the existing reporting obligations that are required to be complied with by LIs and any changes to the instruments are minor and machinery in nature.

#### **4. Regulation Impact Statement**

The Office of Impact Analysis has advised that a Regulation Impact Statement is not required for these legislative instruments.

#### **5. Statement of compatibility prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011**

A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

## **Attachment A**

### **Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

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These Legislative Instruments are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

#### **Overview of the Legislative Instruments**

These Legislative Instruments permit APRA to collect data to support APRA's prudential supervision of life insurers (LIs) and are used by APRA to assess compliance with the capital standards. LIs are bodies corporate authorised to conduct life insurance business in Australia.

The purpose of the Legislative Instruments is to revoke the existing versions of the instruments determined by APRA in 2013 and replace them with new versions. New versions of the instruments are being made as the existing instruments are due to sunset on 1 April 2023.

#### **Human rights implications**

APRA has assessed the Legislative Instruments and is of the view that they do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment the Legislative Instruments are compatible with human rights.

#### **Conclusion**

These Legislative Instruments are compatible with human rights as they do not raise any human rights issues.