



INFORMATION PAPER

APRA's Policy Priorities

1 February 2021

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Executive summary

APRA's prudential framework provides the foundation for financial safety for banks, insurers, superannuation funds and the financial system as a whole. The framework sets minimum standards designed to ensure that, under all reasonable circumstances, financial promises made by regulated entities are met within a stable, efficient and competitive financial system.

This Information Paper outlines APRA's policy priorities for the next 12 to 18 months. It sets out the key areas of policy development that will strengthen the framework through new and revised standards and guidance. The aim is to ensure the framework is comprehensive, enforceable and proportionate, supporting APRA's strategy for the financial system.

Ultimately, the prudential framework establishes both minimum expectations for regulated entities and the standards that supervisors use to assess and enforce prudent practice. This Paper should therefore be read in conjunction with *APRA's Supervision Priorities Paper 2021*, which outlines APRA's supervisory areas of focus for the year ahead.

Policy agenda for 2021-2022

Aligned to APRA's long-term strategy, the aim of policy development in the period ahead is to help deliver four key community outcomes:

- maintaining financial system resilience;
- improving outcomes for superannuation members;
- transforming governance, risk culture, remuneration and accountability (GCRA) across all regulated entities; and
- improving cyber resilience across the financial system.

In looking ahead, the events and experience over the past year are important to take into account. The financial and economic impact of the COVID-19 pandemic has underlined the importance not only of reinforcing a strong and sound financial system in stable times, but also a resilient one that can respond to and recover from adverse conditions. A robust financial system is able to weather such conditions, and continue to support households, businesses and the broader community throughout.

To that end, APRA's primary focus in policy development in the period ahead is heavily weighted towards financial system resilience, and completing key reforms. For all industries, this includes the development of new prudential requirements for recovery and resolution, and enhanced requirements for operational resilience.

APRA also plans to complete important reforms for banks and insurers, with revisions to the bank capital framework and implementation of *AASB 17 Insurance Contracts* (AASB 17). In superannuation, APRA is supporting the Government's *Your Future, Your Super* reforms to improve member outcomes, and progressing enhancements to the prudential framework in the key areas of insurance in superannuation, investment governance and governance.

Chapter 1 - Introduction

1.1 APRA policy development

APRA's prudential framework is comprised of legislation, prudential standards and guidance.¹ The framework provides the basis for APRA to fulfil its mandate and deliver its strategy, with prudential standards that aim to be comprehensive, enforceable and proportionate. The prudential standards for each regulated industry are summarised at a high level in Attachment A.

APRA ensures that its policy development process reflects better practice. New requirements are scaled relative to the size and nature of sectors within industries where possible to avoid undue impost on entities, and APRA complies with the Australian Government Guide to Regulatory Impact Analysis.

APRA also takes into account developments in policy internationally, and consults domestically with the Treasury and other financial regulators, including the Reserve Bank of Australia (RBA), the Australian Securities and Investments Commission (ASIC), and the Australian Competition and Consumer Commission (ACCC). This is important, to ensure that policy is well-coordinated with other arms of government.

1.2 Drivers of policy priorities

APRA's policy priorities are regularly reviewed, maintaining a focus on the key aspects of the framework that need to be strengthened in line with the goals in APRA's Corporate Plan. In developing policy, APRA balances the objectives of financial safety and efficiency, competition, contestability and competitive neutrality, with the ultimate goal of promoting financial system stability in Australia.²

Policy initiatives also reflect the findings and recommendations of significant inquiries and reviews in recent years. This includes the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), the Australian Prudential Regulation Authority Capability Review (Capability Review), the Productivity Commission's Review of Efficiency and Competitiveness of the Australian Superannuation System, and the International Monetary Fund's Financial Sector Assessment Program review of the Australian regulatory system.

¹ Relevant legislation includes the five industry acts (*Banking Act 1959*, *Insurance Act 1973*, *Life Insurance Act 1995*, *Private Health Insurance (Prudential Supervision) Act 2015*, *Superannuation Industry (Supervision) Act 1993*), and the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018*. These Acts, together with the *Australian Prudential Regulation Authority Act 1998*, articulate APRA's prudential objectives and provide APRA with authority to issue prudential standards and other legislative instruments.

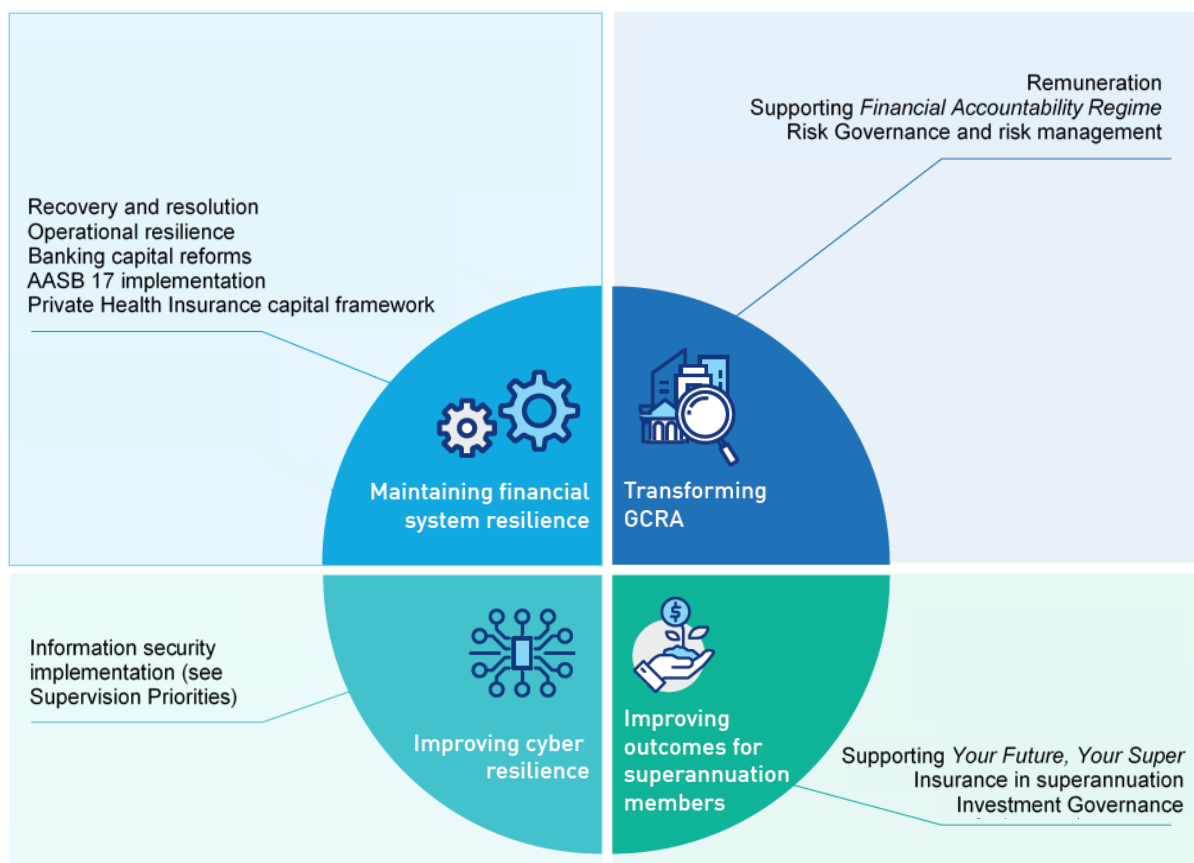
² For a fuller explanation of how APRA considers the various components of its mandate, see *APRA's objectives* (Information Paper, November 2019).

Many of APRA’s policy priorities therefore reflect and respond to externally-driven drivers. This includes changes to remuneration standards, Basel III bank capital reforms, implementation of AASB 17, and supporting the Financial Accountability Regime and *Your Future, Your Super* reforms.

1.3 Policy agenda for 2021-2022

Consistent with the strategic priorities outlined in APRA’s Corporate Plan for 2020-2024, APRA’s policy agenda aims to deliver four key community outcomes: maintaining financial system resilience, improving outcomes for superannuation members, transforming governance, culture, remuneration and accountability across all regulated entities and improving cyber resilience.

APRA’s key policy priorities are summarised below, and detailed in the chapters that follow. A full list of all policy initiatives, together with timelines, is presented in Attachment B.



Chapter 2 - Cross-industry

The policy priorities outlined in this chapter apply to all regulated entities, unless otherwise specified. They cover policies to maintain financial system resilience and strengthen governance, culture, accountability and remuneration.

2.1 Maintaining financial system resilience

The impact of COVID-19 has demonstrated the importance of a strong and resilient financial system. Over the next 12 to 18 months, APRA will continue to progress the development of policy initiatives aimed at strengthening entities' preparedness for managing through periods of stress, including recovery and resolution planning, operational resilience, stress testing and climate-related financial risks.

2.1.1 Recovery and resolution

Recovery and resolution planning are central to maintaining system resilience, and it is important that all regulated entities are able to effectively plan for, and manage, crisis events and periods of stress. As part of strengthening crisis preparedness, APRA will develop a new prudential standard for recovery and resolution planning, implementing reforms from the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018*.

The standard is intended to drive improvements in entity recovery planning, as well as establishing new requirements to support APRA in resolution planning and to safeguard critical functions. APRA expects to progress the development of the prudential standard in the year ahead, with a view to releasing a draft standard for consultation in late 2021 or early 2022.

2.1.2 Operational resilience

APRA is also conducting a comprehensive review of prudential requirements for operational resilience. As COVID-19 has demonstrated, the management of operational risks and business continuity are core components of financial system resilience.³ In 2021 APRA plans to consult on new and revised standards for operational resilience. This is expected to include the introduction of a new prudential standard specifically focused on operational risk management, revisions to the existing *Prudential Standard CPS 231 Outsourcing* and *Prudential Standard CPS 232 Business Continuity Management*, and guidance for entities. These new and revised standards will form part of a suite of standards covering operational resilience, which also includes *Prudential Standard CPS 234 Information Security*.

³ APRA Chair Wayne Byres, [Remarks to the BCBS outreach meeting on operational resilience](#) (Speech, October 2020).

2.1.3 Stress testing

Stress testing provides a critical forward-looking assessment of an entity's ability to withstand a downturn in conditions, as well as insights into risk management and recovery planning. As APRA increases the intensity of its supervisory focus on stress testing, entities also need to ensure they invest in and improve their own approaches. Building on lessons learned from recent and previous supervisory industry exercises, APRA intends to consult on new guidance for entities on stress testing in late 2021.

2.1.4 Climate-related financial risk

In 2020, APRA wrote to all regulated entities on understanding and managing climate-related financial risks. APRA's letter to industry outlined plans to increase industry resilience through guidance, vulnerability assessments and increased supervisory attention.⁴ The development of guidance will assist entities in developing frameworks for the assessment and monitoring of climate-related financial risks. This includes governance, strategy, risk management, scenario analysis and disclosure. The guidance is expected to be released for consultation in the first half of 2021 and finalised before the end of the year.

2.2 Governance, culture, remuneration and accountability

Strengthening the prudential framework to support APRA's strategic goal of transforming governance, culture, remuneration and accountability remains a key priority. This involves a broad multi-year program of policy development to strengthen standards and guidance, to in turn ensure expectations are clear and improvements in industry practices are made where needed. These reforms will help address issues identified by the Royal Commission, the CBA Prudential Inquiry and other reviews, which highlighted weaknesses in board governance and oversight, a lack of clear accountability, and incentive structures that encouraged poor conduct.

2.2.1 Governance and risk management

APRA's review of the governance and risk management prudential standards will continue in 2021. This covers a range of key areas of governance, including board and senior management roles and expectations, board obligations for risk culture, the relative emphasis on financial and non-financial risks, and requirements for compliance and audit. APRA intends to consult on revised versions of *Prudential Standard CPS 510 Governance* and *Prudential Standard CPS 220 Risk Management* in 2022. The relevant superannuation standards, *Prudential Standard SPS 510 Governance* and *Prudential Standard SPS 220 Risk Management*, will also be reviewed (see Chapter 5 - Superannuation).

⁴ APRA, [Understanding and Managing the Financial Risks of Climate Change](#) (Letter, February 2020).

2.2.2 Remuneration

In 2020, APRA released for consultation a revised draft of *Prudential Standard CPS 511 Remuneration* (CPS 511), which is designed to improve remuneration practices and ensure appropriate consequences for poor risk management.⁵ Following consultation, APRA intends to finalise and release the new standard in mid-2021, ahead of a phased implementation from 2023. CPS 511 will be supported by a new prudential practice guide (PPG), and reporting and disclosure requirements, which will be consulted on in mid to late 2021. Finalisation of the revised prudential standard will address key recommendations from the Royal Commission.

2.2.3 Accountability

APRA and ASIC continue to support the Treasury in the development of the Financial Accountability Regime (FAR). While the introduction of the FAR into Parliament was delayed due to COVID-19, the Government has indicated its intention to complete the remaining Royal Commission recommendations, including the FAR. Consultation on FAR legislation is likely to be in 2021. Subject to the finalisation of the FAR, APRA plans to revise *Prudential Standard CPS 520 Fit and Proper* (CPS 520). This will align the legislative requirements under FAR and the prudential standard requirements under CPS 520, minimising burden and ensuring consistency in expectations for industry.

⁵ APRA, [Strengthening prudential requirements for remuneration](#) (Response Paper, 12 November 2020).

Chapter 3 - Banking

APRA's policy priorities for the banking industry are outlined in this chapter, in addition to the cross-industry initiatives outlined in Chapter 2. The priorities are focused on financial system resilience, consistent with APRA's supervisory priorities. They centre on the key areas of capital and credit, as well as revisions to the approach to licensing for new authorised deposit-taking institutions (ADIs).

3.1 Capital

3.1.1 Basel III reforms

The finalisation of revisions to the ADI capital framework is a key policy priority for 2021, completing reforms to ensure ADI capital ratios are 'unquestionably strong', improving the flexibility of the framework and increasing transparency of capital strength.

In 2020, APRA released for consultation draft prudential standards for the revised capital framework, as well as a quantitative impact study to assess the impact of the proposals.⁶ The standards will be finalised by the end of 2021, along with the requirements for interest rate risk in the banking book. This timeline will provide the industry with a 12-month implementation period before the revised framework comes into effect on 1 January 2023.

APRA will also consult on updated PPGs and reporting standards to accompany the revised capital standards in 2021. In addition, there will be a number of consequential amendments to other prudential standards. Consultation on these changes is expected to commence in the second half of 2021. APRA also intends to consider policy options for the fundamental review of the trading book in 2021, as well as the role of Additional Tier 1 instruments in providing loss absorbing capacity.

3.1.2 Measurement of capital

APRA is revising *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital* (APS 111).⁷ The proposed revisions to APS 111 incorporate further technical information to assist ADIs in issuing capital instruments, reflect recent international standards, and introduce changes to the capital treatment for equity investments in banking and insurance subsidiaries. APRA intends to finalise the changes in 2021, with the revised standard expected to take effect from 1 January 2022.

⁶ APRA, [Revisions to the capital framework for authorised deposit-taking institutions](#) (Consultation Package, December 2020).

⁷ APRA, [Revisions to APS 111 Capital Adequacy: Measurement of Capital](#) [Discussion Paper, October 2019].

3.1.3 Disclosure requirements

APRA intends to consult on a draft *Prudential Standard APS 330 Public Disclosure* (APS 330) in the second half of 2021. The revised standard will reflect the Basel Committee's amended Pillar 3 disclosure requirements and other consequential amendments as a result of the capital reforms outlined above.

The APS 330 consultation will include a proposal to reduce the disclosure burden for smaller ADIs through centralised publication by APRA. This proposal has previously been highlighted as part of APRA's recent consultations on changes to the ADI capital framework. The recent consultation on the publication of ADI key metrics by APRA will facilitate this initiative.

3.2 Credit risk

In September 2020, the Government announced a series of proposed reforms to consumer credit laws. In response, APRA is seeking to ensure appropriate alignment between the ADI and non-ADI lender regimes.

APRA is currently consulting on potential minor revisions to *Prudential Standard APS 220 Credit Risk Management* (APS 220), contingent on the Government's proposed reforms passing as legislation. APRA may also consult on minor amendments to *Prudential Practice Guide APG 223 Residential Mortgage Lending*, and anticipates releasing the finalised *Prudential Practice Guide APG 220 Credit Risk Management* (APG 220) in the first half of 2021. APRA also plans to finalise the proposed *Reporting Standard ARS 220.0 Credit Exposures and Provisions* in 2021.

3.3 Licensing

APRA intends to implement a revised approach to licensing new ADIs, following a recent review of the pathways to a licence that built on lessons learned to date. APRA plans to publish a consultation package in the first half of 2021. Following consultation, APRA plans to publish an information paper setting out its approach.

APRA is also currently reviewing its authorisation guidelines for ADIs, including for foreign ADI branches and non-operating holding companies (NOHCs). APRA intends to publish revised ADI authorisation guidelines and revised NOHC authorisation guidelines in 2021.

In 2020, the Government announced its support of the Council of Financial Regulators (CFR) recommendations for an updated and simplified framework for Stored-Value Facilities, including Purchased Payment Facilities (PPFs). APRA is reviewing its approach to PPFs to ensure it is commensurate to the risks of activities undertaken, and appropriate in the context of the CFR's recommendations. APRA plans to consult on a revised prudential standard in the second half of 2021.

Chapter 4 - Insurance

APRA's policy priorities for the insurance industry are outlined in this chapter, in addition to the cross-industry initiatives in Chapter 2. As with the banking industry, the priorities are focused on financial system resilience. They comprise three key long-term capital framework initiatives, consistent with previous years.

4.1 AASB 17 Insurance Contracts and LAGIC updates

The implementation of AASB 17 remains a key priority. The introduction of AASB 17 will modify a number of important accounting concepts that underpin APRA's prudential framework and introduce some new concepts. If APRA were to make no adjustments, this would result in a divergence between the accounting and prudential standards which would require insurers to maintain dual valuation, actuarial, accounting and reporting systems. This would be a significant impost on the insurance industry.

The implementation of AASB 17 is expected to result in amendments to a number of prudential standards. APRA is also taking the opportunity to update other areas across the Life and General Insurance Capital (LAGIC) framework to ensure it remains fit-for-purpose.

In 2020, APRA released a discussion paper and a targeted Quantitative Impact Study (QIS) on the integration of AASB 17 into the capital and reporting framework and other updates to the LAGIC framework for insurers.⁸ After considering feedback from the current consultation, APRA expects to release a response paper, draft capital and reporting standards and a full QIS towards the end of 2021. APRA is proposing that the new standards commence from 1 July 2023.

4.2 Review of the PHI capital framework

APRA is reviewing the private health insurance (PHI) capital framework, seeking to ensure private health insurers are financially resilient and policyholders are protected. The current framework is less robust than the requirements that apply in other insurance sectors in Australia. APRA is concerned that the current framework does not appropriately reflect the risks faced by insurers, with inadequate consideration of extreme adverse events. The completion of this review will be the final stage of bringing the PHI prudential framework into alignment with the frameworks for life and general insurers.

In 2019 APRA released a discussion paper with proposals to revise the PHI capital framework to:

⁸ APRA, [Integrating AASB 17 into the capital and reporting frameworks for insurers and updates to the LAGIC framework](#) [Discussion Paper, November 2020].

- align with the LAGIC framework, where appropriate;
- apply the capital framework to the insurer's entire business, rather than just the health benefits fund; and
- integrate changes stemming from the Australian Accounting Standard Board's new standard AASB 17.⁹

APRA will be seeking to engage with industry in the first half of 2021 to undertake data analysis, discuss the feedback received on APRA's proposals, and obtain additional feedback on some of the more detailed requirements pertaining to the revised framework. APRA expects to release a response paper and consult on draft prudential standards in the second half of 2021.

4.3 Review of LPS 117 and offshore reinsurers

APRA is reviewing *Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge* (LPS 117). This review is being undertaken to ensure APRA remains able to effectively supervise the industry, in the context of an increase in the use of offshore reinsurers. Particular focus is being placed on addressing concerns from the increased use of offshore reinsurers in the group risk market, which plays an important role in Australia's superannuation system.

In 2019, APRA wrote to all life insurers outlining its position on offshore reinsurers and other policy proposals.¹⁰ APRA received extensive industry feedback on these proposals. Due to COVID-19, no further industry consultation was conducted during 2020. APRA plans to release a consultation package inviting feedback on the draft standard in the first quarter of 2021. The final standard is expected to be released by the end of 2021.

⁹ APRA, [Private Health Insurance Capital Standards Review](#) (Discussion Paper, December 2019).

¹⁰ APRA, [Offshore reinsurers and the review of Prudential Standard LPS 117 Capital Adequacy – Asset Concentration Risk Charge](#) (Letter, March 2019).

Chapter 5 - Superannuation

APRA's policy priorities for the superannuation industry are outlined in this chapter, in addition to the cross-industry initiatives in Chapter 2. The policy priorities are focused on financial system resilience and the delivery of improved outcomes for superannuation members. In addition to the priorities below, APRA is also considering ways of reinforcing RSE licensee resilience, following the experience in 2020 that highlighted that risks to solvency can exacerbate poor member outcomes.

5.1 Supporting legislative changes

In 2020, a number of significant legislative reforms were announced by the Government in the Budget. The *Your Future, Your Super reforms* included:

- an amendment to the existing best interests duty for trustees to act in the best **financial** interests of members;
- a requirement for APRA to conduct an annual performance test for MySuper products, which will later be extended to other superannuation products;
- a resolution planning prudential standard making power for APRA; and
- a requirement for employers to make contributions for employees into their existing superannuation fund if a new employee has an existing 'stapled' superannuation fund and does not choose a fund to receive contributions.

APRA will support the implementation of these reforms. This will include conducting the proposed annual performance test aimed at addressing underperformance for MySuper products. APRA will look to update its *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) and associated guidance in *Prudential Practice Guide SPG 515 Strategic and Business Planning* (SPG 515) and *Prudential Practice Guide SPG 516 Business Performance Review* (SPG 516) to ensure they reflect any changes that may be required.

5.2 Enhancing the superannuation prudential framework

Another key priority for APRA in the year ahead is progressing the suite of enhancements outlined in the 2019 post-implementation review of the superannuation prudential framework. The review found that the prudential framework had materially improved industry practices, but also highlighted the need to strengthen several prudential requirements. This included life insurance in superannuation, board appointment processes and management of conflicts of interest.

As an initial step, APRA released a revised version of the insurance in superannuation standard, *Prudential Standard SPS 250 Insurance in Superannuation* (SPS 250) in 2019.¹¹ Following consultation, a second consultation on a revised draft SPS 250 and draft guidance, *Prudential Practice Guide SPG 250 Insurance in Superannuation* (SPG 250), was released on 20 January 2021.¹² APRA intends to finalise changes to the standard and guidance in mid-2021.

APRA also plans to release a consultation package in 2021 on *Prudential Standard SPS 530 Investment Governance* (SPS 530).¹³ APRA will be seeking feedback on a consultation paper in the first half of 2021, which will include a draft standard and guidance. Consultation on enhancements to *Prudential Standard SPS 231 Outsourcing* (SPS 231) will follow in the second half of the year. APRA proposes to review *Prudential Standard SPS 220 Risk Management* (SPS 220) and consult on updates in 2022.

APRA intends to continue progressing further enhancements to the governance framework with a discussion paper in 2022, covering *Prudential Standard SPS 510 Governance* (SPS 510), *Prudential Standard SPS 521 Conflicts of Interest* (SPS 521) and *Prudential Standard SPS 520 Fit and Proper* (SPS 520). Updates to the governance framework will be made based on responses to the discussion paper and the findings of APRA's governance thematic review (see Supervision Priorities Paper 2021).

5.3 Royal Commission recommendations

In line with APRA's response to the Royal Commission, and as noted above, APRA released a revised SPS 250 with amendments to implement Recommendations 4.14 and 4.15, to be finalised in mid-2021.¹⁴ In addition and following the passage of various Bills to implement the Royal Commission's recommendations, APRA will also consider whether any guidance to the industry will be necessary to set out expectations regarding associated legislative changes (for example, deduction of advice fees in super and trustee indemnity changes which take effect from 1 January 2022). APRA will also continue to support the Government in the implementation of the outstanding Royal Commission recommendations.

¹¹ APRA, '[Proposed revisions to Prudential Standard SPS 250 Insurance in Superannuation](#)' (Letter, November 2019).




¹² APRA, '[Proposed revisions to Prudential Standard SPS 250 and Prudential Guidance SPG 250 Insurance in Superannuation](#)' (Letter, January 2021).

¹³ Consultation package includes *Prudential Standard SPS 530 Investment Governance*, *SPG 530 Investment Governance*, *SPG 531 Valuations*.

¹⁴ APRA, '[APRA's response to Royal Commission recommendations](#)'. Recommendation 4.14 - Additional scrutiny for related party engagements; and Recommendation 4.15 - Status attribution to be fair and reasonable.

Attachment A: Prudential framework

APRA's prudential framework is comprised of legislation, prudential standards and guidance. The prudential standards for each regulated industry are summarised below, with the key areas that are under active policy development in 2021 highlighted in bold.

Prudential standards for ADIs	
	<p>Governance</p> <ul style="list-style-type: none"> • Governance (CPS 510) • Remuneration (CPS 511) • Public disclosure (APS 330) • Fit and proper (CPS 520) • Audit and related matters (3PS 310, APS 310)
	<p>Risk management</p> <ul style="list-style-type: none"> • Risk management (CPS 220) • Credit risk management (APS 220) • Large exposures (APS 221) • Aggregate risk exposures (3PS 221) • Associations with related entities (APS 222) • Intra-group transactions and exposures (3PS 222) • Margining and risk mitigation for non-centrally cleared derivatives (CPS 226) • Outsourcing (CPS 231) • Information security (CPS 234) • Prudential requirements for providers of purchased payment facilities (APS 610)
	<p>Liquidity</p> <ul style="list-style-type: none"> • Liquidity (APS 210) • Securitisation (APS 120) • Covered bonds (APS 121)
	<p>Capital</p> <ul style="list-style-type: none"> • Capital adequacy (APS 110) • Measurement of capital (APS 111) • Standardised approach to credit risk (APS 112) • Internal ratings-based approach to credit risk (APS 113) • Standardised approach to operational risk (APS 114) • Advanced measurement approaches to operational risk (APS 115) • Market risk (APS 116) • Interest rate risk in the banking book (APS 117) • Counterparty credit risk (APS 180)
	<p>Contingency planning</p> <ul style="list-style-type: none"> • Recovery and resolution • Business continuity management (CPS 232) • Financial Claims Scheme (APS 910)

Note: In addition, APS 001 and 3PS 001 Definitions apply to all ADIs.

Prudential standards for Insurance



Governance

- Governance (CPS 510)
- **Remuneration (CPS 511)**
- Audit and related matters (3PS 310, GPS/LPS/HPS 310)
- Actuarial and related matters (CPS 320)
- Disclosure to APRA (HPS 350)
- Fit and proper (CPS 520)



Risk management

- Risk management (CPS 220)
- Aggregate risk exposures (3PS 221)
- Intra-group transactions and exposures (3PS 222)
- Margining and risk mitigation for non-centrally cleared derivatives (CPS 226)
- Reinsurance management (GPS/LPS 230)
- **Outsourcing (CPS 231)**
- Information security (CPS 234)



Capital

- **Solvency Standard (LPS 100, HPS 100)**
- **Capital adequacy (GPS 110, LPS 110, HPS 110)**
- Capital adequacy: Measurement of capital (GPS 112, LPS 112)
- Capital adequacy: Internal model-based method (GPS 113)
- Capital adequacy: Asset risk charge (GPS 114, LPS 114)
- Capital adequacy: Insurance risk charge (GPS 115, LPS 115)
- Capital adequacy insurance concentration risk charge (GPS 116)
- **Capital adequacy asset concentration risk charge (GPS 117, LPS 117)**
- Capital adequacy operational risk charge (GPS 118, LPS 118)
- Assets in Australia (GPS 120)
- Insurance liability valuation (GPS 340, LPS 340)



Other requirements

- **Recovery and resolution**
- **Business continuity management (CPS 232)**
- Termination Values Minimum Surrender Values and Paid-up Values (LPS 360)
- Cost of Investment Performance Guarantees (LPS 370)
- Transfer and amalgamation of insurance business for general insurers (GPS 410)
- Statutory Funds (LPS 600)
- Friendly Society Benefit Funds (LPS 700)

Note: In addition, GPS/LPS/HPS 001 and 3PS 001 Definitions apply. The majority of GI, LI, and PHI standards will be updated to reflect changes from implementing AASB 17. For PHI capital adequacy, APRA proposes to introduce LI/GI equivalent standards. APRA also proposes to remove HPS 100 and GPS 113.

Prudential standards for superannuation



Governance

- Defined benefit matters (SPS 160)
- Audit and related matters (SPS 310)
- Governance (SPS 510)
- **Remuneration (CPS 511)**
- **Strategic planning and member outcomes (SPS 515)**
- Fit and proper (SPS 520)
- Conflicts of interest (SPS 521)
- **Investment governance (SPS 530)**



Risk management

- Operational risk financial requirement (SPS 114)
- Risk management (SPS 220)
- Margining and risk mitigation for non-centrally cleared derivatives (CPS 226)
- **Outsourcing (SPS 231)**
- Information security (CPS 234)



Other requirements

- Recovery and resolution
- Business continuity management (SPS 232)
- **Insurance in superannuation (SPS 250)**
- Eligible Rollover Fund (ERF) transition (SPS 450)

Attachment B: Policy timelines

Cross-industry

	2020	1H 2021	2H 2021	2022	Expected effective
Recovery and resolution planning			Consult	Finalise	2023
Operational Risk, Service Provision (CPS 231), and Business Continuity Management (CPS 232)			Consult	Finalise	2023
Stress testing PPG			Consult	Finalise	-
Climate-related financial risk PPG		Consult	Finalise		-
Governance (CPS 510)				Consult	2023
Risk management (CPS 220)				Consult	2023
Remuneration (CPS 511)	Consult	Finalise			2023
Fit and proper (CPS 520)					TBC

Banking

	2020	1H 2021	2H 2021	2022	Expected effective
Overall approach to capital requirements (APS 110)	Consult	Consult	Finalise		2023
Standardised Approach to Credit Risk (APS 112)	Consult	Consult	Finalise		2023
Internal Ratings-based Approach to Credit Risk (APS 113)	Consult	Consult	Finalise		2023
Interest Rate Risk in the Banking Book (APS 117)			Finalise		2023
Measurement of capital (APS 111)	Consult	Finalise			2022

	2020	1H 2021	2H 2021	2022	Expected effective
Disclosure requirements (APS 330)			Consult	Finalise	2023
Credit risk management (APS 220 and APG 220)	Consult	Finalise			TBC
ADI and NOHC authorisation guidelines			Finalise		-
Stored-value facilities			Consult	Finalise	2023

Insurance

	2020	1H 2021	2H 2021	2022	Expected effective
AASB 17 and LAGIC updates	Consult	Consult	Consult	Finalise	2023
PHI Capital framework	Consult		Consult	Finalise	2023
Offshore reinsurers and LPS 117		Consult	Finalise		2023

Superannuation

	2020	1H 2021	2H 2021	2022	Expected effective
Strategic Planning and Member Outcomes (SPS/SPG 515 and SPG 516)		Consult Finalise			TBC
Insurance in Superannuation (SPS 250/SPG 250)		Consult Finalise			2022
Investment Governance (SPS 530)		Consult	Finalise		2022
Outsourcing (SPS 231)			Consult		2023
Risk Management (SPS 220)				Consult	TBC
Governance (SPS 510)				Consult	TBC
Conflicts of Interests (SPS 521)				Consult	TBC
Fit and Proper (SPS 520)				Consult	TBC

Attachment C: Finalised standards

During 2020, APRA deferred the implementation dates and transition timeframes for prudential and reporting standards that were finalised but not yet implemented. This decision was made to ensure entities could dedicate time and resources to responding to COVID-19 impacts.

Industry	Prudential Standard or Policy proposal	Revised effective date
Cross-industry	CPS 226 Margining and Risk Mitigation for Non-Centrally Cleared Derivatives (phase-in of initial margin requirements)	Phased from 1 September 2021 and 1 September 2022
	CPS 234 Information Security (third-party arrangements transition provision)	1 July 2020 with a six-month extension to 1 January 2021 available on a case-by-case basis
Banking	APS 220 Credit Risk Management	1 January 2022*
	APS 222 Associations with Related Entities ARS 222.0 Exposures to Related Entities ARS 222.2 Exposures to Related Entities – Step-in risk	1 January 2022
	APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk	1 January 2023

*APS 220 implementation date currently subject to consultation.



APRA