



14 August 2013

**To all Chief Executive Officers of potential Level 3 groups**

APRA has previously released two consultation packages on the supervision of conglomerate groups (Level 3 groups). The December 2012 consultation package contained the first two components of the Level 3 framework: group governance and risk exposures. The May 2013 consultation package contained the final two components of the framework: risk management and capital adequacy<sup>1</sup>. APRA proposed in both consultation packages that the Level 3 framework would be effective from 1 January 2014.

Formal submissions to the two consultations identified practical constraints to effectively implement all elements of the proposed Level 3 framework by 1 January 2014. Potential Level 3 groups also raised timing concerns with APRA during informal discussions as well as at the Level 3 framework industry workshop conducted in June 2013. APRA acknowledges these concerns.

APRA still proposes to respond to submissions and finalise the prudential standards by 1 January 2014 (to provide certainty to Level 3 groups of the new requirements) but the standards will not be fully effective until 1 January 2015. APRA will identify the Level 3 groups before 1 January 2014 and such groups will be expected to develop and introduce implementation plans to ensure that the group is able to meet all requirements by 1 January 2015. Your Responsible Supervisor will monitor the progress of your implementation plans.

The attachment to this letter lists the proposed standards that will be subject to this transition. APRA considers this 12-month transition period provides Level 3 groups with sufficient time to fully comply with the Level 3 framework.

Over the course of 2013, APRA will consult on a set of prudential practice guides, reporting standards, reporting forms and instructions, and consequential amendments to other prudential standards to give effect to the Level 3 framework.

Queries in relation to the Level 3 project should be directed to your Responsible Supervisor or the dedicated [Level3Framework@apra.gov.au](mailto:Level3Framework@apra.gov.au) email address.

Yours sincerely



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<sup>1</sup> The consultation packages can be accessed on the APRA website via:

<http://www.apra.gov.au/CrossIndustry/Consultations/Pages/Supervision-of-conglomerate-groups-May-2013.aspx>

## Attachment

### Supervision of conglomerate groups: prudential standards subject to transition

#### Prudential standards applicable to Level 3 Heads

- Prudential Standard 3PS 001 Definitions
- Prudential Standard 3PS 110 Capital Adequacy
- Prudential Standard 3PS 111 Capital Adequacy: Measurement of Capital
- Prudential Standard 3PS 221 Aggregate Risk Exposures
- Prudential Standard 3PS 222 Intra-group Transactions and Exposures
- Prudential Standard 3PS 310 Audit and Related Matters

#### Prudential standards applicable to ADIs, general insurers, life companies, Level 2 Heads and Level 3 Heads

- Prudential Standard CPS 220 Risk Management
- Prudential Standard CPS 231 Outsourcing\*
- Prudential Standard CPS 232 Business Continuity Management\*
- Prudential Standard CPS 510 Governance\*
- Prudential Standard CPS 520 Fit and Proper\*

\*(proposed amendments only)