

Superannuation (prudential standard) determination No. 4 of 2012

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Superannuation Industry (Supervision) Act 1993, section 34C(1)

Under subsection 34C(1) of the *Superannuation Industry (Supervision) Act 1993* (the Act), APRA has the power to determine standards (prudential standards), in writing, in relation to prudential matters to be complied with by all RSE licensees of registrable superannuation entities (RSEs).

On 15 November 2012, APRA made Superannuation (prudential standard) determination No. 4 of 2012 under subsection 34C(1) of the Act (the instrument).

The instrument commences upon registration on the Federal Register of Legislative Instruments.¹

1. Background

The Government indicated, in its response to the recommendations of the Super System Review in December 2010, support for the recommendation that APRA be given the power to make prudential standards in respect of superannuation, consistent with APRA's existing powers in respect of banking and insurance.²

In April 2012, APRA released 11 draft prudential standards to implement APRA's proposed prudential framework for superannuation, incorporating those elements of the Government's superannuation reforms that come within APRA's mandate. APRA's proposals covered prudential requirements common to other APRA-regulated industries as well as superannuation-specific requirements. The proposals also included relocating some current requirements in the Act and *Superannuation Industry (Supervision) Regulations 1994* and non-binding guidance material into the new prudential standards, and harmonising the requirements for superannuation with those applying to other APRA-regulated industries to the extent practical.

APRA was granted the ability to make prudential standards in relation to superannuation under the Act by the passage of the *Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Act 2012* on 8 September 2012.

2. Purpose and operation of the instrument

The purpose of the instrument is to make *Prudential Standard SPS 232 Business Continuity Management* (SPS 232), which sets out prudential requirements for each

¹ Paragraphs 33 and 34 of *Prudential Standard SPS 232 Business Continuity Management* (SPS 232) commence on the date of registration of the instrument on the Federal Register of Legislative Instruments. SPS 232 otherwise commences on 1 July 2013.

² *Stronger Super*, Recommendation 10.2, p. 60.

RSE licensee to implement a whole-of-business approach to business continuity management that is appropriate to the size, business mix and complexity of its business operations.

The key requirements of SPS 232 are that:

- an RSE licensee must identify, assess and manage potential business continuity risks to ensure that it is able to meet its obligations to beneficiaries and protect the financial position of the RSE licensee, any of its RSEs or connected entities;
- the Board of the RSE licensee must consider business continuity risks and controls as part of its overall risk management framework and approve a Business Continuity Management Policy;
- an RSE licensee must develop and maintain a business continuity plan that documents procedures and information which enable the RSE licensee to manage business disruptions;
- an RSE licensee must review the business continuity plan annually and periodically arrange for its review by the internal audit function or an appropriate external expert; and
- an RSE licensee must notify APRA in the event of certain disruptions.

3. Consultation

In September 2011, APRA released for public consultation a discussion paper, *Prudential Standards for Superannuation*, which outlined proposals, including those Stronger Super reforms that the Government had recommended APRA implement in prudential standards. A suite of 12 prudential standards, including a standard dealing with business continuity management, was described in the paper. APRA received 41 written submissions in response to this discussion paper, presented the reforms via a wide range of industry forums and held discussions with a variety of industry participants.

In a second consultation round, APRA released a *Response to Submissions – Prudential standards for superannuation* and a package of 11 draft prudential standards on 27 April 2012. In the response, APRA outlined the significant issues raised in the submissions and APRA's proposed response to them.

APRA received 38 written submissions in response to the draft prudential standards; again, APRA also presented the reforms at industry forums and met with individual industry participants on the proposed requirements.

No issues of substance were raised with respect to the provisions of draft SPS 232. SPS 232, therefore, contains only minor editing improvements as a result of the feedback received.

4. Regulation Impact Statement

A Regulation Impact Statement is required for the superannuation prudential standards.

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

The legislative instrument the subject of this explanatory statement does not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. Accordingly, in APRA's assessment, this legislative instrument is compatible with human rights.