

# Financial Sector (Collection of Data) (reporting standard) determination No. 5 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 16 March 2023, APRA determined the Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2023 which:

- (1) revokes *Reporting Standard GRS 112.3 Related Party Exposures* (GRS 112.3) made under Financial Sector (Collection of Data) (reporting standard) determination No. 4 of 2013); and
- (2) determines a new version of GRS 112.3.

This instrument commences on 1 April 2023.

### **1. Background**

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

One of these standards is *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital* (GPS 112). GPS 112 sets out the requirements that an instrument must have to qualify for inclusion in the capital base of a GI and the various regulatory adjustments to be made to determine the capital base.

GRS 112.3 sets out a GI's reporting requirements to APRA in relation to its related party exposures. It includes *Form GRF 112.3: Related Party Exposures* (and the associated instructions). GRS 112.3 permits APRA to collect data to support APRA's prudential supervision of GIs under GPS 112 and is used by APRA to assess compliance with the capital standards.

GRS 112.3 was last determined by APRA in 2013 (the previous GRS 112.3).

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

The previous GRS 112.3 was 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 GRS 112.3 and found that it continues to be fit for purpose. Consequently, APRA intends that it be remade without substantive changes.

The purpose of the instrument is to revoke the previous GRS 112.3 and remake GRS 112.3 with minor changes to use the drafting style employed currently for APRA's reporting standards, such as formatting to improve readability and accessibility, make minor definitional changes and update the commencement date. The changes to GRS 112.3 do not alter the existing reporting obligations or interests of GIs. The due dates, data required and the application of the reporting standard have not changed.

The instrument incorporates 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 GI to provide information required by GRS 112.3. 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 GRS 112.3 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 GRS 112.3 has already been consulted on with industry when originally determining the reporting standard (see the Explanatory Statement for the previous GRS 112.3). APRA is satisfied that further consultation is not necessary and not reasonably practicable to undertake for this instrument. The instrument does not alter the existing reporting obligations that are required to be complied with by GIs and any changes to the instrument 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 this legislative instrument.

**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*

#### **Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2023**

This Legislative Instrument is 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 Instrument**

*Reporting Standard GRS 112.3 Related Party Exposures* (GRS 112.3) outlines the overall requirements for the provision of information to APRA relating to related party exposure of a general insurer (GI). GIs are bodies corporate authorised to conduct insurance business in Australia.

The purpose of the Legislative Instrument is to revoke the existing version of GRS 112.3 determined by APRA in 2013 and replace it with a new version. A new version of GRS 112.3 is being made as the existing GRS 112.3 is due to sunset on 1 April 2023.

#### **Human rights implications**

APRA has assessed the Legislative Instrument and is of the view that it does 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 Instrument is compatible with human rights.

#### **Conclusion**

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.