



Financial Sector (Collection of Data) (reporting standard) determination No. 28 of 2023

Reporting Standard LRS 114.3 Off Balance Sheet Business

Financial Sector (Collection of Data) Act 2001

I, Michael Murphy, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 48 of 2013, including *Reporting Standard LRS 114.3 Off Balance Sheet Business* made under that Determination; and
- (b) DETERMINE *Reporting Standard LRS 114.3 Off Balance Sheet Business*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy
General Manager – Chief Data Officer (Acting),
Technology and Data Division

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

financial sector entity has the meaning given by section 5 of the Act.

Schedule

Reporting Standard LRS 114.3 Off Balance Sheet Business comprises the document commencing on the following page.



Reporting Standard LRS 114.3

Off-balance Sheet Business

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to a life company's off-balance sheet business.

It includes *Form LRF 114.3 Off-balance Sheet Business* and associated specific instructions and must be read in conjunction with the general instruction guide.

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (Collection of Data Act).

Purpose

2. Information collected in *Form LRF 114.3 Off-balance Sheet Business* (LRF 114.3) is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life Insurance Act). This Reporting Standard applies for reporting periods ending on or after 1 April 2023.

Information required

4. A life company must provide APRA with the information required by Form LRF 114.3 for each reporting period.
5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Insurance Act. It does not constitute a reporting document for the purposes of section 124.

Method of submission

6. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or
 - (b) by a method notified by APRA prior to submission.

Reporting periods and due dates

7. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that this form will be submitted five times for a full financial year.

Note 2: The annual audited form must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters* (LPS 310).

8. If, having regard to the particular circumstances of a life company, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 7(a) or 7(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
 - (a) within the time stated in *Reporting Standard LRS 001 Reporting Requirements* (LRS 001); or
 - (b) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.

Quality control

10. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life company's systems, processes and controls supporting the reporting of the information to enable the life company to provide reliable financial information to APRA. This review and testing must be done on:
 - (a) an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and
 - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB) as may be amended from time to time, to the extent that they are not inconsistent with the requirements of LPS 310.

11. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
12. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

Authorisation

13. When an officer of a life company provides the information required by this Reporting Standard, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.
14. An officer of a life company submitting information under this Reporting Standard must be authorised by either:
 - (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

15. APRA may, by written notice to the life company, vary the reporting requirements of the Form LRF 114.3 in relation to that life company.

Interpretation

16. In this Reporting Standard (including the attachments):
 - (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard LPS 001 Definitions* (LPS 001); and
 - (b) **capital standards** means the prudential standards which relate to capital adequacy as defined in LPS 001;

Chief Financial Officer means the chief financial officer of the life company, by whatever name called;

financial year has the meaning in the *Corporations Act 2001*;

general instruction guide refers to the general instruction guide set out in Attachment A of LRS 001;

Principal Executive Officer means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity; and

reporting period means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

LRF_114_3: Off-balance Sheet Business

Australian Business Number	Institution Name
	Life Insurers and Friendly Societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Statutory fund	

Section 1: Non-Market Related Off-Balance Sheet Items

	Principal Amount (1)
1. Transactions or commitments that entail	
1.1. Direct Credit Substitutes	
1.1.1. Guarantees	
1.1.2. Credit derivatives - sold protection	
1.1.3. Standby letters of credit	
1.1.4. Bill endorsements	
1.1.5. Other credit substitutes	
1.1.6. Total Direct Credit Substitutes	
1.2. Performance-related contingencies	
1.3. Trade-related contingencies	
1.4. Sale and repurchase agreements	
1.5. Assets sold with recourse	
1.6. Forward asset purchases	
1.7. Partly paid shares and securities	
1.8. Placements of forward deposits	
1.9. Note issuance and revolving underwriting facilities	
1.10. Other Commitments	
1.10.1. Loans Approved but Not Yet Advanced	
1.10.2. Any other irrevocable commitments	
1.10.2.1. Undrawn formal standby facilities and credit lines	
1.10.2.2. Other irrevocable commitments	
1.10.3. Commitments that can be unconditionally revoked at any time without notice	
1.11. All other non-market-related off-balance sheet items	
1.12. Total non-market-related off-balance sheet business	
<i>Of which the amounts with:</i>	
1.12.1. Parent entity	
1.12.2. Controlled entities	
1.12.3. Associates / joint ventures	
1.12.4. Other related parties	

Section 2: Other Off-Balance Sheet Transactions

Approved Balance Available (1)	Undrawn Balance Available (2)
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2. Off-Balance Sheet Liquidity Support Facilities Contracted for Reporting Entity's Use

2.1. Standby Facilities

2.1.1. Facilities with same day draw down

2.1.2. Facilities with 2 - 5 day draw down

2.1.3. Facilities with greater than 5 day draw down

2.2. Bill acceptance / discount facilities

2.3. Letter of credit facilities

2.4. Overdrafts

2.5. Other liquidity support facilities

2.6. Total off-balance sheet liquidity support facilities

Of which the approved balances with:

2.6.1. Parent entity

2.6.2. Controlled entities

2.6.3. Associates / joint ventures

2.6.4. Other related parties

3. Charges and Encumbrances

Purpose of Charge / Encumbrance (1)	Type of Charge / Encumbrance (2)	Principal Value of the charge (3)	Outstanding Value of the charge (4)	Value of assets subject to the charge (5)	Extent of Indebtedness Secured By Assets (6)

LRF_114_3 Off-balance Sheet Business

These instructions must be read in conjunction with the general instruction guide.

Instructions for specific items

Section 1: Non-Market Related Off-Balance Sheet Items

1.1. Direct Credit Substitutes

Any irrevocable off-balance sheet obligations that carry the same credit risk as a direct extension of credit, such as an undertaking to make a payment to a third party in the event that a counterparty fails to meet a financial obligation, or an undertaking to a counterparty to acquire a potential claim on another party in the event of default by that party, constitutes a direct credit substitute (i.e. the risk of loss depends on the creditworthiness of the counterparty or the party on whom a potential claim is acquired).

1.1.1. Guarantees

This is the potential credit exposures arising from the issue of guarantees.

1.1.2. Credit derivatives - sold protection

This is the credit derivative exposures where protection is sold.

1.1.3. Standby letters of credit

This relates to the confirmation of letters of credit and issue of standby letters of credit serving as financial guarantees for loans, securities and any other financial liabilities.

1.1.4. Bill endorsements

This relates to the bills endorsed under bill endorsement lines (but are not accepted by, or have the prior endorsement of, an authorised deposit-taking institution (ADI)).

1.1.5. Other credit substitutes

This is the value of all other credit substitutes that does not appropriately fall under the above categories.

It is calculated automatically as item 1.1.6 less the sum of items 1.1.1 to 1.1.5.

1.1.6. Total Direct Credit Substitutes

This is the total of direct credit substitutes provided by the life company.

1.2. Performance-related contingencies

Contingent liabilities that involve an irrevocable obligation to pay a third party in the event that a counterparty fails to fulfil or perform a contractual non-monetary obligation, such as delivery of goods by a specified date, etc (i.e. the risk of loss depends on a future event that is not directly related to the creditworthiness of the counterparty involved). Include:

- issue of performance bond;
- bid bonds;
- warranties;
- indemnities; and
- standby letters of credit in relation to a non-monetary obligation of a counterparty under a particular transaction.

1.3. Trade-related contingencies

Contingent liabilities arising from trade-related obligations that are secured against an underlying shipment of goods. Include:

- documentary letters of credit issued;
- acceptances on trade bills;
- shipping guarantees issued; and
- any other trade-related contingencies.

1.4. Sale and repurchase agreements

This relates to arrangements whereby a life company sells a loan, security or other asset to another party with a commitment to repurchase the asset at an agreed price on an agreed future date.

1.5. Assets sold with recourse

This relates to any asset sales (to the extent that such assets are not included on-balance sheet) by a life company where the holder of the asset is entitled to 'put' the asset back to the life company within an agreed period or under certain prescribed circumstances, e.g. deterioration in the value or credit quality of the asset concerned.

1.6. Forward asset purchases

This relates to:

- commitments to purchase at a future date and on pre-arranged terms; and
- a loan, security or other asset from another party, including written put options on specified assets with the character of a credit enhancement.

Where a life company purchasing the asset has an unequivocal right to substitute cash settlement in place of accepting delivery of the asset, and the price on settlement is calculated with reference to a general market price indicator (and not to the financial condition of any specific entity), the purchase may be treated as a market-related off-balance sheet transaction.

Written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk should not be included.

1.7. Partly paid shares and securities

This relates to:

- any amounts owing on the uncalled portion of partly paid shares; and
- securities that represent commitments with certain draw down by the issuer at a future date.

1.8. Placements of forward deposits

This relates to any agreement between a life company and another party whereby the life company will place a deposit at an agreed rate of interest with that party at a predetermined future date.

1.9. Note issuance and revolving underwriting facilities

This involves arrangements whereby a borrower may draw down funds up to a prescribed limit over a predefined period by making repeated note issues to the market, and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by a life company being committed as an underwriter of the facility.

1.10. Other Commitments

1.10.1. Loans approved but Not Yet Advanced

This relates to loans that are approved but not yet drawn.

1.10.2. Any other irrevocable commitments

The amount of undrawn commitment to be included in calculating life companies' off-balance sheet non-market related credit exposures is the maximum unused portion of the commitment that could be drawn during the remaining period to maturity. The drawn portion of a commitment forms part of a life company's on-balance sheet credit exposure.

1.10.3. Commitments that can be unconditionally revoked at any time without notice

Report the principal amount of the non-market related off-balance sheet contingent liabilities relating to commitments that can be unconditionally revoked at any time without notice.

1.11. All other non-market related off-balance sheet items

For any non-market related off-balance sheet transactions that give rise to credit risk but are not specifically identified above, a life company should consult APRA on the appropriate counterparty grade to be used as a component of assets to be stressed under *Prudential Standard LPS 114 Capital Adequacy: Asset Risk Charge*.

It is calculated automatically by the form.

1.12. Total non-market related off-balance sheet items

This is the value of all off-balance sheet items that are not transacted in financial markets.

1.12.1. Parent entity

This is the total value of non-market related off-balance sheet items that are with the parent entity of the life company.

1.12.2. Controlled entities

This is the total value of non-market related off-balance sheet items that are with a controlled entity of the life company.

1.12.3. Associates / joint ventures

This is the total value of non-market related off-balance sheet items where the counterparty is an associate or joint venture.

1.12.4. Other related entities

This is the total value of non-market related off-balance sheet items that are with a related entity of the life company and has not been included in 1.12.1 to 1.12.3 above.

Section 2: Other Off-Balance Sheet Transactions

2(1). Approved Balance Available

Approved balance available relates to the total approved balance of the facility at the reporting date.

2(2). Undrawn Balance Available

Undrawn balance available relates to the balance of the facility that has not been used or drawn down by the life company at the reporting date.

2.1. Standby Facilities

A standby facility is an arrangement in which a party has the right but not the obligation to draw down funds to a specified limit. Generally, the drawing party is required to provide written notice to trigger draw down (access to the funds) on these facilities.

2.1.1. Facilities with same day draw down

This relates to those standby facilities that can be drawn down (funds accessed) on the same day that notice is given by the life company of its intention to draw down on the standby facility.

2.1.2. Facilities with 2 - 5 day draw down

This relates to those standby facilities that can be drawn down (funds accessed) within two to five days after notice is given by the life company of its intention to draw down on the standby facility (i.e. a two-five day waiting period).

2.1.3. Facilities with greater than 5 day draw down

This relates to those standby facilities that can be drawn down (funds accessed) more than five days after notice is given by the life company of its intention to draw down on the standby facility (i.e. a five day waiting period).

2.2. Bill acceptance / discount facilities

This relates to another form of liquidity/funding. The funding is provided to the life company by a facility that discounts bills (e.g. bank accepted bills). Principal and interest (discount) owing on the bill is repaid or 'rolled over' by the life company on maturity of the bill.

2.3. Letter of credit facilities

This is an irrevocable and unconditional undertaking covering a life company to repay principal and interest on a loan in the event of default by the life company.

2.4. Overdrafts

These are accounts that may be overdrawn up to limits agreed to with an ADI.

2.5. Other liquidity support facilities

This relates to all other off-balance sheet liquidity support facilities contracted for the life company's use that are not included in the categories above.

It is calculated automatically as item 2.6 less the sum of items 2.1.1, 2.1.2, 2.1.3, 2.2, 2.3 and 2.4.

2.6. Total off-balance sheet liquidity support facilities

This is the total of liquidity support facilities contracted to the life company to supplement its liquidity requirements.

2.6.1. Parent entity

This is the total value of off-balance sheet liquidity support facilities that are with the parent entity of the life company.

2.6.2. Controlled entities

This is the total value of off-balance sheet liquidity support facilities that are with a controlled entity of the life company.

2.6.3. Associates / joint ventures

This is the total value of off-balance sheet liquidity support facilities where the counterparty is an associate or joint venture.

2.6.4. Other related entities

This is the total value of off-balance sheet liquidity support facilities that are with a related entity of the life company and has not been included in 2.6.1. to 2.6.3 above.

3(1). Purpose of Charge / Encumbrance

The purposes are set out in sections 38 and 40 of the *Life Insurance Act 1995*.

The appropriate description should be selected from the drop-down box.

3(2). Type of Charge / Encumbrance

The following is not an exhaustive list but is provided as an example:

Fixed charge - A fixed charge is generally given in relation to a specific asset or assets and it will generally limit the ability or right of the life company to deal with those assets.

Floating charge - A floating charge may be given over specific assets or all assets of the life company and may generally only crystallise and become a fixed charge on the occurrence of a specific event that is agreed between the parties (i.e. default on payment, or not maintaining specified interest coverage ratios).

3(3). Principal Value of the charge

This refers to the principal or face value or amount of the charge or encumbrance given over assets of the life company.

3(4). Outstanding Value of the charge

This refers to the outstanding value of the charge or encumbrance (as at the reporting date) given over assets of the life company.

3(5). Value of assets subject to the charge

For each separate charge listed, report in this column the value of the assets that are subject to the charge or encumbrance.

3(6). Extent of Indebtedness Secured by Assets

This field is automatically calculated. For each separate charge listed, the form will calculate the dollar value to which the assets are charged. It equals the minimum of the value of the assets subject to the charge (column 5) and the outstanding value of the charge granted (column 4).