

Financial Sector (Collection of Data) (reporting standard) determination No. 111 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 issue an instrument 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 18 May 2023, APRA made:

- (1) Financial Sector (Collection of Data) (reporting standard) determination No. 111 of 2023 which:
 - (i) revokes *Reporting Standard LRS 001 Reporting Requirements* made under Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2023; and
 - (ii) determines a new *Reporting Standard LRS 001 Reporting Requirements*.

The instrument commences upon registration on the Federal Register of Legislation.

1. Background

In July 2017, the Australian Accounting Standards Board (AASB) adopted the *International Financial Reporting Standard 17* into *AASB 17 Insurance Contracts* (AASB 17). AASB 17 commenced 1 January 2023.

AASB 17 replaces three existing accounting standards used by life companies. These accounting standards govern the performance and liability valuation reporting of insurance contracts. APRA's capital and reporting frameworks have close linkages with the accounting standards that determine accounting of insurance liabilities. As a result, APRA has made substantial updates to the capital and reporting frameworks for life companies to ensure compatibility with the new accounting standard from 2023 onwards. Aligning APRA's prudential and reporting framework with AASB 17 also reduces regulatory burden by limiting the need for life companies to maintain dual valuation, actuarial, accounting and reporting systems.

The new reporting standards apply to reporting periods ending on or after 1 July 2023.

2. Purpose and operation of the instrument

The purpose of the instrument is to determine a new *Reporting Standard GRS 001 Reporting Requirements*. This Reporting Standard sets out the general instructions for providing information under life insurance reporting standards, including the periods within which information required under these reporting standards must be provided to APRA.

The new reporting standard will ensure that APRA's reporting framework aligns with its prudential framework and Australian Accounting Standards. Life companies will be required to provide data to APRA in accordance with the standard, allowing APRA to supervise their compliance against the new capital requirements.

Explanation of each provision in the instrument

Authority – paragraph 1

This paragraph outlines APRA's power to determine reporting standards that are required to be complied with by financial sector entities under paragraph 13(1)(a) of the Act.

Purpose – paragraph 2

This paragraph explains the purpose of APRA's collection of information under the reporting standard. This Reporting Standard provides instructions applicable to all reporting standards to be completed by certain entities and specifies the periods within which those entities are to comply with those requirements.

Application and commencement – paragraph 3

This provision states which financial sector entities must comply with the reporting standard as permitted by section 13 of the Act, and when the reporting standard begins to apply to these financial sector entities as provided for in section 15 of the Act.

General Instructions – paragraph 4

This provision states that detailed instructions for the individual reporting items are included in the specific instructions for each reporting standard. These specific instructions need to be considered in conjunction with the *General Instruction Guide* (which is Attachment A to this Reporting Standard), the relevant reporting standards and the prudential standards

Periods for Provision of Returns – paragraphs 5-6

Paragraphs 13(2)(d)-(f) of the Act permit reporting standards determined by APRA to include matters related to the times as at which, or the periods to which, the information in reporting documents is to relate, the giving of reporting documents to APRA, and when they should be provided, and the discretion of APRA, in particular cases, to vary reporting standards, including, but not limited to, the discretion to vary when entities are to provide documents.

Paragraphs 5-6 rely on these provisions. Paragraph 5 states that life companies are to provide quarterly information required by reporting standards to APRA within 20 business days after the end of the reporting period, half yearly information within 20 business days after the end of the reporting period, and annual information within three months after the end of the reporting period.

Paragraph 6 states that APRA may grant a life company an extension of a due date in paragraph 5 in writing.

Transition – paragraph 7

Paragraphs 13(2)(d)-(e) of the Act provide for APRA to include matters relating to times and periods to which information in reporting documents is to relate, the provision of documents to APRA, and the time periods for provision of these documents to APRA. Paragraph 7 states that financial sector entities must report data under the reporting standard revoked in the determination making this reporting standard for reporting periods that ended before 1 July 2023.

Interpretation – paragraphs 8-9

Paragraph 8 provides definitions of common terms used throughout this reporting standard. Paragraph 9 states that unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

General instruction guide

The general instruction guide contains the general instructions for providing information under life insurance reporting standards to APRA. Information in the general instructions applies to all life insurance reporting standards. This information includes definitions of terms that relate to the data reported to APRA under life insurance reporting standards and measurement conventions to be applied across all life insurance reporting standards.

Documents incorporated by reference

Under paragraph 14(1)(a) of the *Legislation Act 2003*, the standard incorporates by reference as in force from time to time:

- Acts of Parliament;
- Prudential Standards determined by APRA under subsection 230A(1) of the *Life Insurance Act 1995*;
- Reporting Standards determined by APRA under subsection 13(1) of the Act; and
- Australian Accounting Standards determined by the Australian Accounting Standards Board under section 334 of the *Corporations Act 2001* (Cth).

These documents may be freely obtained at www.legislation.gov.au (all documents listed above except for Australian Accounting Standards), and <https://www.aasb.gov.au/pronouncements/accounting-standards/> (Australian Accounting Standards).

Review of decisions

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 life companies to which the reporting standards apply. These decisions include APRA changing a due date for a life company to provide information required by each of the instruments. Decisions made by APRA exercising those powers are not subject to merits review. These discretions have

not been amended and are consistent with discretions included in the reporting standard being revoked by the instrument.

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.

APRA's reporting standards collect financial data from regulated entities. This data contains critical indicators of a regulated entity's financial wellbeing. APRA relies heavily on this financial data to inform its supervisory actions towards its regulated entities. Without timely and complete data, APRA may miss indicators that a life company is taking on imprudent risk or is in distress. APRA's supervisory decisions may be jeopardised if its receipt of data is unreliable due to entities seeking merits review under its reporting standards.

3. Consultation

The final round of consultation for this Reporting Standard was completed 27 September 2022, when APRA released finalised changes to the reporting framework for insurance in response to the introduction of AASB 17, including finalised reporting standards¹.

Submissions were received from reporting life companies, industry bodies, and regulatory technology providers. APRA incorporated feedback received into the final versions of the reporting standards, including aligning with updates to the capital framework in response to industry feedback, adding clarification to reporting instructions and forms as requested by industry, and simplifying some reporting requirements in response to industry feedback.

APRA is satisfied the consultation was appropriate and reasonably practicable.

4. Regulation Impact Statement

The Office of Impact Analysis confirmed that a Regulation Impact Statement was not required.

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.

¹ [New accounting standard – AASB 17 Insurance contracts | APRA](#)

ATTACHMENT A

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instrument listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the Legislative Instrument

The purpose of the Legislative Instrument is to revoke *Reporting Standard LRS 001 Reporting Requirements* made under Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2023 and replace it with a new *Reporting Standard LRS 001 Reporting Requirements* that incorporates updates to *Accounting Standard AASB 17 Insurance Contracts* and APRA's prudential framework for life companies.

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 Instrument is compatible with human rights.

Conclusion

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