

Annex A: Proposed revisions

APS 110 Capital Adequacy

APRA proposes to update APS 110 to continue the transition arrangement for market risk capital, as this arrangement will be revised as part of finalising the Fundamental Review of the Trading Book (FRTB) reforms. APRA also proposes to replace a reference to APS 001 Definitions with CPS 001 Defined terms, as CPS 001 replaces the industry-specific definitions standards.¹

Attachment A – Risk based regulatory capital ratios

5. For the purpose of paragraph 4(b) of this Attachment, an IRB ADI may continue to determine its market risk capital charge using its internal model approach, rather than the standard method set out in APS 116.

APS 112 Capital Adequacy: Measurement of Capital

APRA proposes to update APS 112 to incorporate an updated definition of cash collateral to include cash collateral held by third parties, which was reflected in the comprehensive approach taken under previous versions of APS 112. APRA intends to update this definition to ensure consistency across the standard. APRA also proposes to replace a reference to APS 001 Definitions with CPS 001 Defined terms.

Attachment G – Collateralised transactions

22. Under the comprehensive approach, eligible financial collateral is limited to:

(a) collateral items listed in paragraph 14 and cash collateral included in paragraph 17 of this Attachment.

APS 116 Capital Adequacy: Market Risk

APRA proposes to update APS 116 to include a paragraph outlining previous exercise of discretion. This addition is intended to bring this standard in line with the prudential framework. APRA also proposes to replace a reference to APS 001 Definitions with CPS 001 Defined terms.

Previous exercise of discretion

28. An ADI must contact APRA if it seeks to place reliance, for the purposes of complying with this Prudential Standard, on a previous exemption or other exercise of discretion by APRA under a previous version of this Prudential Standard.

HPS 110 Capital Adequacy

APRA proposes to update HPS 110 to amend requirements relating to the holding of assets within the transferring fund post transfer, to meet the minimum Prescribed Capital Amount requirements. This amendment aligns the standard with the *Private Health Insurance (Prudential Supervision) Act 2015*. APRA also proposes to replace a reference to HPS 001 Definitions with CPS 001 Defined terms.

24. The prescribed capital amount for a health benefits fund of a private health insurer cannot be less than \$5 million. There is no minimum prescribed capital amount applicable to the general fund. Where APRA approves an arrangement under section 33 of the Act and subparagraph 33(1)(b)(i) applies, the prescribed capital amount for the health benefits fund of the transferor insurer₁ immediately after the arrangement takes effect₂ is zero.

Footnote:

¹ *Prudential Standard CPS 001 Defined terms*, which replaces APS 001 Definitions, GPS 001 Definitions, HPS 001 Definitions, LPS 001 Definitions and 3PS 001 Definitions, commences on 1 October 2024. Refer to [New cross-industry prudential standard on definitions for ADIs and insurers | APRA](#) (Consultation page, August 2024).

¹ For the purposes of this Prudential Standard, 'transferor insurer' has the meaning given in section 33 of the Act.

² The net asset position of the transferor insurer's health benefits fund immediately after the arrangement takes effect must not be greater than zero as required under paragraph 33(3)(c) of the Act.

HPS 112 Capital Adequacy: Measurement of Capital

APRA proposes to update HPS 112 to amend minor typographical errors as well as replace a reference to HPS 001 Definitions with CPS 001 Defined terms.

CPS 511 Remuneration

APRA proposes to update CPS 511 to amend paragraph 9 to delete the reference to Part IIAA of the *Banking Act 1959* and include statements relating to remuneration requirements under the *Financial Accountability Regime Act 2023*, to address minor typographical errors, and to replace references to 3PS 001 Definitions, APS 001 Definitions, GPS 001 Definitions, HPS 001 Definitions and LPS 001 Definitions with reference to CPS 001 Defined terms.

9. For the avoidance of doubt, remuneration requirements applicable to APRA-regulated entities are not imposed solely under this Prudential Standard. Remuneration requirements are also imposed under the *Financial Accountability Regime Act 2023* which need to be considered together with requirements under this Prudential Standard.

GPG 240 Insurance Risk and LPG 240 Life Insurance Risk and Life Reinsurance Management

APRA proposes to update references to GPS 220 Risk Management and LPS 220 Risk Management, which have both been replaced by CPS 220 Risk Management.

GPG 240 Insurance Risk

About this guide

Prudential Standard CPS 220 Risk Management (CPS 220) sets out APRA's requirements of APRA-regulated institutions in relation to risk management. In this PPG, the term 'APRA-regulated institution' refers to an authorised deposit-taking institution (ADI), a general insurer, a life company, a private health insurer, an authorised non-operating holding company (NOHC) and, where applicable, Level 2 and Level 3 groups.

This prudential practice guide aims to assist general insurers (insurers) in complying with those requirements in relation to insurance risk and, more generally, to outline prudent practices in relation to insurance risk management.

Subject to the requirements of CPS 220, insurers have the flexibility to configure their insurance risk management framework in the way most suited to achieving their business objectives.

LPG 240 Life Insurance Risk and Life Reinsurance Management

Prudential Standard CPS 220 Risk Management (CPS 220) sets out APRA's requirements of APRA-regulated institutions in relation to risk management. In this PPG, the term 'APRA-regulated institution' refers to an authorised deposit-taking institution (ADI), a general insurer, a life company, a private health insurer, an authorised non-operating holding company (NOHC) and, where applicable, Level 2 and Level 3 groups.

This prudential practice guide aims to assist life companies in complying with those requirements in relation to insurance risk and reinsurance management and, more generally, to outline prudent practices in relation to good life insurance risk and reinsurance management.

Subject to the requirements of CPS 220, life companies have the flexibility to configure their life insurance risk management framework and their reinsurance management in the way most suited to achieving their business objectives.

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Submissions may be the subject of a request for access made under the Freedom of Information Act 1982 (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the Australian Prudential Regulation Authority Act 1998 and will therefore be exempt from production under the FOIA.