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**Subject: Revisions to the Superannuation Reporting Standards (announced 28 April)**

Dear Madam

The Financial Services Council (FSC) welcomes the opportunity to comment on the Australian Prudential Regulation Authority's (APRA) discussion paper *Superannuation Reporting Standards (28 April 2015)*. The FSC represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, private and public trustees. The FSC has over 130 members who are responsible for investing over \$2.3 trillion on behalf of more than 11 million Australians.

The FSC supports APRA's enhanced prudential and data collection powers in relation to superannuation funds. The growth of funds under management in the system underlies its importance to the Australian economy, as well as individuals' financial wellbeing in retirement.

As noted by APRA in the consultation: between 2013 and 2015, APRA released a suite of 38 final reporting standards applying to the superannuation industry. Since that time, APRA has publicly released 95 frequently asked questions (FAQs) relating to reporting, which have been made available on the APRA website. Therefore, APRA is revising 31 of the 38 reporting standards:

- 5 reporting standards are being released for consultation as the proposed changes are material;
- 26 reporting standards are being modified to incorporate material already released by APRA as FAQs; these 26 reporting standards are being released as final standards since the changes are considered minor;
- 3 standards are subject to changes now and potential changes later under revised ABS reporting.

For the most part, the proposed changes are non-controversial however, the FSC and members fully appreciate the ability to review and comment on the changes before the forms are finalised. APRA is to be commended on its pragmatic and consultative approach to these reporting standard changes.

Our submission is contained within the appendices as follows:

- Appendix A: General issues that do not pertain to a single standard covering:
  - Reporting time frame;
  - S29QC;
  - Select Investment Options, and
- Appendix B: Key form-related issues covering:
  - Look through issues:
    - Introduction of 'APRA-look through basis' definition (SRS 532.0 & other Standards)
    - Fee and Cost look through (affects SRS 702.0)

- Hard / soft close valuations data for performance calculations (affects SRS 702.0);
  - Other suggestions regarding investment reporting (SRS 533.1 etc);
  - Drafting issues with fee reporting (affects SRS 703.0); and
  - Derivative reporting for investment guarantees (affects SRS 534.0 and 722.0).
- Appendix C: minor drafting items and queries that have been passed to APRA throughout the consultation period by a member fund on behalf of other FSC members.

We wish to thank APRA for its consultative approach which should lead to better outcomes during the implementation of the reporting changes. Please feel free to contact me on 02 8235 2566 if you have any questions or comments in relation to this submission.

Yours sincerely



**BLAKE BRIGGS**  
SENIOR POLICY MANAGER

## **APPENDIX A: GENERAL ISSUES THAT DO NOT PERTAIN TO A SINGLE STANDARD**

### **A.1 Reporting time frame - Annual Report Timing**

In the APRA Discussion Paper, 28 April 2015, section 1.6 Reporting Timeframes, APRA has supported prior requests to extend the transitional timing of 35 calendar days for quarterly reporting for a further 2 years until 30 June 2017; this is greatly appreciated. It is noted that APRA does not intend to extend the transitional relief beyond 1 July 2017 as a transition period of four years will have been provided, and APRA does not intend to extend the transitional period for annual reporting.

The FSC supports a progressive approach to aligning the due dates for data collections across all APRA-regulated industries, and the FSC understands that both APRA and the ABS have requirements for the use of this data within specific, tight timeframes. However, within the superannuation industry a number of constraints exist which will severely limit our members' abilities to meet a reduced reporting timeframe for the annual reports from July 2016 when the annual transitional timing of 4 months ends (reducing to 3 months).

APRA requires superannuation trustees to ensure that information reported to APRA is provided in accordance with the Australian Accounting Standards unless otherwise specified and the forms must meet the quality control requirements including those audit requirements under SPS 310:

*(a) reasonable assurance addressing:*

*(i) annual financial statements of each RSE prepared in accordance with relevant Australian Accounting Standards issued by the Australian Accounting Standards Board;*

*(ii) the annual information, relating to each RSE, required under the reporting standards made by APRA under the FSCOD Act that are identified in Attachment B as requiring reasonable assurance; and*

*(iii) compliance with provisions of the SIS Act, SIS Regulations, Corporations Act, Corporations Regulations 2001, FSCOD Act, and additional conditions imposed under s. 29EA of the SIS Act, that are specified in a form approved under paragraph 20; and*

*(b) limited assurance addressing:*

*(i) the annual information, relating to each RSE, required under the reporting standards made by APRA under the FSCOD Act that are identified in Attachment B as requiring limited assurance;*

*(ii) the RSE licensee's systems, procedures and internal controls that are designed to ensure that the RSE licensee has complied with all applicable prudential requirements, has provided reliable data to APRA as required under the reporting standards prepared under the FSCOD Act, and has operated effectively throughout the year of income;*

*(iii) the RSE licensee's compliance with its risk management framework; and*

*(iv) the RSE licensee's compliance with its operational risk financial requirement (ORFR) strategy.*

*For the purposes of this Prudential Standard, 'reasonable assurance' and 'limited assurance' are defined in accordance with relevant AUASB standards and guidance.*

In order to meet the required accounting and quality standards dictated under the prudential and reporting standards, trustees have an obligation to ensure that the data contained within these reports is both complete and correct. Within the more complex superannuation funds and the platform/wrap based funds, a number of industry challenges exist which must be addressed in order to reduce the submission timings from 4 months to 3 months:

### 1. Tax

Statements

Superannuation Funds will only have complete data for their accounts to ensure the accuracy of the financial position and performance (required for Financial Statements and Annual APRA Reports) upon receipt of Tax Statements from external Fund Managers for each of the investment options they are invested into. For platform products this may be greater than 1200 to 1500 investments (encompassing both onshore and offshore funds). The Tax liability and expense is a material item and failure to incorporate the underlying tax information received by way of distributions would most likely lead to an overstatement of the tax liability and tax expense.

- For example: in a prior financial year, an FSC member (which is responsible for some large RSE's) received by way of distributions tax credits, CGT concessions and tax free income in excess of \$500m. Taking into account the tax treatments, failure to incorporate the information would have meant an understatement of tax liability of more than \$200m.

At present, the current industry experience is to receive these tax statements in late August/early September; the Superannuation Funds then perform required tax calculations, and by the middle of September each year they finalise the external review of the tax position of each RSE with the tax agent, after which the tax details can be incorporated into the fund's final tax provision/expense for their respective financial statements. The financial statements are then audited and circulated to board members.

In order to meet an APRA 30 September timing, then the majority of the tax data would not be received and processed, therefore the financial reporting would be missing many hundreds of millions of tax credits and thus this will cause an overstating of the value of the funds from the outset across the industry.

### 2. Insurance

To complete the SRF250.0 Insurance form, Trustees are required to obtain information from a number of sources potentially including external insurers. This information is currently only provided by mid-September as the information can only be provided after the insurer has completed their own annual financials and reconciliations.

### 3. Actuarial

Investigations

Where a Superannuation Fund has Defined Benefit Members and the Defined Benefit Members' Interests make up a material portion of the total fund, final reporting data for annual submissions can only be generated upon the completion of the External Actuarial Investigations. Within the current year end processes, actuarial investigations can only be completed upon the Defined Benefit Administrators having completed their annual reviews which in turn can only be completed once all required inputs are received (i.e. funds have completed their hard closes, received final credit rates etc). These combined processes may take from 1-3 months after the end of the RSE Year of Income to complete with the final reports being provided in late September or early October.

Upon completion of the financial position (including tax/insurance/actuarial investigations) in September, the Reporting teams are then required to:-

- complete the financial accounts and the corresponding APRA Reports (SRF 330.0 and 320.0) which are expected to reconcile (but may not in the first instance);

- complete the residual APRA Reports which are required to reconcile to the APRA SRF 330.0 and 320.0 forms;
- ensure internal quality control measures are undertaken;
- complete the annual external Audits in line with SPS 310.0; and,
- table the outcomes to the Trustee Board for approval.

With material data only being provided into the reporting process in September, Funds will be severely challenged in completing these processes with any level of quality control in the reduced 3 month time frame. In order to remove the above obstacles, significant changes to current practices would be required across multiple sectors within the finance industry (many of which are outside the control of the RSE).

**Recommendation:**

- Permanently amend the Reporting Standards for all Forms required to be submitted annually, such that they would be required to be submitted within four months after the end of the year of income to which the information relates.

**A.2 Section 29QC**

APRA have requested:

*When considering the proposals in Chapter 2, industry is invited to comment on any issues arising from the application of s. 29QC to the calculation methodology in Reporting Standard SRS 702.0 Investment Performance (SRS 702.0).*

Section 29QC is aimed at improving the comparability of information about superannuation products for consumers. Section 29QC applies to RSE licensees, but it may also have indirect impacts/relevance to other wealth management providers.

In March the FSC responded to ASIC’s CP227 “Disclosure and reporting requirements for superannuation trustees: s29QC”. The FSC will be happy to share with APRA the submission we made to ASIC regarding CP 227<sup>1</sup>.

We note the changes proposed by APRA to form 702.0 for MySuper products:

- Reporting of data which forms part of the ‘indirect cost ratio’ will be reported on the same basis as the disclosure of indirect cost ratio in the PDS. This will help FSC members comply with s29QC generally.
- Where ‘total investment costs’ was previously derived within SRS 702.0 based on other information provided we note it was not subject to s29QC. The draft SRS 702.0 proposes to now require this figure to be calculated by RSE licensees (ie. But not calculated in a method prescribed by APRA) and therefore we assume it will not be subject to s29QC.
- APRA’s proposal to change the reporting of net return does not change the data reported (compared to the previous form) and does not, we believe, change the scope of items subject to s29QC.

The FSC has no issue with these changes to SRS 702.0 in the context of s29QC and MySuper products. However, any application of s29QC to the Choice environment (specifically including SRS 702.1) will still require dialogue and that needs to occur well ahead of the expiration of the now extended Class Order 14/541.

**Recommendation:**

- APRA notes our above feedback on the proposed changes to SRF 702.0 and their impact.

<sup>1</sup> We note that ASIC has further deferred the operation of s29QC until 1 January 2016, via the instrument *ASIC Superannuation (Amendment) Instrument 2015/396* (signed 29 May 2015), which modifies ASIC Class Order [CO 14/541]. FSC notes that the deferment until 1 January 2016 will allow ASIC more time to consider the submissions to CP 227.

### **A.3 Select Investment Options**

Within SRF 001.0, a Select Investment Option is defined as an investment option within an RSE:

**select investment option** means an investment option within an RSE:

(a) to which a member of that RSE may select to have all or a part of their interest directed, and that at the most recent 30 June has assets relating to non-MySuper interests which represent:

(i) more than five per cent of total assets of the RSE within which the investment option is located; or

(ii) less than five per cent of total assets of the RSE within which the investment option is located, but that are greater than \$200 million; or

(b) which underlies:

(i) a defined benefit pension within the meaning of SPS 160, where that defined benefit pension is currently being paid; or

(ii) an interest that entitles the member who holds the interest, when benefits in respect of the interest become payable, to be paid a benefit referred to in the definition of 'defined benefit member' in SPS 160;

The APRA Reporting Standards typically define entities as RSE, Defined Benefit RSE, Pooled Superannuation Trust (PST) and Eligible Rollover Fund (ERF), i.e.

*SRF 001.0 must be completed for each RSE licensee in respect of each registrable superannuation entity (RSE), defined benefit RSE, pooled superannuation trust (PST) and eligible rollover fund (ERF), as relevant, within its business operations.*

Based upon the definition of Select being limited consideration of options only within RSE's, ambiguity lies for whether or not Investment Options invested into through non-RSE entities (i.e PST's) should be considered for Select Investment Option Status.

#### **Recommendation:**

- APRA to confirm within the definition of a Select Investment Options that it excludes Options Invested into from PST's.

## **APPENDIX B: KEY FORM-RELATED ISSUES**

### **B.1 Look-through issues**

#### **Introduction of ‘APRA-look through basis’ definition (SRF 532.0 and other Investment Reporting Standards)**

We welcome APRA’s amendments to a number of Investment Reporting Standards to define the term **APRA-look through basis** which capture a number of previously released FAQs on the issue. The alignment of the definition with FSCOD will help to remove any confusion as to the extent of look through.

The new definition of **APRA-look through basis** includes the term **person connected with an RSE licensee**. Amendments have been made to the instructions of SRF 532.0 (and other investment reporting standards) to include the definition of **APRA-look through basis** and to substitute the terms **associate/d** and **non-associate/d** with **connected** or **non-connected**. Whilst substitution of these terms is generally appropriate, we also note the term **Associate** remains a relevant reporting item in some Standards for the purpose of determining whether an RSE’s investments are made at arm’s length.

We understand that the introduction of the definition of **APRA-look through basis** is not intended to change the extent of look through that currently applies under various Standards – no greater “depth” of look through and no less.

Based on this understanding, we have examined all of the amendments relating to APRA-look through basis made in the instructions of SRF 532.0 (and other reporting Standards) and we have concluded that:

- some of the amendments to replace **associate/d** or **non-associate/d** with **connected** or **non-connected** are inconsistent or erroneous; and
- there needs to be a clearer separation in the instructions between determining the “connectedness” of an investment vehicle and the “association” of that investment vehicle with an RSE/RSE licensee; and
- the amendments to the illustration in item 3 of the instructions for SRF 532.0 appear to suggest that a greater degree of look through applies.

The findings from our examination of various APRA Standards that have led us to the above conclusions are:

<b>SRF 533.0</b> <b>SRF 533.1</b> Item 2	The instructions under <b>APRA-look through basis</b> of each of these SRFs includes the following sentence:  <i>When reporting the relevant asset class of investments on an <b>APRA-look through basis</b>, an RSE licensee must seek information about the actual holdings of the first non-connected entity and identify the asset class (es) of these holdings.</i>  The term <b>non-connected</b> was previously <b>non associated</b> in SRF 533.0. We believe that the effect of this amendment contradicts the intent of the revised definition of APRA-look through (and the accompanying example in SRF 532.0). Whilst reporting of the existence of an RSE’s investment in a non-connected investment vehicle is required, there is no requirement to report the underlying investments of that vehicle. This point is made in the illustration in item 3 of the revised SRF 532.0 instructions:  <i>APRA-look through reporting does not apply to non-connected investment vehicles.</i>
<b>SRF 532.0</b> Item 3	In the illustration in item 3 of the instructions of SRF 532.0, ‘Investment Vehicle C is ‘Non-connected’ and the explanation of the example states that:  <i>Further reporting regarding the investments underlying Investment Vehicle C is not required.</i>  However the above sentence quoted from SRF 533.0 and SRF 533.1 indicates that the RSE licensee must look through (“seek information about”) that non-connected vehicle.



We also suggest that the diagram used in the illustration could be enhanced by extending it to include reference to the **Ultimate investment**. This will more fully align the illustration with the definition of **APRA-look through basis**.

Item 3 of the form requires reporting of the number of **Interposed associates** and an indication of whether an investment/investment vehicle is an **Associate**. We believe that use of the word “associate” in **Interposed associates** and linking it to the s.12 SIS Act definition is not practical because an interposed investment vehicle under the **APRA-look through basis definition** can be an entity that is not associated with an RSE licensee.

We believe that the concepts of being connected and associated should be separated. Where data derived from applying these concepts is required to be reported, the instructions should be structured in two steps:

1. firstly, connectedness tests in the **APRA-look through basis** definition are applied to determine the rows of data to be reported (eg. the data rows in items 2 and 3 of SRF 532.0); and then
2. secondly, as a separate step, the question of whether the entity in columns 4 and 5 of each row is an **Associate** in column 9 (Yes/No) is determined.

To address the two step approach above, we suggest the following amendments could be made to avoid confusion:

- in SRF 532.0, change the term “Interposed associate” to “Interposed entity” and refer to sub-section 13(4c) of FSCOD rather than s.12 SIS Act. We note that the definition of “Ultimate investment” refers to this term. Alternatively, use “Interposed vehicle” as per ASIC Class Order 14/1252.
- Remove Appendix 1 from SRF 532.0. In its previous form, this example was useful when the explanation of ‘look through’ referred to being associated or non-associated, however we do not believe it is needed to explain how to apply the meaning of Associate (as defined in the SIS Act). However, should APRA elect to retain the Appendix, we suggest that it be amended to refer to “connected” and “non connected” entities.

In the Addendum to this submission, we have provided a marked up extract from SRF 532.0 for APRA’s consideration which we believe will address each of our comments above.

**Recommendation:**

- APRA to closely examine the application of the definition of **APRA-look through basis** and associated instructions across all relevant ‘Draft’ and ‘Final’ investment reporting standards.
- APRA considers suggested amendments to SRF 532.0 instructions as per the Addendum.

### **Fee and Cost Look Through (SRS 702.0)**

We support APRA’s intent to achieve consistency between the data reported in SRF 702.0 and the requirements of the Corporations Regulations as amended by class order 14/1252. In this regard, we also note the overall instruction for SRF 702.0 which confirms:

“SRF 702.0 collects information about the actual experience of the RSE with respect to those fees and costs that were disclosed in a PDS and reported on *Reporting Form SRF 703.0 Fees Disclosed*.”



The FSC has made several submissions to ASIC in regard to the application of class order 14/1252, particularly in relation to the scope and calculation of indirect investment costs. We note that ASIC has still not finalised a key element of their guidance (the updates to RG 97) relating to how the class order will be applied.

In our submissions made to ASIC on 22 October 2014, 2 March 2015 and 7 May 2015, we indicated to ASIC that we do not agree that a buy-sell spread of an OTC derivative would generally be an indirect cost. Furthermore, we highlighted that FSC members will have difficulty in calculating the buy-sell spread of non-hedge OTC derivatives. To do this, our members would be required to make onerous system and process changes to gather this information in a meaningful way. We informed ASIC that we are of the view that this is inconsistent with the statement in the Explanatory Statement for the Class Order (i.e. CO 14/1252) that “...the class order will have a minor and machinery impact and therefore no Regulation Impact Statement is required”.

Whilst the above points were made in respect of calculating the cost to be included in the indirect cost percentage disclosed in a PDS, the challenge of determining actual experience of such costs for the purpose of SRS 702.0 is even greater. In certain circumstances, an RSE licensee may not even be able to report these actual costs, even though the RSE licensee may have disclosed a “reasonable estimate” of the cost as required by 14/1252 in the PDS.

We note also that SRF 702.0 includes the definition of “APRA-look through basis”. Whilst the use of this term is appropriate in the context of investment, it is confusing in the context of fees and costs reporting where there is also reference to the requirements of Schedule 10 of the Corporations Regulations, as amended by class order 14/1252. We believe the definition of “APRA-look through basis” could be removed from SRF 702.0 (and SRF 700.0) without affecting the intended reporting requirements. We note that this term does not appear in SRF 703.0 which adds further weight to the case for its removal from SRF 702.0 and SRF 700.0.

**Recommendation:**

- That APRA consult with ASIC in regard to the practical application of class order 14/1252 (ie. their intended guidance in the form of RG 97) for the purposes of PDSs to understand the flow on impacts to SRF 702.0.
- That the instructions include appropriate clarification as to how to report fees and costs in SRF 702.0 that were disclosed as a “reasonable estimate” in the PDS.
- That the term “APRA-look through basis” be removed from SRF 702.0 and SRF 700.0.

## **B.2 Hard / soft close valuations data for performance calculations (SRS 702.0)**

There is currently a consultation being conducted between ASIC and the industry in relation to performance reporting. In particular, what prices should be used to calculate performance returns for unlisted managed investment and superannuation products given there is varied practice and differing requirements for ASIC and APRA reporting and disclosure. Since revising FSC Standard 6 (Product Performance: Calculation of Returns) around 2006, there has been emerging practice which has created the requirement for the FSC to revisit FSC Standard 6 to clarify key terms, and this review of Standard 6 is underway.

It is the FSC’s current view that the product Transaction Price as defined in FSC Standard 6 is the appropriate input to calculate and report performance returns. The Transaction Price is different to what has been previously referred to as a “soft-close price”, “hard-close price” and “non-transactional/IFRS accounting price”. Outlined below are the key aspects supporting this position and further information for consideration:

- The Transaction Price, being the closing unit price on a particular day, reflects member/investor performance experience. It is the price applied by the Scheme Operator to transactions on a particular day, calculated using market valuations on the close of business on that day. Soft-close or Hard-close

prices can often include inputs which do not reflect investor experience and are not appropriate to calculate performance.

- APRA Superannuation Reporting Standards SRS 702.0 and 702.1 require net investment returns and net returns to be calculated in accordance with Australian Accounting Standards and refers to “hard close” valuations. This basis of performance will not reflect actual member performance experience, rather the information disclosed in SRF 702.0 and 702.1 will reflect performance in accordance with accounting standards and a *non-transactional* price. This method of calculating performance will also differ to the information given to members via annual statements which reflect values based on Transaction Prices.
- Under ASIC’s proposed section 29QC requirements, whenever a net investment return or net return is quoted in disclosure material, the APRA methodology in SRS 702.0 must be applied which we believe will confuse members because it will not reflect their actual performance return of their portfolio.

We understand the intention of published performance data is to provide members with decision making information. Subject to the usual FSC member consultation processes, therefore we currently propose to amend FSC Standard 6 to clarify the definition and use of a Transaction Price and remove the reference to hard or soft close pricing in Standard 6. The FSC believes this will reduce confusion by providing one appropriate performance measurement basis (being performance referable to the Transaction Price). In our view, the Transaction Price should then be used for all regulatory reporting and member disclosure requirements.

We note that section 29QC brings these issues to a head. If it was not for section 29QC, then provided performance methodology was clearly disclosed and accurate and not misleading, industry participants would be in a position to adopt (irrespective of an APRA lodgement/forms) an industry or Standard 6 performance calculation as has been the case for a decade or more now (in the case of FSC Standard 6). It is due to section 29QC in particular that we have brought these issues to APRA and ASIC’s attention. It is imperative that performance calculations be consistent and “real” (i.e. based on a Transaction Price) and that such performance basis not be precluded irrespective of section 29QC. In practice that may mean aligning APRA SRS/SRFs/forms to industry practice (so far as performance calculation is concerned).

For more detailed information on this issue please refer to the FSC’s Performance Calculations submission to APRA dated 2 June 2015.

**Recommendation:**

- Performance reporting in all APRA forms (e.g. SRS 702.0, SRS 702.1) should specify the use of “transaction price” not “hard-close” to ensure that what the members experience is what is reported, tracked and published by APRA.

**B.3 Other suggestions regarding investment reporting (SRS 533.1 etc)**

Movements

Look through for movements is problematic to apply to multi layered entities and may not provide meaningful information (e.g. realised and unrealised gains/losses can vary at different levels). FSC understands that some RSEs have raised this to APRA in the context of SRS 533.0 and we note here that the issue persists in SRS 533.1. The discussions on this point are quite complex, and as APRA are already across the issue, the discussion is not repeated here. FSC members recommend that they should report movements on the first level of investments (or on a consistent basis with SRS 533.0).

## FI Currency Type

The FSC members have noted that there is now an inconsistency in the SRS 533.1 form compared to SRS 533.0. Within Actual Asset Allocation (Item 2 on 533.0 form) the **FI Currency Type** is one of the fields required, however, within the new 533.1 **FI Currency Type** is not one of the fields required.

FSC members note that from a technology perspective it would be better and more cost effective to have one solution for both forms and the ideal scenario is to remove FI Currency Type from SRS 533.0.

## YTD vs QTD

Item 3 (Movements) is, we believe, a year to date (YTD) field but it should be clearer in the instructions (refer Form instructions page 1 where it states:

*“Report information with respect to transactions that occurred during the reporting period on a year to date basis, rather than for the individual quarter alone”*

but then within item 3 the form states:

*“report item 3 with respect to transactions that occurred during the reporting period”*

As SRS 533.1 is a quarterly form, the assumption could be that it is a quarter to date (QTD) not a YTD field.

Similarly, items 4-6 (Members' benefits flows) has also been interpreted as YTD because of the Form instructions page 1 statement

*“Report information with respect to transactions that occurred during the reporting period on a year to date basis.”*

However for items 4-6 we note there is no “reporting basis” in the actual field description.

APRA has recently responded to a query with the following text:

*In regards to data to be reported for items 3&4, I understand that the data should be reported with respect to the reporting period (i.e. the quarter). However, this is contradicted by the first page of the instructions which contain a generic sentence that asks for YTD reporting. I have raised this with our policy area and will confirm to you shortly that this sentence will be removed from the final version.*

However, the FSC members believe that changing the fields (movements in item 3 and flows in items 4-6) to QTD within just SRS 533.1 is possibly incorrect and needs to be consistent to SRS 533.0 which has the very same instructions and for which industry participants will have, we believe, been providing data as YTD. Logically, YTD data provides APRA with better quality information and is the preferred solution.

### **Recommendation:**

- SRS 533.1: Report movements on the first level of investments (or at least report on a consistent basis with SRS 533.0).
- SRS 533.0: Remove FI Currency Type from SRS 533.0 leaving SRS 533.1 unaltered for this item.
- SRS 533.1: Clearly state item 3 (movements) is YTD in the field level instructions (and, less desirably, if changing to QTD then also change SRS 533.0 to have the same wording and allow RSEs time to adjust their reporting basis for SRS 533.0).
- SRS 533.1: Clearly state items 4-6 (member flows) are YTD in the field level instructions (and, less desirably, if changing to QTD then also change SRS 533.0 to have the same wording and allow RSEs time to adjust their reporting basis for SRS 533.0).

## B.4 Drafting issues with fee reporting (affects SRS 702.0 and 703.0)

### SRF 702.0: Instructions for Net Investment Return, Net Return & Representative Member Fees/Costs/Taxes

Item 4.3 of SRF 702.0 requires a Percentage Value for Net Return in column (1) and a dollar value for a Representative Member in column (2). However, the FSC members have noted that the instructions for item 4.3 column 1 makes reference to a “dollar amount” whilst the instructions for item 4.3 column 2 make reference to a percentage value. We believe these instructions have been transposed and should be corrected.

#### **Recommendation:**

- Correct the instructions for item 4.3 in SRS 702.0 to reference the correct columns.

### SRF 703.0: Insurance Fee (item 1 column 1)

The instructions for the SRS 703.0 form state:

*Report **insurance fee** only where an explicit insurance administration fee is charged which is not otherwise included (or ‘bundled’) with insurance premiums. Where **insurance fees** are bundled with insurance premiums, report the total amount in item 6.*

And the definition of an insurance fee:

*Represents a fee within the meaning given in s. 29V(9) of the SIS Act*

When we look at the SIS Act

*(9) A fee is an **insurance fee** if:*

*(a) the fee relates directly to either or both of the following:*

*(i) insurance premiums paid by the trustee, or the trustees, of a superannuation entity in relation to a member or members of the entity;*

*(ii) costs incurred by the trustee, or the trustees, of a superannuation entity in relation to the provision of insurance for a member or members of the entity; and*

*(b) the fee does not relate to any part of a premium paid or cost incurred in relation to a life policy or a contract of insurance that relates to a benefit to the member that is based on the performance of an investment rather than the realisation of a risk; and*

*(c) the premiums and costs to which the fee relates are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an advice fee*

The FSC submits:

- In Item 1 the use of the words “Insurance fees” is confusing as using the 29v(9) definition that would include premiums, whereas APRA instructs RSEs to include premiums in Item 6. Rewording Item 1 to “Where **insurance administration fees** are bundled with insurance premiums, report the total amount in item 6.” would improve clarity.
- The reference to SIS 29v(9) to define insurance fees in MySuper 703.0 effectively connects to the same definition of insurance fees in the MySuper 540.0 Fees form, which is beneficial.
- Item 6 specifies premiums only. A reference to the Item 1 definition of bundled insurance administration fees with insurance premiums in item 6 would improve clarity.
- All insurance components (insurance administration fees and premiums) should show in either item 1 or item 6.
- Where there is more than one level or band of insurance fees for members, it is not clear that the highest fee should be reported in item 1 – this should be more explicit.

The second half of the item 1, column 1 definition also poses potential issues:-

- Where one RSE reports the bundled amount in item 6 and another does not need to do so, the numbers will not be on the same scale and therefore they are not comparable (\$100 premium for one vs \$107 bundled fee and premium for another). We suggest the addition of a flag to item 6 to indicate the number is a bundled amount.
- The instructions for Item 6 do not re-specify that where an amount related to insurance was not included in item 1 (e.g. a bundled fee), it must be included in item 6.
- The instructions for Item 6 are not clear enough that where an amount related to insurance was already included in item 1 (e.g. an unbundled fee), it must not be included in item 6.

**Recommendation:**

- Insurance fixed amounts (regardless if it is a fee or a cost) should be reported in SRS 703.0 item 1
- Where more than one tranche exists for any item in SRS 703.0, report the highest amount.
- All insurance fees and costs and premiums must be disclosed in either item 1 or item 6 of SRS 703.0
- A flag should be added to item 6 of SRS 703.0 to indicate where a bundled premium has been used.
- Instructions for Item 6 of SRS 703.0 should re-specify that where an amount related to insurance was not included in item 1 (e.g. a bundled fee), it must be included in item 6; and where it was specified in item 1 it should not be re-included in item 6 (thus items 1 and 6 are both exclusive and exhaustive).

The instructions for the SRS 703.0 form state:

Report **investment fees**, including any investment performance fees, in item 1.

For many RSEs, the Investment performance fees are not charged by the RSE or the trustee but rather they are charged by the underlying investment managers and passed on to members and thus they are a cost that is already included/ disclosed in the ICR (item 2). Therefore the inclusion of the words “*including any investment performance fees*” is potentially a problem. The form could see double counting occurring as trustees try to cope with the accurate categorisation and reporting of investment performance levies as a fee or cost (as appropriate).

APRA should clarify that only investment performance based fees that are charged by the trustee should be included here and that investment performance levies charged by the underlying investment manager should be included as a cost and reported under Indirect Cost Ratio.

**Recommendation:**

- change the definition to show:  
*Report **investment fees**, including any investment performance fees that are not already included in the ICR, in item 1.*

**SRF 703.0: Life Cycle MySuper Products**

Within item 4 of SRS 703.0 the form allows for different life cycle stages

*Report each lifecycle stage as a separate line in item 4.*

And within the item 4 instructions APRA have allowed for the following:

*If the investment strategy is a lifecycle strategy and there is more than one **investment fee** level, associated with s. 29VA(9) of the SIS Act, report the highest level of **investment fee** charged to members in item 1.*

FSC members are satisfied with this but wish to point out that in a similar vein

- There could be different fees (item 1, 3 and 5) depending on the life cycle strategy.
- There could be different buy/ sell spreads (item 1) as a percentage depending on the lifecycle strategy
- There could be different ICRs (item 2) depending on the life cycle strategy

This is a problem because given that the SRS 703.0 form does not contemplate different ICRs and fees (e.g. buy-sell spread's) per life cycle stage each RSE could interpret the instructions differently. One could report the highest (per instructions in item 4) whereas another could report the lowest. There will be no comparability.

**Recommendation:**

- Need clarity on the treatment of lifecycle products clearly in the SRS 703.0 form so all funds do it the same way OR adjust form to allow for different fees, buy/sell spreads and ICRs per life cycle stage.

**SRF 703.0: Due Date**

The SRS 703.0 form states that:

*The information required by this Reporting Standard must be provided to APRA:*

- (a) in the case of information required in respect of 1 January 2016, within 28 calendar days after 1 January 2016;*
- (b) in the case of annual information, within three months after the reporting day;*
- (c) in the case of information provided in accordance with paragraph 7(c), within 28 calendar days after the RSE licensee is authorised to offer the MySuper product; and*
- (d) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.*

FSC members are concerned with case (a) and reporting the form as at 1 January 2016. SRF 703.0 is required to be submitted when the PDS is updated. Some RSE licensees are currently due to roll their PDSs on 1 July 2015 (or they may do so any time up to 1/1/16 for the purpose of ASIC class order 14/1252). Therefore, assuming no further updates between that PDS roll date and 1 January 2016 the RSE's would need to resubmit their data. This seems duplicative and would attract avoidable costs.

- Example: if a PDS were rolled on 1 December 2015 (which is likely to avoid the festive/holiday season at 1 January 2016) then:
  - An ad-hoc submission would be required by 28 December 2015
  - Another submission of the same data would be required shortly after 1 January 2016.

**Recommendation:**

- APRA to remove the requirement for submission of form SRF 703.0 on 1 January 2016 and allow normal ad-hoc submission requirements to operate.

**SRF 703.0: Submission Frequency**

Based on the submission requirements of SRF 703.0 (clause 10), a fund is required to submit the form annually as well as when the PDS has been updated. It is common practice within the Superannuation industry for funds to issue new PDS's at the start of a new financial year/year of income, resulting in the form required to be submitted for a similar set of information respective 30 June 2015, within 28 days for the ad-hoc submission and then again after 3 months for the annual submission creating a duplication of reporting with no additional value.



As the SRS 703.0 requires funds to submit information to APRA as disclosed in the products PDS, and whenever the PDS changes, an updated SRS 703.0 form is required to be lodged, it is recommended that the form remove references to the redundant periodic submissions so that it is only lodged ad-hoc per clause 10:

*10. Where any information required by this Reporting Standard that was reported to APRA on the most recent reporting day is changed such that the Product Disclosure Statement (PDS) is required by law to be updated, the RSE licensee must provide the information required by SRS 703.0 within 28 calendar days after the updated PDS takes effect.*

**Recommendation:**

- APRA to remove reference to all periodic submissions, requiring funds to lodge the SRS 703.0 form ADHOC within 28 calendar days after the updated PDS takes effect.

## **B.5 Derivative reporting for investment guarantees (SRS 534.0 and SRS 722.0)**

### **SRS 534.0**

FSC members have raised a number of issues of how to report “Investment Guarantees” under the new, proposed SRS 534.0 Derivative report. Such guarantees are secured by an RSE licensee through a facility with a counterparty (generally a related party) and offered as an optional feature on an accumulation or income stream product within an RSE.

We note from earlier papers issued by APRA that the intent of SRS 534.0 is to provide APRA with information about the use of derivatives in the mitigation of risk within an investment portfolio and to monitor an RSE licensee’s approach to meeting the requirements of APRA Prudential Standards SPS 530 Investment Management and SPS 220 Risk Management in relation to investment risk management. Although these investment guarantee facilities are not entered into for the purpose of investment risk management envisaged by these APRA Prudential Standards, they nevertheless exhibit the characteristics of a derivative. An RSE licensee relies on the facility to deliver the guarantee promised to members.

To understand the issues, an understanding of the operation of the investment guarantees<sup>2</sup> is warranted. Briefly, these investment guarantees:

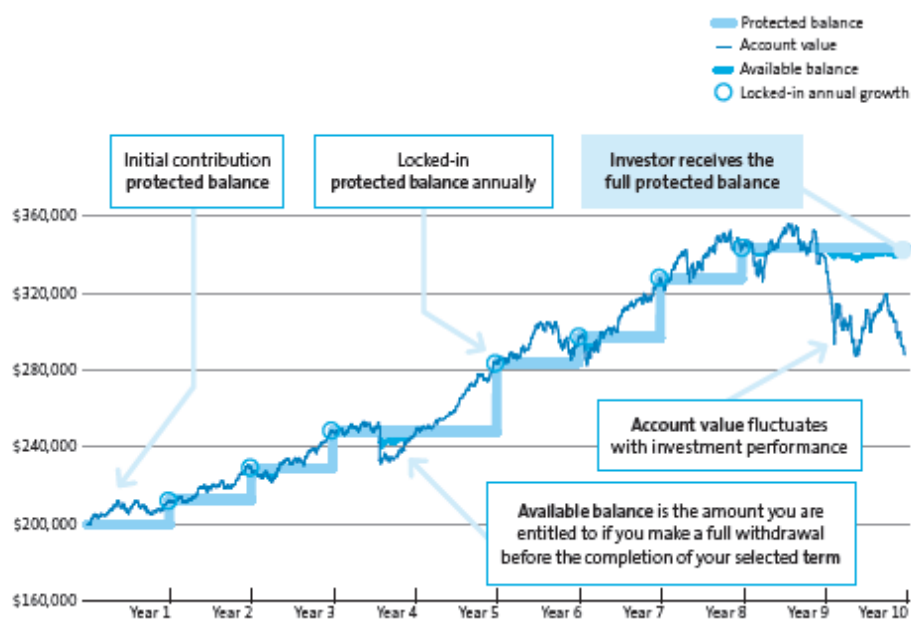
- are an optional feature selected by a member for which an ongoing fee or premium is charged which provides a guarantee in respect of the member’s superannuation or pension interest balance which is otherwise invested in investment options selected by the member;
- will return at the end of the term, any contributions and rollovers (less any upfront fees) less any withdrawals, advice fees or taxes paid from their superannuation account, and
- will lock in any growth as a result of positive investment performance over a given duration, above a “protected balance” threshold.
- entitle a member to receive at the end of the agreed term an amount at least equal to their protected balance, noting that withdrawals will decrease the protected balance.
- under an income stream product, provide certainty in the level of ongoing income.

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<sup>2</sup> This is unlike capital guaranteed offers, as members are not forced into investing into cash or fixed-interest assets if a market downturn is experienced. On the contrary, these guarantees allow members to remain fully invested in their nominated investment selection while still providing capital protection.



An example is in the diagram below:



We note here that the investment guarantee is offered by the RSE licensee which has entered into an arrangement with a related party to manage its exposure (possibly through variable annuity contracts). Where the RSE licensee is required to pay an amount to a member under a guarantee, the counterparty provides an undertaking to pay that amount to the superannuation fund in circumstances where the guarantee is triggered.

### Issues

**Item 1 column 4, and item 3 column 4 “Holding Type” (Long/Short):** The documentation defines a long position as a derivative that increases exposure to the market, whereas a short is one that decreases exposure.

- From the point of view of the member, the investment guarantee provides *decreased* exposure: they are protected (to an extent) from market falls (a **short** position).
- From the point of view of the counterparty, the market risk is of *increased* exposure in that the counterparty is more exposed to the market (a **long** position).
- From the perspective of the RSE licensee, it is **neither** a long position nor a short position as there was no market risk before or after the guarantee.
  - The most natural way to view that exchange would be as though the RSE licensee had bought a put option (which in the market would be regarded as a **long** position) but that ignores the true nature of the guarantee.
  - The RSE licensee has effectively obtained a derivative asset on behalf of the members who have selected the optional investment guarantee (through the policy features) to reduce exposure to the market.
  - As such, in the absence of a “**risk transferred**” option, the FSC members believe guarantees should be classed as a **short** position (using the APRA terminology) but we note without guidance this could be inconsistently reported or misunderstood.

**Item 1 column 5, and item 3 column 5, “Principal Amount”:** The definition says this is the face value of the financial instrument. Under an investment guarantee there is no “face value” per se. The protected balance is at best, the closest concept.

- Given that the protected balance of members’ accounts collectively is a very large number APRA would need to note that this amount is not “at risk” for the RSE licensee. In fact this amount is “protected” under the derivative facility.

- Any parties who reference this number (if published by APRA) could misunderstand the nature of the derivative – again, this amount is not “at risk” in the sense of usual “derivatives” as envisaged by APRA.

**Item 3 “Details of directly held over the counter derivatives”:** An investment guarantee derivative can in fact have 2 or more parties (one of which may be a life company) depending on the type of risk being borne. For example:

- the nature of the guarantee may be a capital guarantee or a lifetime income guarantee; and
- the guarantee may have a mortality risk and/or a market risk.

Therefore it is not clear whether a life policy that forms part of the guarantee is also covered by this standard (FSC members believe it should not be). Compounding this issue are the instructions in SRF 320.0 item 4:

*Report the net amount of **derivative assets** that are **directly held** in item 4. The value reported must equal the value reported in item 3.1 column 3 of Reporting Form SRF 534.0 Derivative Financial Instruments, i.e. gross market value of derivative assets minus **accounting standards offset**.*

Clearly, if the whole guarantee is reported in SRF 320.0 item 4, but only the market risk component of the guarantee is reportable under SRF 534.0 item 3 (as FSC members believe is necessary) then there will be a mismatch between the two forms (SRF 534.0 and 320.0).

**Item 3 column 2, “Counter Party Rating”:** In the case of our FSC members offering an Investment Guarantee option, the guarantee is offered by a related party so there may not, in fact, be a counter party credit rating for the provider of the guarantee. We believe there are two alternative approaches:

- Use the parent company corporate credit rating where the parties to the transaction are wholly owned subsidiaries of a parent entity; or
- Use Grade 7 which includes the qualifier “unrated”. This would be undesirable as it sets the expectation that the derivatives used are of “junk” status when they are just un-rated. This is therefore a poor outcome for a “guarantee”.

**Item 3 column 8 “Net Exposure”:** FSC members believe this is the sum of column 6 (positives) and column 7 (negatives – which will always be zero for a guarantee) but it is not clear.

**Item 3 column 9, “Cash to Cover”:** The instructions define this as “the amount of cash required to close or realise the derivative contract”. It is not clear what this would represent for an investment guarantee facility. When a member covered by the guarantee withdraws then any required assets are liquidated to meet withdrawals as needed.

- The FSC believes that if the form remains unchanged, for an investment guarantee, zero should be reported as there is no collateral posted to the RSE licensee.
- Should APRA suggest that FSC members report another value it would be misleading and very large.

**Recommendation:**

- An investment guarantee facility should be excluded from SRS 534.0 reporting as data relating to such arrangements is incompatible with data for other types of derivatives used to manage investment risk. Data reported in SRF 320.0 item 10 (Other assets) should be used for the guarantee.
- We recommend that should investment guarantees continue to be reported under SRS 534.0 then adjustments be made to the form to address the shortcomings noted above (Holding Type, Principal Amount, counterparty credit rating, net exposure and cash to cover, counter parties) where the derivative reported is an Investment Guarantee facility.

## Impact to APRA / ABS SRF 722.0 form that was recently tabled

In the FSC submission to the ABS consultation in April 2015 we commented that:

*“The FSC therefore submits that it would be appropriate for derivatives to be excluded from this consultation until the revised SRS 534.0 is released and finalised. This requires consultation on SRS 722.0 to be postponed and for further consultation at a later stage”.*

Having now seen the draft SRS 534.0 for derivative reporting, our recommendations that we detail above for SRS 534.0 apply to SRS 722.0. Largely:-

- FSC members do not believe the SRS 722.0 form is necessary for investment guarantees (possibly by changing the categorisation of such guarantees from item 4 to item 10 in SRS 320.0).
- Further, if SRS 722.0 is necessary for investment guarantees then there is a need to address / adjust the concept of “principal amount” in the SRS 722.0 form.

### **Recommendation:**

- An investment guarantee facility should be excluded from SRS 722.0 reporting as data relating to such arrangements is incompatible with data for other types of derivatives used to manage investment risk. Data reported in SRF 320.0 item 10 (Other assets) should be used for the guarantee.
- We recommend that should investment guarantees continue to be reported under SRS 722.0 then adjustments be made to the form to address the shortcomings noted above (Principal Amount) where the derivative reported is an Investment Guarantee facility.

## APPENDIX C: MINOR DRAFTING ITEMS AND QUERIES

The following table lists the issues already raised to APRA through this consultation and the status of each.

(Shaded items indicate response received from APRA, either directly or by the final determination of the relevant Standard)

### Issues referred to APRA on 11 May 2015

STD	REF	ISSUE
001.0	Form, item7	For greater clarity, we suggest the status “Existing” should become “Changed”, as it seems that this status only applies if there is a change triggering an amended 001.0` to be submitted. <b>RESPONSE RECEIVED 2/6</b>
001.0	Part E instructions	The preamble to the Instructions for this section talk about needing to update information in item 7 columns 5 & 6 if an SIO has ‘Ceased’. Which gives the impression that an amended 001.0 is only required for a ‘Ceased’ SIO. The first bullet point in the instruction table refers to changes in “any information about an existing select investment option”. We are assuming that an amended 001.0 needs to be submitted when any of the following triggers occur: <ul style="list-style-type: none"> <li>• There is a change to the Select Investment Option name, in which case items 3 &amp; 5 (Existing) would be amended; and</li> <li>• Where an event described by the definition of ‘Ceased’ occurs, in which case items 5 (Ceased) &amp; 6 would be amended.</li> </ul> <b>RESPONSE RECEIVED 2/6</b>
001.0	Attachment B	Notes that were formerly numbered 3 & 4 have been removed. These notes dealt with scenarios where multiple Products utilised the same Investment Option. These notes were interpreted to confirm that although the investment option was offered to members through different Product vehicles, the investment option is to be considered as one (and holdings across products should be aggregated) for counting as an SIO and consequent reporting. The reason for their removal is not clear. Has APRA perhaps reacted the fact that the word “limb” was used in each of the notes? If so, the use of that word was in the context of the sub-paragraphs (i) and (ii) of the SIO definition. Alternatively, they could have been removed because Note 2 (which remains in the revised 001.0) already provides adequate clarity about how to apply the SIO definition. <b>FINAL DETERMINED STANDARD IS UNCHANGED 16/6</b>
160.0	Instructions page 1	The word “at” seems to be missing – “...inclusive <u>at</u> a consistent point in time.” <b>FINAL DETERMINED STANDARD AMENDED 16/6</b>
331.0	Instructions page 1	The following two new paragraphs seem contradictory: <i>All services undertaken with respect to an RSE both by the RSE licensee and by external service providers must be reported on SRF 331.0, regardless of whether the expense associated with the service is an expense of the RSE.</i> <i>There is no materiality threshold for reporting on SRF 331.0. For the avoidance of doubt, all material outsourced activities (as defined under Prudential Standard SPS 231 Outsourcing (SPS 231)) must be reported to APRA on SRF 331.0. Where a service is provided, but it does not affect the operation of the RSE, APRA considers it reasonable for an RSE licensee to not report this service on SRF 331.0.</i> The underlined words in the first paragraph require all services to be reported but the underlined words in the second paragraph cast doubt on this. <b>FINAL DETERMINED STANDARD IS UNCHANGED 16/6</b>
330.2	All Instructions pages	Date at top of each page should be changed from “June 2014” to “July 2015”. <b>FINAL DETERMINED STANDARD AMENDED 16/6</b>
530.0	Instructions, item 6	An amendment has been erroneously made to change the heading in the left hand column of the table to “Item 5”. It should be “Item 6”.

STD	REF	ISSUE
533.0	Instructions, item 2	The text above the table includes a paragraph which commences with “When reporting on an i.....”. This seems to be a typo.
533.0	Instructions, item 2	Why is “Effective exposure” defined? Perhaps there’s a drafting error because this term is used in 533.1, item 2.
601.0	Instructions item 6	Inclusion of the words “including select investment options” is confusing and unnecessary in the instruction for item 6.1. The extra wording to ensure that a cash account is counted as an investment option is appropriate, however the words “select investment option” in the amendment should be replaced by “investment option”. The definition of “Investment option” in item should be aligned with footnote 2 on page 6 of the Instructions. <b>FINAL DETERMINED STANDARD IS UNCHANGED 16/6</b>
700.0	Page 5 of the Standard; and Instructions page 11	The definition of “reporting day” needs to be changed to remove reference to “8(c)”.
700.0	Discussion Paper, page 25	Third bullet point in the section about SRS 700.0 refers to inclusion of the definition of ‘APRA look-through basis’ in this Standard, however the Final standard/form has no such amendment.
710.0	SRF 710.0 Form	The addition of data for release of Unrestricted Non-Preserved benefits for Pensions requires clarification. This additional item (2.1) has been added as part of item 2. Item 2 only refers to “Pension benefit accounts opened during this period”. Its not clear whether item 2.1 “Other pension benefit payments” is only in respect of accounts opened during the year. It is assumed that the word “Other” means that information for 2.1 is in respect of <u>all</u> pension Member accounts in an RSE. <b>FINAL DETERMINED STANDARD AMENDED 17/6</b> Further, the label of 2.1 refers to ‘Other pension benefit payments’ which is confusing given that the definition of “Pension benefit payments” refers to “....benefit payments that have been paid <u>as a pension....</u> ”, not as a ‘Lump sum benefit payment’ as required under item 2.1.1(2). <b>FINAL DETERMINED STANDARD UNCHANGED 17/6</b>

### Issues referred to APRA on 27 May 2015

STD	REF	ISSUE
001.0	Section 4.2 of 28 April 2015 Discussion Paper	The commentary on page regarding changes relating to reporting of SIO information in 001.0 indicates that previously reported SIO data will not be pre-filled in the new version of 001.0. The following comment then appears: <i>“Select investment options that were previously reported on SRS 001.0, and still fall under the new criteria, may be reported with an ‘existing’ status.”</i> The suggestion that data “may be reported” as “existing” is confusing if APRA has effectively discarded previously reported data. It would be clearer if a specific direction was given by APRA to flag all SIOs as “New” for the first lodgement of the new variant of 001.0. <b>RESPONSE RECEIVED 2/6</b>
601.0	Form, item 6.2.6	This item requires an indication of whether an SIO is a Default option – Yes or No. The instructions define <b>Default option</b> as: <i>Represents an investment option under which the asset (or assets) of the fund attributed to a new member is invested under the current governing rules of the fund if no direction were given.</i> Noting that MySuper will now be the standard default option in most RSEs, then is the definition correct in referring to “new member” and “current governing rules”? Is APRA perhaps seeking an indication of whether an SIO was <u>formerly</u> a default option and thereby includes Accrued Default Amounts? If so, the perhaps the definition should be as follows:

STD	REF	ISSUE
		Represents an investment option under which the asset (or assets) of the fund attributed to a member were previously invested if no direction were given and which includes at least one Accrued Default Amount. <b>FINAL DETERMINED STANDARD IS UNCHANGED 16/6</b>
601.0	Form, item 6.2.6	The instructions of Part E and Attachment B of SRF 001.0 require that multiple instances of the same investment option offered through different Products be classified as a single select investment option. This may result in consolidation of instances where an investment option is a 'default option' in one Product with the same investment option is another product which is not a default option. It is unclear from the instructions whether that SIO is then to be flagged as 'Yes' in item 6.2.6. Perhaps the suggested wording in the issue noted above will address this. <b>FINAL DETERMINED STANDARD IS UNCHANGED 16/6</b>

### Issues referred to APRA on 28 May 2015

STD	REF	ISSUE
533.0 533.1	Instructions, item 2	<p>The instructions under <b>APRA-look through basis</b> includes the following sentence: <i>When reporting the relevant asset class of investments on an <b>APRA-look through basis</b>, an RSE licensee must seek information about the actual holdings of the first non-connected entity and identify the asset class (es) of these holdings.</i></p> <p>The amended 533.0 indicates that the term "non-associated" has been replaced by the term "non-connected".</p> <p>We believe that this amendment contradicts the revised definition of APRA-look through (and the accompanying example in SRF 532.0).</p> <p>In the example in SRF 532.0, 'Investment Vehicle C is 'Non-connected' and the explanation of the example states that "Further reporting regarding the investments underlying <i>Investment Vehicle C</i> is not required.". However the above sentence quoted from SRF 533.0 and SRF 533.1 indicates that the RSE licensee must look through ("seek information about") that non-connected vehicle.</p> <p>We believe that the amendments made in SRS 532.0 to clarify the meaning of "APRA-look through basis" need close scrutiny by APRA. Whilst the amendments to align with FSCOD are welcome and that the intent of the revised definition was not to change the degree of look-through required, we do not believe that it is as simple as replacing "associated" with "connected" (and non-associated with non-connected) throughout the Instructions.</p> <p>We will provide further commentary and recommendations regarding SRS 532.0 as part of the FSC's consultation response, however we suggest that APRA considers the following:</p> <ul style="list-style-type: none"> <li>• The concepts of being connected and associated should be separated. Where data derived from applying these concepts is required to be reported, the instructions should structured in two steps: <ol style="list-style-type: none"> <li>3. firstly, connectivity tests are applied to determine the 'layers' of data to be reported (eg. the data rows in items 2 and 3 of SRF 532.0); and then</li> <li>4. secondly, as a separate step, the question of whether the entity represented by each row is an "Associate" (Yes/No) is determined.</li> </ol> </li> <li>• To support the approach outlined above, we suggest the following amendments could be made to avoid confusion: <ol style="list-style-type: none"> <li>1. in SRF 532.0, change the term "Interposed associate" to "Interposed entity". We note that the definition of "Ultimate investment" refers to this term. Alternatively, use "Interposed vehicle" as per ASIC Class Order 14/1252.</li> <li>2. Remove Appendix 1 from SRF 532.0. In its previous form, this example was useful when the explanation of 'look through' referred to being associated or</li> </ol> </li> </ul>

STD	REF	ISSUE
		non-associated, however we do not believe it is needed to explain how to apply the meaning of Associate (as defined in the SIS Act).
532.0	Item 2, Instructions	The <b>Look through basis</b> instructions include reference to columns 1 to 10. There is no specific guidance for column 11.
532.0	Item 6, column 1 Entity type	A new Entity type “other” has been added to item 6. We note that the type <i>other</i> is italicised in the Instructions for item 6, however there is no definition of this term.

### Issues referred to APRA on 5 June 2015

STD	REF	ISSUE
533.1	Instructions, item 2	The words ‘physical assets’ in the definition of <b>Effective exposure</b> should be <b><i>bold italics</i></b> .
533.1	Instructions, item 3	<p>The first paragraph of instructions in the table includes the following: When reporting item 3, report the movements in investments in item 3.2 to item 3.6 inclusive in relation to the movements in investments underlying the select investment option. The information reported in item 3 must represent the net movement of each asset class type.</p> <p>Would you please review the instructions for this item noting the following:</p> <ul style="list-style-type: none"> <li>• The reference to 3.6 is erroneous. There is no item 3.6 on the form. Note that this number also appears in the paragraph above the table.</li> <li>• The second sentence “The information reported in item 3 must represent the net movement of each asset class type.” has been carried over from SRF 533.0 where more granular reporting applies. We query whether such instruction is appropriate given that, unlike SRF 533.0, there is no data reported on SRF 533.1 for asset class types. We suggest that this sentence be omitted and the following sentence be amended as follows: Each of the total movements in items 3.2 to 3.5 is calculated as the sum of the movements in <b><i>physical assets</i></b> (having applied APRA-look through for indirectly held investments) and the movements in derivatives.</li> </ul>
533.1	Instructions, item 4 & 5	<p>The instructions for items 4 and 5 each specify the types of flows out and flows in. Each also refers to other types of members’ benefit flows without any explanation as to what this means. (Note: Although the words members’ benefit flows are not italicised, there is now potentially a circular reference to <b><i>Members’ benefit flows</i></b>)</p> <p>Does other types of members’ benefit flows include amounts that flow in and out due to:</p> <ul style="list-style-type: none"> <li>• Switches between investment options?</li> <li>• Fees and taxes deducted?</li> <li>• Credits and debits to a cash transaction account that relate to redemption and reallocation of members investments between investment options?</li> </ul> <p>We suggest that APRA reconsiders the purpose of item 4 as limitation of the flows to certain types of transactions does not seem to serve any valid purpose.</p>

### Issues referred to APRA on 10 June 2015

STD	REF	ISSUE
533.1	Standard, paragraph 9	We have been unable to ascertain whether reporting on SRF 533.1 (as released in January 2015) is still required for September 2015 and December 2015 quarters. We are assuming that reporting is not required because the January 2015 version of SRS 533.1 has never been determined as ‘final’. <b>RESPONSE RECEIVED 12/6</b>
533.1	Instructions, page 1	When reporting for the first time on SRF 533.1 (for the March 2016 quarter) will YTD data (from 1 July 2015) be required to be shown or data only since 1 Jan 2016? <b>RESPONSE RECEIVED 12/6</b>
703.0	Standard, paragraph 7(a)	The revised SRS 703.0 indicated that the form is required to be submitted on 1 January 2016. When the current version of the form commenced on 1 July 2014 it seemed



STD	REF	ISSUE
		sensible that first submission be made on that date, however we are uncertain as to whether the amendment (in paragraph 7(a)) on the January 2016 version to change July 2014 to January 2016 was deliberate or not. <b>RESPONSE RECEIVED 12/6</b>

**Issues referred to APRA on 16 June 2015**

STD	REF	ISSUE
530.0 531.0 532.0 533.1 702.0	Various items where "Look through basis" is relevant	The instructions for each item in various forms include overarching instructions for: <ul style="list-style-type: none"> <li>• "Unit of measurement:"; and</li> <li>• "Look through basis:".</li> </ul> These sub-headings are bolded and respectively explain how to measure or look through for the purposes of completing that item of the form. In connection with the introduction of the definition of <b>APRA-look through basis</b> , the heading "Look through basis:" has been amended (to "APRA-look through basis:"). We do not believe this is necessary and can be confusing when reading the ensuing instructions which actually prescribe the basis of look through. The sub-heading should be changed back to "Look through basis:"

**Recommendation:**

- Review unshaded items as they are still outstanding

**ADDENDUM: Suggested Revisions to SRF 532.0**  
**SRF 532.0: Investment Exposure Concentrations**

<b>Australian Business Number</b>	<b>Institution Name</b>	
<b>Reporting Period</b>	<b>Scale Factor</b>	<b>Reporting Consolidation</b>

**1. Directly held investments - large exposures**

<b>Name</b> <b>(1)</b>	<b>Value</b> <b>(2)</b>	<b>Asset class type</b> <b>(3)</b>	<b>Asset domicile type</b> <b>(4)</b>	<b>Asset listing type</b> <b>(5)</b>	<b>Fixed income type</b> <b>(6)</b>
		Cash	Australia domicile	Listed	Government debt
		Fixed income	International domicile	Unlisted	non Government debt
		Equity	Not applicable	Not applicable	Mortgage debt
		Property			Credit
		Infrastructure			Not applicable
		Commodities			
		Other			

<b>Fixed income currency type</b> <b>(7)</b>	<b>Counterparty credit rating</b> <b>(8)</b>	<b>Fixed income term</b> <b>(9)</b>	<b>Mortgage type</b> <b>(10)</b>	<b>International economy type</b> <b>(11)</b>	<b>Exposure type</b> <b>(12)</b>
Australian dollars	Grade 1	Short term	Residential mortgage	Emerging markets	MySuper product
Other currency	Grade 2	Long term	Commercial mortgage	Developed markets	Defined benefit interests
Not applicable	Grade 3	Not applicable	Not applicable	Not applicable	Both MySuper product and defined benefit interests
	Grade 4				Neither
	Grade 5				
	Grade 6				
	Grade 7				
	Not applicable				

1.1. Total directly held large exposures



## 2. Indirectly held investments - large exposures

### 2.1. Indirectly held investments - large exposures by asset class

Name (1)	ABN (2)	Investment vehicle type (3)	Investment vehicle domicile type (4)	Asset class type (5)	Asset domicile type (6)
		Cash management trust	Australia domicile	Cash	Australia domicile
		Life company guaranteed	International domicile	Fixed income	International domicile
		Life company investment linked	Not applicable	Equity	Not applicable
		Life company other		Property	
		Listed retail trust		Infrastructure	
		Pooled superannuation trust		Commodities	
		Unlisted retail trust		Other investments	
		Wholesale trust			
		Other indirect investment			

Asset listing type (7)	Fixed income type (8)	Fixed income currency type (9)	Value (10)	Gearing proportion (11)
Listed	Government debt	Australian dollars		
Unlisted	Non Government debt	Other currency		
Not applicable	Mortgage debt	Not applicable		
	Credit			
	Not applicable			

### 2.2. Total value of indirectly held large exposures



### 2.3. Indirectly held investments - large exposures by MySuper products and defined benefits

Name (1)	ABN (2)	Associate (3)	Review date (4)	Exposure type (5)
		Yes		MySuper product
		No		Defined benefit interests
				Both MySuper product and defined benefit interests
				Neither

### 3. Indirectly held investments - exposure concentrations in underlying investment vehicles

Indirectly held investment vehicle name (1)	Indirectly held investment vehicle ABN (2)	Interposed entities (3)

Underlying investment vehicle name (4)	Underlying investment vehicle ABN (5)	Type of underlying investment vehicle (6)	Underlying investment value (7)	Invests in investment vehicles (8)	Associate (9)
		Cash management trust		Yes	Yes
		Life company guaranteed		No	No
		Life company investment linked			
		Life company other			
		Listed retail trust			
		Pooled superannuation trust			
		Unlisted retail trust			
		Wholesale trust			
		Other indirect investment			

### Large exposures by country of investment

#### 4. Directly held investments - large exposures by country of investment

Country (1)	Value (2)
Country list	

#### 5. Indirectly held investments - large exposures by international exposure

Domicile of investment vehicle (1)	Associate (2)	International region exposure (3)	Country (4)	Value (5)
Country list	Yes	Global	Country list	
	No	Americas region	Not applicable	
		Asia region		
		Europe region		
		Mid East or Africa region		
		Oceania region		
		Individual country		

### Large exposures in unlisted investments

#### 6. Unlisted investments

<b>Entity type (1)</b>	<b>Name (2)</b>	<b>ABN (3)</b>	<b>Associate (4)</b>	<b>Ownership percentage (5)</b>	<b>Initial Cost (6)</b>
Unlisted corporation			Yes		
Unlisted private trust			No		
Limited partnership					
Joint venture					
Other					

<b>Value (7)</b>	<b>Distributions (8)</b>	<b>Commitments outstanding (9)</b>	<b>Exposure type (10)</b>
			MySuper product
			Defined benefit interests
			Both MySuper product and defined benefit interests
			Neither

# Reporting Form SRF 532.0

## Investment Exposure Concentrations

### Instructions

These instructions assist completion of *Reporting Form SRF 532.0 Investment Exposure Concentrations* (SRF 532.0). SRF 532.0 collects information on investment exposure concentrations of an RSE. Information reported in SRF 532.0 is required primarily for prudential and publication purposes. Information reported on SRF 532.0 is also required for the purposes of the Australian Bureau of Statistics.

### REPORTING LEVEL

SRF 532.0 must be completed for each RSE, defined benefit RSE, pooled superannuation trust (PST) and eligible rollover fund (ERF).

### REPORTING BASIS AND UNIT OF MEASUREMENT

Report all items on SRF 532.0 in accordance with the Australian Accounting Standards unless otherwise specified.

Assets and liabilities denominated in currencies other than AUD are to be converted to AUD using the mid-point rate (of market buying and selling spot quotations) effective as at the end of the reporting period. An RSE licensee is free to use those AUD exchange rates that it judges to be a representative closing mid-market rate as at the end of the reporting period. However, to ensure consistency across related returns and to assist in the reconciliation between these returns, an RSE licensee is expected to use the same exchange rates across all returns to APRA.

Note: for the major currencies, an RSE licensee **may use** the exchange rates available in the Reserve Bank of Australia (RBA), which are available on the RBA website: <http://www.rba.gov.au/statistics/hist-exchange-rates/index.html>.

Items on SRF 532.0 must be reported as at the end of the reporting period or with respect to transactions that occurred during the reporting period. Report information with respect to transactions that occurred during the reporting period on a year to date basis, rather than for the individual quarter alone.

Items on SRF 532.0 are to be reported as thousands of dollars, percentages and dates. Report percentages as a whole number to one decimal place, i.e. 10 per cent is to be reported as 10.0. Report dates as DD/MM/YYYY.

Certain items in SRF 532.0 are to be reported on an **APRA-look through basis**. Reporting on an **APRA-look through basis** means:

- (a) where the **ultimate investment** is held directly by the RSE licensee, reporting that investment;
- (b) where the **ultimate investment** is held by a **person connected with the RSE licensee**, reporting that investment; and
- (c) where the **ultimate investment** is not held by the RSE licensee or a **person connected with the RSE licensee**, reporting **the most proximate investment**, of a person connected with the RSE licensee, to the **ultimate investment**.<sup>3</sup>

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<sup>3</sup> Subsection 13(4B) of the *Financial Sector (Collection of Data) Act 2001* means that a contract between the RSE licensee or a person connected with the RSE licensee such as a related body corporate or relevant custodian (the first party), and a person connected with the RSE licensee (the second party), under which assets or assets derived from assets of the registrable superannuation entity are invested, is taken to include (1) a term requiring the first party to notify the second party that the assets are or are derived from a registrable

These instructions specify the unit of measurement and look through basis that applies to each item.

## SPECIFIC INSTRUCTIONS

Report large exposures only on SRF 532.0. A large exposure means an investment that represents at least one per cent of the total investments of the RSE as reported under *Reporting Standard SRS 530.0 Investments*.

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions. Additional definitions are provided at the end of these instructions.

Where the relevant organisation does not have an ***ABN***, leave the ***ABN*** field blank e.g. where the organisation is domiciled in an overseas jurisdiction.

### **DIRECTLY HELD INVESTMENTS – LARGE EXPOSURES**

Item 1 collects large exposures that are directly held.

**Unit of measurement:** report item 1 column 2 and item 1.1 in thousands of dollars.

**APRA-Look through basis:** report item 1 on a non ***APRA-look through basis***.

<b>Item 1</b>	<p>Report each <b><i>directly held</i></b> large exposure as a separate line in item 1. Report <b><i>indirectly held</i></b> large exposures in item 2.</p> <p>For each <b><i>directly held</i></b> large exposure report the name of the investment in column 1, the value of the investment in column 2, the asset class type in column 3, the asset domicile type in column 4, the asset listing type in column 5, the fixed income type in column 6, the fixed income currency type in column 7, the counterparty credit rating in column 8, the fixed income term in column 9, the mortgage type in column 10, international economy type in column 11 and the exposure type in column 12.</p> <p>Item 1.1 is a derived item. Report total directly held large exposures in item 1.1 as equal to the sum of values reported in item 1 column 2.</p> <p>The asset class types are: <b><i>cash, fixed income, equity, property, infrastructure, commodities</i></b> and ‘other’.</p> <p>The asset domicile types are: <b><i>Australia domicile, international domicile</i></b> and ‘not applicable’. Where the asset domicile is not known, report asset domicile type as ‘not applicable’.</p> <p>The asset listing types are: <b><i>listed, unlisted</i></b> and ‘not applicable’. Report asset listing type as ‘not applicable’ for asset class type ‘cash’. Where the asset listing is not known, report asset listing type as ‘not applicable’.</p> <p>The fixed income types are: <b><i>Government debt, non Government debt, mortgage debt, credit</i></b> and ‘not applicable’. Fixed income types are only applicable to the asset class type <b><i>fixed income</i></b>. For asset class type <b><i>fixed income</i></b>, where the fixed income type is not known, report fixed income type as ‘not applicable’.</p> <p>The fixed income currency types are: <b><i>Australian dollars, other currency</i></b> and ‘not applicable’. Fixed income currency types are only applicable to the asset class type <b><i>fixed income</i></b>. For asset class type <b><i>fixed income</i></b>, where the fixed income currency is not known, report fixed income currency as ‘not applicable’.</p> <p>The fixed income terms are: <b><i>short term, long term</i></b> and ‘not applicable’. Fixed income</p>
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superannuation entity, and (2) a term requiring the second party, if so notified, to provide the information required by this reporting standard of which they are aware.



	<p>terms are only applicable to the asset class type <b>fixed income</b>. For asset class type <b>fixed income</b>, where the fixed income term is not known, report fixed income term as ‘not applicable’.</p> <p>The mortgage types are: <b>residential mortgage</b>, <b>commercial mortgage</b> and ‘not applicable’. Mortgage types are only applicable to the fixed income type <b>mortgage debt</b>. For the fixed income type <b>mortgage debt</b>, where the mortgage type is not known, report mortgage type as ‘not applicable’.</p> <p>The international economy types are: <b>emerging markets</b>, <b>developed markets</b> and ‘not applicable’. International economy types are only applicable to the asset domicile type <b>international domicile</b>. For the asset domicile type <b>international domicile</b>, where the international economy type is not known, report international economy type as ‘not applicable’.</p> <p>The counterparty credit ratings are: <b>grade 1</b>, <b>grade 2</b>, <b>grade 3</b>, <b>grade 4</b>, <b>grade 5</b>, <b>grade 6</b>, <b>grade 7</b> and ‘not applicable’. The counterparty credit ratings are only applicable to the asset class type <b>fixed income</b>. For asset class type <b>fixed income</b>, where the counterparty credit rating is not known, report counterparty credit rating as ‘not applicable’.</p> <p>The exposure types are: ‘<b>MySuper product</b>’ if any <b>MySuper product</b> in the RSE are exposed to the investment; ‘<b>defined benefit interests</b>’ if any <b>defined benefit interests</b> in the RSE are exposed to the investment, ‘<b>MySuper product and defined benefit interests</b>’ if both <b>MySuper product</b> and <b>defined benefit interests</b> in the RSE are exposed to the investment and ‘neither’ if neither <b>MySuper product</b> or <b>defined benefit interests</b> in the RSE are exposed to the investment.</p> <p>An investment is to be reported as asset class type ‘other’ for reasons including, but not limited to, (a) an RSE licensee does not have sufficient information about an investment to classify it into one or more asset classes; or (b) an investment is in a different category than the relevant combinations of: asset class type, asset domicile type, asset listing type, fixed income type, fixed income currency, fixed income term, mortgage type, international economy type and counterparty credit rating.</p> <p>Exclude from asset class type ‘other’ investments in multi-asset class investment vehicles such as <b>cash management trust</b>, <b>life company guaranteed</b>, <b>life company investment linked</b>, <b>life company other</b>, <b>listed retail trust</b>, <b>pooled superannuation trust</b>, <b>unlisted retail trust</b> and <b>wholesale trust</b>. Investments in these investment vehicles must be allocated to each asset class, asset domicile, asset listing, fixed income type, fixed income currency, fixed income term, mortgage and international economy type represented in the underlying investment.</p> <p><i>Examples of other investments include: hedge funds, mezzanine debt, convertible debt.</i></p> <p><i>Examples of listed equity investments include: common shares, preference shares. Exchange traded funds (ETFs) and listed trusts are to be allocated to the asset class of the underlying asset. Include equity ETFs, and listed equity trusts in listed equity. Exclude non-equity ETFs and listed trusts such as: fixed income ETFs, commodity ETFs, listed property trusts and listed infrastructure trusts.</i></p> <p><i>Examples of unlisted equity investments include: venture capital, private equity.</i></p> <p><i>Examples of commodities include: precious metals, agricultural natural resources, energy, livestock, commodity ETFs, exchange traded commodities (ETCs).</i></p>
<b>Directly held</b>	Represents investments made by the RSE in its own name. Includes: investments held by a custodian in trust for the RSE.
<b>Indirectly held</b>	Represents an investment made via an investment vehicle.
<b>MySuper product</b>	Represents a MySuper product that has been authorised by APRA under s. 29T, s. 29TA or s. 29TB of the SIS Act.
<b>Defined benefit</b>	Represents a member interest that is a defined benefit interest or a defined benefit

<i>interests</i>	pension. Reference: SIS Regulations, r. 1.03AA, r. 9.04E.
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## Indirectly held investments – large exposures

Item 2 collects indirectly-held large exposures.

**Unit of measurement:** report item 2.3 column 4 as a date; report item 2.1 column 10 and item 2.2 as thousands of dollars; report item 2.1 column 11 as a percentage.

**Look through basis:** report item 2.1 column 1 to column 4 inclusive, and, item 2.3 on a non **APRA-look through basis**, (i.e report in respect of an investment vehicle that the RSE invests in); report item 2.1 column 5 to column 11 inclusive on an **APRA-look through basis** (i.e report on the investments underlying an investment vehicle as illustrated by the diagram of **APRA-look through basis** in item 3 below ).

<b>Item 2</b>	<p>Report each <b>indirectly held</b> large exposure as a separate line in item 2. For each <b>indirectly held</b> large exposure, report by asset class in item 2.1 and by MySuper products and defined benefits in item 2.3. For each <b>indirectly held</b> large exposure, report the same name and ABN of the investment vehicle in item 2.1 column 1 and column 2, and in item 2.3 column 1 and column 2, to link asset class and MySuper products and defined benefits.</p> <p>Where an <b>indirectly held</b> large exposure is invested in multiple asset class types, asset domicile types, asset listing types, fixed income types and currencies report the <b>indirectly held</b> large exposure over multiple lines in item 2.1 with each combination of asset class type, asset domicile type, asset listing type, fixed income type and currency relating to the investment vehicle reported on a separate line. Only one line needs to be reported per investment vehicle in item 2.3.</p> <p>For each combination of asset class type, asset domicile type, asset listing type, fixed income type and fixed income currency for each <b>indirectly held</b> large exposure reported in item 2.1:</p> <ul style="list-style-type: none"> <li>• report the name of the investment vehicle in column 1 and the <b>ABN</b> of the investment vehicle in column 2. If the investment vehicle domicile is <b>international domicile</b> and thus does not have an <b>ABN</b>, leave column 2 blank;</li> <li>• report the investment vehicle type in column 3 and the investment vehicle domicile type in column 4;</li> <li>• report the asset class type in column 5, asset domicile type in column 6, asset listing type in column 7, fixed income type in column 8 and fixed income currency type in column 9;</li> <li>• report the value of the investment in column 10; and</li> <li>• if <b>gearing</b> is allowed in the investment vehicle, report the proportion of the investment value reported in column 10 that is geared in column 11.</li> </ul> <p>Item 2.2 is a derived item. Report total indirectly held large exposures in item 2.2 as equal to the sum of values reported in item 2.1 column 10.</p> <p>For each <b>indirectly held</b> large exposure reported in item 2.3:</p> <ul style="list-style-type: none"> <li>• report the name of the investment vehicle in column 1 and the <b>ABN</b> of the investment vehicle in column 2. If the investment vehicle domicile is <b>international domicile</b> and thus does not have an <b>ABN</b>, leave column 2 blank;</li> <li>• if the investment vehicle is an <b>associate</b> of the RSE licensee or RSE, report ‘yes’ in column 3; otherwise, report ‘no’;</li> <li>• report the <b>review date</b> of the investment vehicle in column 4; and</li> </ul>
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	<ul style="list-style-type: none"> <li>report the exposure type in column 5.</li> </ul> <p>The investment vehicle types are: <i>cash management trust, life company guaranteed, life company investment linked, life company other, listed retail trust, pooled superannuation trust, unlisted retail trust, wholesale trust</i> and ‘other indirect investment’.</p> <p>The asset class types are: <i>cash, fixed income, equity, property, infrastructure, commodities</i> and ‘other’.</p> <p>The asset domicile types are: <i>Australia domicile, international domicile</i> and ‘not applicable’. Where the domicile is not known, report asset domicile type as ‘not applicable’.</p> <p>The asset listing types are: <i>listed, unlisted</i> and ‘not applicable’. Report asset listing type as ‘not applicable’ for asset class type ‘cash’. Where the asset listing is not known, report asset listing type as ‘not applicable’.</p> <p>The fixed income types are: <i>Government debt, non Government debt, mortgage debt, credit</i> and ‘not applicable’. The fixed income types are only applicable to investments of asset class type <i>fixed income</i>. For asset class type <i>fixed income</i>, where the fixed income type is not known, report fixed income type as ‘not applicable’.</p> <p>The fixed income currency types are: <i>Australian dollars, other currency</i> and ‘not applicable’. The fixed income currency types are only applicable to investments of asset class type <i>fixed income</i>. For asset class type <i>fixed income</i>, where the fixed income currency is not known, report fixed income currency as ‘not applicable’.</p> <p>The exposure types are: ‘<i>MySuper product</i>’ if any <i>MySuper product</i> in the RSE are exposed to the investment; ‘<i>defined benefit interests</i>’ if any <i>defined benefit interests</i> in the RSE are exposed to the investment, ‘<i>MySuper product</i> and <i>defined benefit interests</i>’ if both <i>MySuper product</i> and <i>defined benefit interests</i> in the RSE are exposed to the investment and ‘neither’ if neither <i>MySuper product</i> or <i>defined benefit interests</i> in the RSE are exposed to the investment.</p>
<b>ABN</b>	Represents a unique public identifier issued to an entity registered in the Australian Business Register to be used in dealings with government. A company registered under the <i>Corporations Act 2001</i> or a business entity carrying on an enterprise in Australia is entitled to an ABN.
<b>Associate</b>	Represents an associate within the meaning given in s. 12 of the SIS Act.
<b>Review date</b>	Represents the date on which the RSE licensee last reviewed the investment vehicle. Reference: <i>Prudential Standard SPS 530 Investment Governance</i> .
<b>Gearing</b>	Represents borrowings for the purpose of boosting the return on capital and income via additional investment. Includes: derivative securities which achieve a gearing effect.

#### Indirectly held investments - exposure concentrations in underlying investments

Item 3 collects indirectly held investments via investment vehicles that are connected to the RSE licensee or RSE and the underlying investment vehicles of those investments.

Information is only collected where the underlying investment represents at least one per cent of the total investments of the RSE. This is referred to as *APRA-look through basis* reporting on investment vehicles; an illustration of this is provided below.

Item 3 column 1 to column 3 inclusive collects the indirectly-held investment. Item 3 column 4 to column 8 inclusive collects the underlying investment.

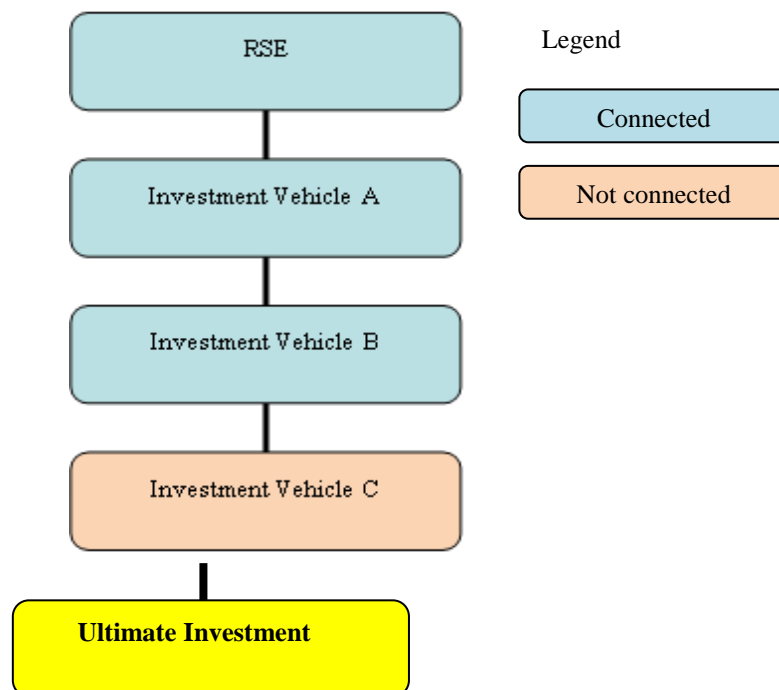
Item 3 column 9 collects information on whether underlying investments are *associates* of the RSE licensee.

An underlying investment vehicle may invest in another investment vehicle. Where this investment in another investment vehicle represents at least one per cent of the total investments of the RSE, treat the underlying investment as an indirectly-held investment and report the information on a new line in item 3.

APRA-look through reporting does not apply to the investments held by a non-connected investment vehicle. Therefore, repeat this reporting process for each indirectly-held investment with a connected investment vehicle, which has an underlying investment that represents at least one per cent of the total investments of the RSE.

### Illustration of APRA-look through basis

The diagram below provides an illustration of *APRA-look through basis* reporting to assist with reporting in item 3. The diagram portrays the RSE investing in *Investment Vehicle A* which is connected to the RSE licensee/RSE. *Investment Vehicle A* invests some or all of the RSE’s investment with *Investment Vehicle B* which is also connected to the RSE licensee/RSE. *Investment Vehicle B* invests some or all of the RSE’s investment with *Investment Vehicle C* which is not connected to the RSE licensee/RSE. *Investment Vehicle C*, in turn, invests exclusively in listed securities which is the *ultimate investment*. The *most proximate investment* of a person connected with the RSE licensee is *Investment Vehicle B’s* investment in *Investment Vehicle C*. The investment in *Investment Vehicle A*, *Investment Vehicle B* and *Investment Vehicle C* must be reported in item 3. Further reporting regarding the *Ultimate Investment* underlying *Investment Vehicle C* is not required as *Investment Vehicle C* is not connected to the RSE licensee.



**Unit of measurement:** report item 3 column 3 as a whole number and item 3 column 7 as thousands of dollars.

**APRA-Look through basis:** report item 3 on an *APRA-look through basis*.

<p><b>Item 3</b></p>	<p>Using the illustration of <b>APRA-look through basis</b> above, where the investment by <i>Investment Vehicle A (A)</i> in <i>Investment Vehicle B (B)</i> represents at least one per cent of the total investments of the RSE, report <i>A</i> as the indirectly-held investment in item 3 and <i>B</i> as the underlying investment in item 3, in the same row.</p> <p>Report the name of <i>A</i> in column 1, the <b>ABN</b> of <i>A</i> in column 2 and the number of <b>interposed entities</b> between the RSE and <i>A</i> in column 3.</p> <p>Report the name of <i>B</i> in column 4, the <b>ABN</b> of <i>B</i> in column 5, the investment vehicle type of <i>B</i> in column 6, the value of the investment in <i>B</i> in column 7.</p> <p>If <i>B</i> invests in other investment vehicles, report 'yes' in item 3 column 8; otherwise, report 'no'.</p> <p>If <i>B</i> is connected to the RSE licensee or RSE, report 'yes' in item 3 column 9; otherwise report 'no'.</p> <p>In the illustration, 'yes' is reported in item 3 column 8 and column 9 and because where the investment by <i>B</i> in <i>Investment Vehicle C (C)</i> represents at least one per cent of the total investments of the RSE, <del>also report <i>B</i> is reported</del> as the indirectly-held investment in columns 1 to 3 and with <i>C</i> as the underlying investment, <del>in a new line in item 3 columns 4 to 8</del>. In this illustration, <i>C</i> is not connected to the RSE licensee/RSE and therefore no further information is collected.</p> <p>If the underlying investment vehicle named in column 4 is an <b>associate</b> of the RSE licensee or RSE, report 'yes' in item 3 column 9; otherwise, report 'no'.</p> <p>The investment vehicle types are: <i>cash management trust, life company guaranteed, life company investment linked, life company other, listed retail trust, pooled superannuation trust, unlisted retail trust, wholesale trust</i> and 'other indirect investment'.</p>
<p><b>Associate</b></p>	<p>Represents an associate within the meaning given in s. 12 of the SIS Act.</p>
<p><b>Interposed entity</b></p>	<p>Represents a connected entity that has been engaged to manage some or all of the investments of the RSE that invests in other investment vehicles. Exclude: an investment vehicle that holds the RSE's investment. Reference: <b>subsection 13(4C), Financial Sector (Collection of Data) Act 2001</b></p>

**Large exposures by country of investment**

Item 4 and item 5 collect investments by the geographic location in which the investment is held.

**DIRECTLY HELD INVESTMENTS - LARGE EXPOSURES BY COUNTRY OF INVESTMENT**

Item 4 collects information about directly held investments by country of the investment.

Where the aggregate value of directly held investments in a country is less than one per cent of the RSE's total investments, the country does not need to be reported. Appendix 2 contains a list of countries with information on the extra jurisdictions/territories covered by each country name.

**Unit of measurement:** report item 4 column 2 as thousands of dollars.

**APRA-look through basis:** report item 4 on a non **APRA-look through basis**.

<p><b>Item 4</b></p>	<p>For each country of investment where the aggregate value of <b>directly held</b> investments in that country is greater than or equal to one per cent of the total investments of the RSE, report the country in column 1 and aggregate value of <b>directly held</b> investments in column 2.</p>
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	Report each country on a separate line. See Appendix 2 for a listing of countries.
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**Indirectly held investments - large exposures by international exposure**

Item 5 collects information about indirectly held investments according to the domicile of the investment vehicle, information regarding whether the investment vehicle is an **associate** of the RSE licensee or RSE and the region of international exposure.

The unit of measurement for item 5 is the combination of: domicile of investment vehicle, **associate**, international region exposure and country.

Where the aggregate value of indirectly held investments with **associates** of the RSE licensee or RSE, by domicile of investment vehicle, international region exposure and country is less than one per cent of the total investments of the RSE, the investment does not need to be reported.

Where the aggregate value of indirectly held investments with investment vehicles that are not **associates** of the RSE licensee or RSE, by domicile of investment vehicle, international region exposure and country is less than one per cent of the total investments of the RSE, the investment does not need to be reported.

*Example: two non-**associated** investment vehicles domiciled in the U.S.A. that invest in Asia with an aggregate value of 6 per cent of the RSE’s total investments, are to be aggregated and reported in a single line.*

*Example: two **associated** investment vehicles domiciled in Brazil that invest in the Americas with an aggregate value of 0.75 per cent of the RSE’s total investments do not need to be reported.*

**Unit of measurement:** report item 5 column 5 as thousands of dollars.

**APRA-Look through basis:** report item 5 column 1 and column 2 on a non **APRA-look through basis**; report item 5 column 3, column 4 and column 5 on an **APRA-look through basis** in respect of the indirectly held investment vehicles that are **associates** of the RSE licensee.

<b>Item 5</b>	<p>Report each combination of domicile of investment vehicle, associate, international region exposure and country that has an aggregate value greater than or equal to one per cent of the total investments of the RSE on a separate line in item 5.</p> <p>Report the <i>domicile of the investment vehicle</i> in column 1.</p> <p>If the investment vehicle is an <i>associate</i> of the RSE licensee or RSE, report ‘yes’; otherwise, report ‘no’ in column 2.</p> <p>Report the international region exposure in column 3, the country in column 4 and the aggregate value of the investment in column 5.</p> <p>The international region exposures are: <i>global, Americas region, Asia region, Europe region, Mid East / Africa region, Oceania region</i> and individual country.</p> <p>Report ‘not applicable’ for country in column 4 if the international region exposure reported in column 3 is <i>global, Americas region, Asia region, Europe region, Mid East / Africa region</i> or <i>Oceania region</i>.</p>
<b>Associate</b>	Represents an associate within the meaning given in s. 12 of the SIS Act.
<b>Domicile of investment</b>	Represents the location of the investment vehicle. The criterion for location is whether an investment vehicle is permanently located, physically and/or by way of law or



<i>vehicle</i>	registration, inside or outside a country's borders.
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### Large exposures in unlisted investments

Item 6 collects additional information about each equity security holding in an unlisted corporation, unlisted private trust, limited partnership or joint venture that represents more than one per cent of total investments of the RSE.

**Reporting basis:** report column 6 as at the date the investment was made; report column 8 with respect to transactions that occurred during the reporting period; report column 5, column 7, column 9 and column 10 as at the end of the reporting period. If investments have been made at multiple dates, report column 6 as the sum across all of the dates investments were made.

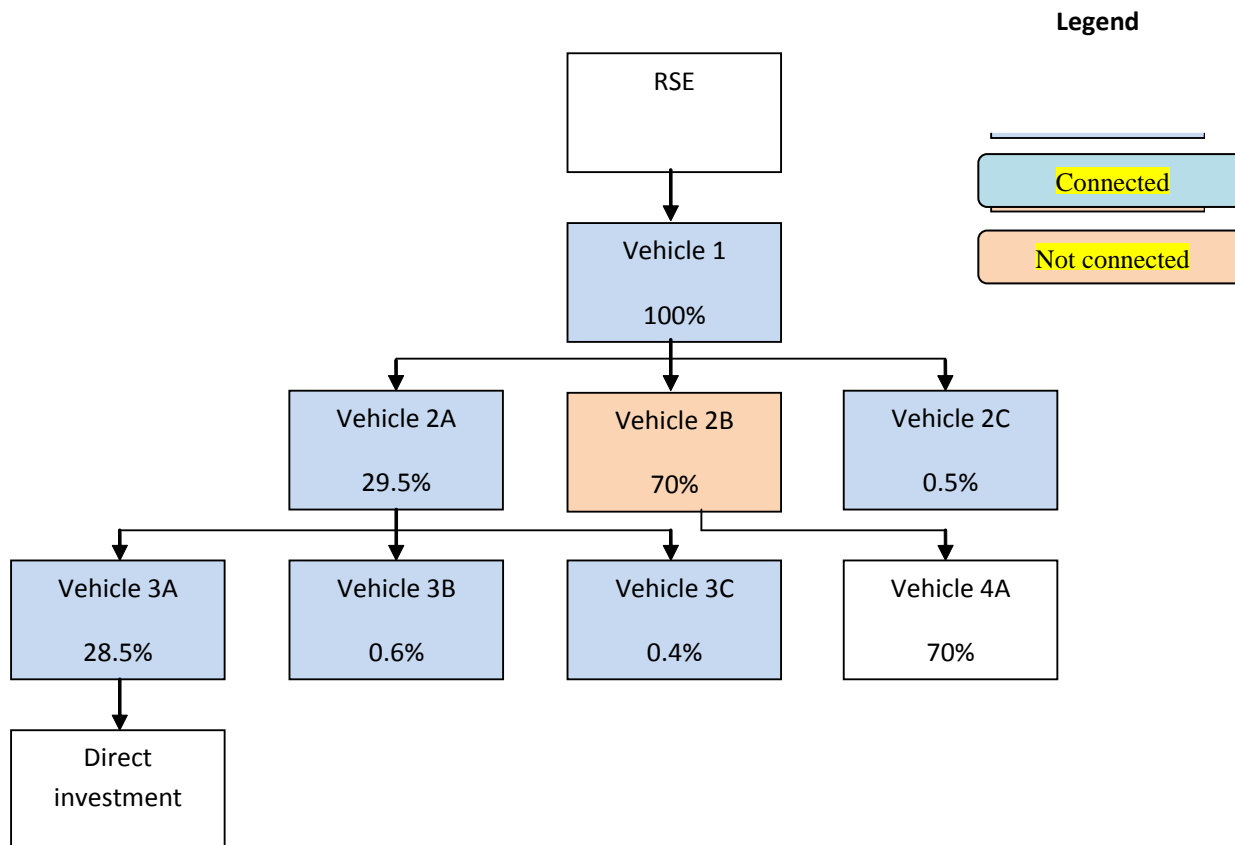
**Unit of measurement:** report column 5 as a percentage; report column 6 to column 9 inclusive as thousands of dollars.

**APRA-Look through basis:** report item 6 on a non *APRA-look through basis*.

<b>Item 6</b>	<p>Report each <i>directly held equity</i> investment in an <i>unlisted corporation, unlisted private trust, limited partnership or joint venture</i> that represents more than one per cent of total investments of the RSE as a separate line in item 6.</p> <p>For each investment, report the unlisted entity type in column 1, the name of the entity in column 2 and the <i>ABN</i> of the entity in column 3.</p> <p>If the entity is an <i>associate</i> of the RSE licensee or RSE, report 'yes' in column 4; otherwise, report 'no'.</p> <p>Report the <i>ownership percentage</i> in the entity in column 5, the <i>initial cost</i> of the investment in column 6, the value of the investment in column 7, <i>distributions</i> from the entity that are recognised as income by the RSE in column 8, the value of <i>commitments outstanding</i> in column 9 and the exposure type in column 10. Where the <i>initial cost</i> involves multiple acquisitions, report the total cost of each acquisition.</p> <p>The unlisted entity types are: <i>unlisted corporation, unlisted private trust, limited partnership, joint venture</i> and <i>other</i>. [CONSIDER INCLUDING A DEFINITION OF <i>other</i> IN "Glossary"]</p> <p>The exposure types are: '<i>MySuper product</i>' if any <i>MySuper product</i> in the RSE are exposed to the investment; '<i>defined benefit interests</i>' if any <i>defined benefit interests</i> in the RSE are exposed to the investment, '<i>MySuper product</i> and <i>defined benefit interests</i>' if both <i>MySuper product</i> and <i>defined benefit interests</i> in the RSE are exposed to the investment and 'neither' if neither <i>MySuper product</i> or <i>defined benefit interests</i> in the RSE are exposed to the investment.</p>
<b>Associate</b>	Represents an associate within the meaning given in s. 12 of the SIS Act.
<b>Ownership percentage</b>	Represents the portion of ownership held by the RSE in the investment.
<b>Initial cost</b>	Represents the amount at which the investment was first made.
<b>Distributions</b>	Represents gross revenue in the form of distributions received in lieu of the investment. Reference: Australian Accounting Standards.
<b>Commitments outstanding</b>	Represents the amount of legally enforceable contractual commitments to invest additional funds in the asset at any time in the future.



## APPENDIX 1: ILLUSTRATIVE EXAMPLE FOR COMPLETION OF ITEM 3



3. Indirectly-held investment or multi-layer indirectly-held investment			Underlying investment						
Indirectly held investment vehicle name	Indirectly held investment vehicle ABN	Interposed entities	Underlying investment vehicle name	Underlying investment vehicle ABN	Type of investment vehicle	Underlying investment value	Invests in investment vehicles?	Associate	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Vehicle 1	XXX	0	Vehicle 2A	YYY	Wholesale trust	29500	Yes	Yes	
Vehicle 1	XXX	0	Vehicle 2B	ZZZ	Wholesale trust	70000	Yes	No	
Vehicle 2A	YYY	1	Vehicle 3A	AAA	Listed retail trust	28500	No	No	

As 'yes' is reported in column 8 for Vehicle 2A, that vehicle must be treated as if it were itself an indirectly-held investment of the RSE. Where the underlying investments of Vehicle 2A represent at least one per cent of the assets of the RSE, report this information in a new line in item 3.

As Vehicle 2A is an entity connected with the RSE but is not an associate of the RSE, report 'no' in column 9.

As Vehicle 2B is not an entity connected with the RSE, no further look through is required to the investments of Vehicle 4A. Further, as Vehicle 2B is not an associate of the RSE, report 'no' in column 9.

Vehicle 2C does not need to be reported because the investments are less than one per cent of the investments of the RSE.

As 'no' is reported in column 8 for Vehicle 3A, no further look-through reporting is required on the 'direct investment'.

Vehicle 3B and 3C do not need to be reported because the investments are less than one per cent of the investments of the RSE.