



19 March 2018

## TO ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS

### CHANGE TO REPORTING STANDARD ARS 110.0 CAPITAL ADEQUACY

The revised mutual equity interest framework in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital came into effect on 1 January 2018. This framework facilitates the issuance of CET1 - eligible capital instruments by mutually owned ADIs.

As foreshadowed in APRA's consultation on the framework, APRA is now making minor consequential changes to reporting requirements in Reporting Standard ARS 110.0 Capital Adequacy (ARS 110.0).

The change adds the following two line items to Reporting Form ARF 110\_0\_1 Capital Adequacy (Level 1) and Reporting Form ARF 110\_0\_2 Capital Adequacy (Level 2):

- Item 1.1.2 Mutual Equity Interests captures all mutual equity interests on issue up to a maximum of 25 per cent of an ADI's CET1 capital before applying regulatory adjustments; and
- Item 3.5 Excess Mutual Equity Interests captures any mutual equity interests on issue that are not eligible for inclusion in CET1 capital.

The reporting standard is available at:

<http://www.apra.gov.au/adi/ReportingFramework/Pages/Proposed-revisions-to-ARS-110-Capital-Adequacy.aspx>

APRA appreciates that this change is likely to require all ADIs reporting under ARS 110.0 to make some system changes, regardless of whether they have issued mutual equity interests. APRA is therefore proposing to defer implementing the revised ARS 110.0 until 30 September 2018.

Please email [dataanalytics@apra.gov.au](mailto:dataanalytics@apra.gov.au) if this timeframe is problematic or if you have any questions by 13 April 2018.

Yours sincerely

A handwritten signature in black ink that reads 'M. Fermor'.

Michael Fermor  
General Manager  
Data Analytics