



Australian Banking  
Association

06 June 2022

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Data Strategy and Frameworks  
Australian Prudential Regulation Authority  
1 Martin Place, Sydney, NSW, 2000

Dear ██████████,

## Revisions to the ADI capital framework: Interim reporting standards for consultation and parallel run expectations

Thank you for the opportunity to provide feedback on the interim reporting standards and parallel run expectations for the ADI capital framework.

This submission provides feedback on reporting timelines and dates, level of consolidation and scope of submissions as well as definitional questions relating to specific reporting standards.

Yours faithfully

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## About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.



## Attachment A: Reporting Timelines and Dates

There remains some confusion from ABA members as to submission dates and expectations around receiving information that will assist them in their data build.

### Submission date: ARS 180

**Confirmation is sought that the submission date for ARS 180 remains permanently at CD 35, mirroring that of the ARS 110, ARS 112 and ARS 113 submissions.**

Since March 2020 APRA has provided a concession to ADIs, moving the submission date of this return to CD 35 (as per APRA's letter to ADIs on 31 March 2020: *Changes to reporting obligations in response to COVID-19*).

There is currently contradictory advice provided to ADIs on future intentions for ARS 180 submissions. In the current consultation APRA states that all returns are to be submitted on CD 35 however the draft ARS 180 attached to the revised standard specifies the return is to be submitted on CD 28.

### Submission date: ARF 115.0

**Confirmation is sought for the first submission date of ARF 115.0.**

ARS 115.0 (paragraph 4) states the reporting standard applies for reporting periods ending on or after 1 January 2023. In addition, ARS 115.0 (paragraph 10) states the information required by this Reporting Standard must be provided to APRA within three calendar months and 35 calendar days after the end of the reporting period to which this information relates.

Using the example of an ADI with a financial year end of 31 December 2022, is APRA's expectation that the ADI will submit the first ARF 115.0 for the year ended 31 December 2023 on 5 May 2024? If this is APRA's expectation, is the ADI required to report Operational Risk Capital as calculated in ARF 114.0 in ARF 110.0 for each quarter in 2023?

### Release of APS 330

**Given time and operational constraints, ADIs require APRA provide further guidance, or an earlier release date, for APS 330.**

In the timeline outlined in APRA's letter, '*Letter to ADIs – ADI capital reforms – ROADMAP TO 2023*,' interim reporting standards would be released in Q3-22. It is unclear what the new APS 330 will be and whether comparatives would need to be restated or not. Any major overhaul will require significant system investment whether via a new build or manual effort if the standards are not released in the near-term.

### ARF 923.0: Monthly Capital and Credit Return

**What is the future expectation for monthly reporting of ARF 923.0?**

The current ARF 923.0 return data points refer to existing ARS 112 / 113 series returns which will no longer exist after January 2023. Therefore, will reporting of ARF 923.0 cease at this point given it is not referenced as a consequential return.

Currently, ADIs are required to report monthly ARF 923.0 where capital data is also provided. The submission date for ARF 923.0 is BD 15 of every month. The unquestionably strong requirements go live in January 2023 and the first quarterly reporting under the unquestionably strong framework will be March 2023.



## Streamlining of reporting requirements: ARF 118

### When does APRA intend to decommission ARF 118?

In the 7 April 2022 *Letter to ADIs - Revisions to the ADI capital framework – Interim reporting standards for consultation and parallel run expectations*, APRA stated that “where possible APRA has made changes to these new collections to better meet data needs, simplify reporting requirements, and reduce the need for future data collections and ad hoc requests.”

ARF 118.1, covering the nature of transactions, is adequately covered in the replacement ARF 112 and ARF 113 data collections. Can APRA confirm whether there is intent to retire the ARF 118.1 given the commitment above.

It is noted that, the more specific derivative disclosure data points currently in ARF 118.0 are not reflected in the updated ARF 112 and ARF 113 data collections. Can APRA confirm whether there is intent to continue with this specific return and if so, confirm the due date of this return will be aligned with other collections on CD 35 (noting it is currently due on BD 30)? Level of consolidation & scope required for submission

### Should the tables for ARS 112 and ARS 113 be submitted on a Level 1 / Level 2 or Licensed / Consolidated basis?

ABA members encourage APRA to continue with the current practice of submitting on a level 1 / level 2 basis. Currently the draft ARS 112 and ARS 113 instructions include the following in the ‘Reporting Basis’:

*“This table is to be completed by all ADIs on both a licensed ADI and consolidated ADI group basis (where applicable). Licensed ADI refers to the operations of the reporting ADI on a stand-alone basis.”*

Additionally, the following is stated in the section ‘Information Required,’ paragraph 7:

*“If an ADI to which this Reporting Standard applies is part of a Level 2 group, the ADI must also submit to APRA the information required by this Reporting Standard for an ADI at Level 2 for each reporting period, unless the ADI is a subsidiary of an authorised NOHC. If the ADI is a subsidiary of an authorised NOHC, the ADI’s immediate parent NOHC must submit to APRA the information required by this Reporting Standard for each reporting period. In doing so, the immediate parent NOHC must comply with this Reporting Standard (other than paragraph 6) as if it were the relevant ADI.”*

The current (pre-capital reform) ARF 112/113 reporting forms are prepared on a Level 1 and Level 2 consolidated basis. The interim reporting moves away from this, specifying reporting on a Consolidated and Licensed ADI level.

### Should the tables for ARS 112 and ARS 113 include New Zealand subsidiaries?

ABA members encourage APRA to continue with the current practice of reporting New Zealand subsidiaries as part of Level 2 operations.

Specific instructions for Table 1 specifies excluding “exposures of an overseas banking subsidiary that is prudentially regulated by a prescribed New Zealand authority”. Excluding New Zealand banking subsidiaries from level 1 or level 2 is inconsistent with contemporary accounting practices. We encourage APRA to include New Zealand subsidiaries in ARF 112 / 113.



## Attachment B: Draft ARS 112

### Scope of reporting

Does ARF 112 need to be populated for exposures which do not qualify for IRB treatment? For example, an exposure will only be reported in either the ARF 112 or 113, but not in both reporting forms.

### Row 1 'Exposure classification'

For 'Commercial property – Non dependent on Cashflows' which relevant counterparty should be selected? What is the definition for "long-term" and "short-term" in Exposure classification "Corporate – general"?

### Row 2 'Exposures dependent on counterparties'

The description in Column 2 notes "For market related exposures and exposures whose risk weight is not dependent on counterparties, report Not Applicable."

Where exposure classification is Bank/Corporate/Retail, the risk weight is dependent on counterparties however there is no applicable value in column 2 for these exposure classifications. Where shall these be placed?

### Row 4 'Nature of transaction - Irrevocable standby commitments under industry support arrangements'

The guidance from APRA in APG112 states that "*This category includes industry support commitments that have been approved by APRA*". Which commitments – if any – currently fall under this definition? Is this intended for COVID related commitments / natural disaster relief, etc?

### Row 5 'Loan-to valuation-ratio (LVR)'

Where the loan is unsecured (e.g. LVR is Nil), which LVR bucket should be selected: 0 to <=5%', '>100%' or 'Not applicable'.

For 'All other non-standard residential property' loans, the risk weight is 100% (as per APS112 Table 2) regardless the LVR. Is it in scope for Table 5 and does it need to be calculated in accordance with attachment A of APS112?

### Row 13 'Risk-weighted assets (RWA)'

The guidance states that the "*RWA will be automatically calculated in accordance with APS 112.*" Please confirm that this will be a calculated field in the report and does not expect ADI's to report the RWA amount?

### Paragraph for 'General instructions - Application to an IRB or an applicant IRB ADI'

There is text missing, which may be due to it being in white font. The bolded text below signifies the portion of text which appears to be in white font.

**'An ADI that has received IRB approval under APS 113 and has approval for partial use of the standardised approach under APS 112 is expected to report under this reporting form in respect of operations that remain under standardised approach.'**

**An ADI that is operating under the APS 112 standardised approach to credit risk, but has applied to adopt IRB approach is expected to continue to meet the requirements of this standard for all exposures. In addition, the ADI is expected to meet the requirements in ARS 113 for those exposures they are seeking approval to use the IRB approach under APS 113 and separately report under this form in respect of operations that will remain under standardised approach (i.e. partial use).'**



## Attachment C: Draft ARS 113

### **Treatment of the current ARF 113.4 Non-Lending Assets form.**

We are under the impression that APRA that ARF 113.4 is out of scope, however the below consultation states that the new standards will replace ARF 113.4. Please confirm that ARF 113.4 has been incorporated into the new table within ARF 112?

### **Internal LGD Grade**

Could APRA provide guidance as to whether this field is to be reported by F-IRB ADIs for its model approved retail exposures, and if so, whether this is to be reported as LGD bands (i.e., 2.5% - 4.99% as is done in current reporting) or a distinct LGD grades (i.e., LGD1, LGD2 etc.) for varying bands.

Reporting '12. Internal LGD Grade' as a text field is not a widespread concept for F-IRB ADIs and would require additional credit and system considerations. Internal LGDs are only available for model approved retail exposures (i.e. Retail Mortgages, Other Retail, Retail SME).

### **Covered vs Uncovered LGD**

Could APRA provide guidance as to how to report exposures which have both an uncovered and covered portion which attract different LGDs?

### **RWA Overlay**

Can APRA provide guidance as to the expected reporting treatment of RWA overlays which impact multiple asset classes in ARF 113. Does APRA expect overlays to be split across each applicable asset class individually or against the most material asset class?



## Attachment D: Other matters

### Draft ARS 180

RBNZ regulated exposures are to continue to be reported in ARF 180.2? If they are, how is CEM exposure is to be reported under ARF?

Counterparty Credit Risk capital requirements under APS112, APS113 and APS180 are reported in the Reporting Form 'ARF 180.2 IRB – Counterparty Credit Risk and CVA Risk'. This reporting form is designed for SA-CCR exposures.

### Leverage ratio

#### **Does APRA intend to use daily average values of Security Financing Transactions (SFTs) exposures for the Leverage Ratio?**

The revised *APS110 - Attachment D (Leverage ratio)* does not mention daily averaging for the calculation of SFT exposures. Item 3.4 of the Reporting Standard ARS 110.0 require ADIs to report Securities Financing Transaction exposures as set out in APS 110 – with no reference to daily averaging.

The revised *APS110 - Attachment D (Leverage ratio)* also requires the use of the modified SA-CCR to calculate derivatives' exposures. Leverage ratio disclosure requirements are detailed in APS330. APS330 has not been updated accordingly, with APS330 derivative exposures' reporting requirements still based on the previous methodology (i.e. simple sum of RC+PFE).