



## Prudential Standard APS 330

### Capital Adequacy: Market Disclosure

#### Objective and key requirements of this Prudential Standard

A high degree of transparency in financial markets, underpinned by high quality and timely market disclosure, enhances market discipline as well as market efficiency and confidence. The disciplining effects of markets can reinforce prudential supervision by rewarding those institutions that assess and manage risk effectively and penalising those where risk assessment and risk management are inadequate.

This Prudential Standard aims to enhance transparency in Australian financial markets by setting minimum requirements for the market disclosure of information on the risk management practices and capital adequacy of locally incorporated authorised deposit-taking institutions (ADIs).

Importantly, it recognises that, to be useful to a range of market participants, such disclosures should be consistent with the scope and complexity of an ADI's operations and the sophistication of its risk management. The requirements of this Prudential Standard are therefore tailored to the two broad approaches taken by ADIs to measuring their capital adequacy for regulatory purposes.

The key requirements of this Prudential Standard are:

- locally incorporated ADIs that are Australian owned and have been approved by APRA to use the more advanced approaches are required to disclose a range of both quantitative information (semi-annually) and qualitative information (annually), in addition to the disclosure of some basic information (quarterly);
- locally incorporated ADIs that are Australian owned and are using the standardised approaches are required to disclose a basic set of information on a quarterly basis; and
- locally incorporated ADIs that are foreign owned are required to disclose the basic set of information on a quarterly basis, although APRA may, on a case-by-case basis, require such an ADI to make more frequent or extensive disclosures on its capital adequacy.

### Authority

1. This Prudential Standard is made under paragraphs 11AF(1)(c) and 11AF(1AA)(b) of the *Banking Act 1959* (the **Banking Act**).

### Application

2. This Prudential Standard applies to all locally incorporated authorised deposit-taking institutions (**ADIs**).

### Definitions

3. In this Prudential Standard:
  - (a) **Australian-owned ADI** means an ADI that is not a foreign-owned ADI;
  - (b) **foreign-owned ADI** means an ADI in relation to which an approval has been given, under section 14 of the *Financial Sector (Shareholdings) Act 1998*, for a bank that is not locally incorporated to hold a stake of more than 15% in the ADI; and
  - (c) **locally incorporated** means incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or Territory law.

### Minimum requirements for market disclosure

4. The minimum requirements relating to the disclosure by an ADI of information about its capital adequacy under this Prudential Standard (**Prudential Disclosures**) depend on whether or not it has been approved by APRA to use the more advanced approaches to measuring its credit risk and operational risk.
5. The Prudential Disclosures that must be made by a locally incorporated Australian-owned ADI that has been approved by APRA (**IRB/AMA approved**) to use:
  - (a) the internal ratings-based approach (IRB) to credit risk for the purpose of determining the ADI's regulatory capital charge for credit risk (refer *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*); and
  - (b) an advanced measurement approach (AMA) for the purpose of determining the ADI's regulatory capital requirement for operational risk (refer *Prudential Standard APS 115 Capital Adequacy: Advanced Measurement Approaches to Operational Risk*)

are set out in Part A.

6. The Prudential Disclosures that must be made by a locally incorporated ADI that:
  - (a) is Australian owned but not IRB/AMA approved; or

(b) is foreign owned (whether or not IRB/AMA approved)

are set out in Part B.

7. Some general requirements applicable to all locally incorporated ADIs under this Prudential Standard are set out in Part C.
8. APRA may, in writing, vary the minimum disclosure requirements applying to an ADI having regard to its particular circumstances. For example, APRA may require an ADI whose risk management practices and/or capital adequacy position have changed materially, or are subject to ongoing rapid change, to vary the content and/or frequency of its Prudential Disclosures.
9. In the specific case of an ADI that is a foreign-owned subsidiary and is IRB/AMA approved, APRA may, in writing, require the ADI to increase the content and/or frequency of its Prudential Disclosures beyond the requirements set out in Part B. In coming to a decision in this regard, APRA will consider the following factors:
  - (a) the significance of the ADI in the context of the Australian financial system;
  - (b) the significance of the ADI in the global banking group; and
  - (c) the quality of market disclosure of capital adequacy information by the overseas parent in its home jurisdiction.

## **Part A**

### **Specific requirements for IRB/AMA-approved Australian-owned ADIs**

#### *Disclosure policy/principles*

10. Paragraphs 11 to 14 inclusive apply to a locally incorporated ADI that is both IRB/AMA approved and Australian owned.
11. The ADI must have a formal policy relating to its Prudential Disclosures approved by the Board of directors (**Board**) that addresses the ADI's approach to determining the content of its Prudential Disclosures and the internal controls over the disclosure process.
12. The ADI must implement a process for assessing the appropriateness and accuracy of Prudential Disclosures made by it, including their validation and frequency. This should be summarised in the ADI's formal Prudential Disclosures policy.
13. The ADI's Prudential Disclosures must be consistent with the manner in which its Board and senior management assess and manage its risks. Where the (minimum) requirements for Prudential Disclosures set out in this Prudential Standard do not adequately capture this, the ADI must provide additional information.

*Content of disclosures*

14. The ADI is required to make separately the Prudential Disclosures set out in Attachments A and B.

**Part B****Specific requirements for other ADIs**

15. A locally incorporated ADI that:
  - (a) is not IRB/AMA approved; or
  - (b) is foreign owned (whether or not IRB/AMA approved)must make the Prudential Disclosures set out in Attachment B.

**Part C****General requirements**

16. Paragraphs 17 to 28 apply to all locally incorporated ADIs.

*Scope of application*

17. An ADI must ensure that Prudential Disclosures are made on a consolidated banking group **Level 2** basis. A stand-alone ADI within a group will not be required to fulfil the disclosure requirements set out here separately, unless specifically requested, in writing, to do so by APRA. Further details on Level 2 are set out in *Prudential Standard APS 110 Capital Adequacy*.

*Medium/location of disclosures*

18. An ADI must publish its Prudential Disclosures on its web-site, in full in one location, in order to allow market participants to readily access the information disclosed.
19. If an ADI does not have its own web-site, APRA may, in writing, approve an alternative medium and/or location for its Prudential Disclosures.

*Frequency and timing of disclosures*

20. The Prudential Disclosures must be made at least as frequently as follows:
  - (a) the qualitative disclosures required in Attachment A must be published on an annual basis;
  - (b) the quantitative disclosures required in Attachment A must be published on a semi-annual basis; and
  - (c) the disclosures required in Attachment B must be published on a quarterly basis.

21. An ADI must publish its Prudential Disclosures within 40 business days after the end of the period to which they relate.

#### *Materiality*

22. An ADI is not required to make a Prudential Disclosure if the matter to be disclosed is not material. An ADI must decide which Prudential Disclosures are relevant based on materiality. Information is regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. More generally, the ADI must have regard to materiality as applied in the context of its other public disclosures (for instance, as required under the *Corporations Act 2001*) and as canvassed in APRA's published *Materiality Guide*.

#### *Proprietary and confidential information*

23. Proprietary information encompasses information that, if shared with competitors, would render an ADI's investment in its products/systems less valuable by undermining its competitive position. ADIs also possess information about customers that is confidential, being provided under the terms of a legal agreement or counterparty relationship.
24. Disclosure of certain items of information required by this Prudential Standard may prejudice the position of an ADI by making public information that is proprietary and/or confidential in nature. In such cases, subject to APRA's prior written approval, the ADI does not need to disclose those specific items. However, it must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. APRA may, in its written approval, specify the extent of this more general disclosure.

#### *Verification of disclosure*

25. The ADI must ensure that Prudential Disclosures are appropriately verified and take all reasonable steps to ensure their accuracy and correctness.
26. APRA does not require that Prudential Disclosures be audited by an external auditor. However, the disclosures must be consistent with information otherwise published or supplied to APRA that has been subject to review by an external auditor.
27. In exceptional circumstances, however, APRA may require an independent audit of an ADI's disclosure under this Prudential Standard. Such circumstances include where APRA has reason to believe that the disclosed information is incorrect and/or misleading.
28. To ensure appropriate accountability, the ADI's Chief Executive Officer must attest to the accuracy and correctness of the Prudential Disclosures in the ADI's annual declaration to APRA under *Prudential Standard APS 310 Audit and Related Arrangements for Prudential Reporting*.

**Attachment A****Market disclosure requirements for locally incorporated, Australian-owned ADIs that are IRB/AMA approved**

1. This Attachment sets out the Prudential Disclosures that must be made under this Prudential Standard by a locally incorporated, Australian-owned ADI that is IRB/AMA approved. While an ADI may augment the required information with additional material (including graphics, etc), its required disclosures must, and any additional disclosures should, conform to the basic order/layout as follows.

*Scope of application*

2. An ADI must disclose the items set out in Table 1, to the extent applicable to the ADI.

Table 1  
**Scope of application**

<b>Qualitative Disclosures</b>	(a)	The name of the top corporate entity in the Level 2 group to which this Prudential Standard applies.
	(b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).
	(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.
<b>Quantitative Disclosures</b>	(d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.
	(e)	The aggregate amounts (e.g. current book value) of the firm's total interests in insurance entities, which are risk-weighted rather than deducted from capital, as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities.

*Capital*

3. An ADI must disclose the items set out in Tables 2 and 3, to the extent applicable to the ADI.

**Table 2**  
**Capital structure**

<b>Qualitative Disclosures</b>	(a)	Summary information on the terms and conditions of the main features of all capital instruments.
<b>Quantitative Disclosures</b>	(b)	The amount of Tier 1 capital, with separate disclosure of: <ul style="list-style-type: none"> <li>• paid-up ordinary shares;</li> <li>• reserves;</li> <li>• retained earnings, including current year earnings</li> <li>• minority interests arising from consolidation of Tier 1 capital of subsidiaries;</li> <li>• innovative instruments;</li> <li>• non-innovative residual instruments; and</li> <li>• deductions from Tier 1 capital, including goodwill and investments.</li> </ul>
	(c)	The total amount of Tier 2 capital (net of deductions).
	(d)	Other deductions from capital.
	(e)	Total eligible capital.

**Table 3**  
**Capital adequacy<sup>1</sup>**

<b>Qualitative disclosures</b>	(a)	A summary discussion of the ADI's approach to assessing the adequacy of its capital to support current and future activities.
<b>Quantitative disclosures</b>	(b)	Capital requirements for credit risk: <ul style="list-style-type: none"> <li>• portfolios subject to standardised approach, disclosed separately for each portfolio;</li> <li>• portfolios subject to the internal ratings-based (IRB) approaches, disclosed separately for each portfolio under the foundation IRB approach and for each portfolio under the advanced IRB approach: <ul style="list-style-type: none"> <li>- corporate (including specialised lending (SL) not subject to supervisory slotting criteria), sovereign and bank;</li> <li>- residential mortgage;</li> <li>- qualifying revolving retail; and</li> <li>- other retail.</li> </ul> </li> <li>• securitisation exposures</li> </ul>
	(c)	Capital requirements for equity exposures in the IRB approach (simple risk-weight method).
	(d)	Capital requirements for market risk: internal models approach – trading book.
	(e)	Capital requirements for operational risk: advanced measurement approach (AMA).
	(f)	Total and Tier 1 capital ratio: <ul style="list-style-type: none"> <li>• for the top consolidated group; and</li> <li>• for each significant ADI subsidiary.</li> </ul>

<sup>1</sup> For disclosure treatment of non-traded interest rate risk, refer Table 14.

*Risk exposure and assessment*

## General qualitative disclosure requirement

4. For each separate risk area (e.g. credit, market, operational, banking book interest rate risk, equity) the ADI must describe its risk management objectives and policies, including:
- strategies and processes;
  - the structure and organisation of the relevant risk management function;
  - the scope and nature of risk reporting and/or measurement systems; and
  - policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants.

## Credit risk

5. An ADI must disclose the items set out in Tables 4 to 9, to the extent applicable to the ADI.

Table 4<sup>1</sup>**Credit risk: general disclosures**

<b>Qualitative Disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) with respect to credit risk, including: <ul style="list-style-type: none"> <li>• definitions of past due and impaired (for accounting purposes);</li> <li>• description of approaches followed for creation of specific provisions and general reserve for credit losses and statistical methods;</li> <li>• discussion of the ADI's credit risk management policy; and</li> <li>• for ADIs that have partly, but not fully adopted either the foundation IRB or the advanced IRB approach, a description of the nature of exposures within each portfolio that are subject to the 1) standardised, 2) foundation IRB, and 3) advanced IRB approaches and of management's plans and timing for migrating exposures to full implementation of the applicable approach.</li> </ul>
<b>Quantitative Disclosures</b>	(b)	Total gross credit risk exposures, plus average gross exposure over the period broken down by major types of credit exposure.
	(c)	Geographic distribution of exposures, broken down in significant areas by major types of credit exposure. <sup>2</sup>
	(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.
	(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.
	(f)	By major industry or counterparty type: <ul style="list-style-type: none"> <li>• amount of impaired loans and if available, past due loans, provided separately;<sup>3</sup></li> <li>• specific provisions; and</li> <li>• charges for specific provisions and write-offs during the period.</li> </ul>
	(g)	Amount of impaired loans and, if available, past due loans provided separately broken down by significant geographic areas including, if practical, the amounts of specific provisions and general reserve for credit

	losses related to each geographical area. <sup>4</sup>
(h)	Reconciliation <sup>5</sup> of changes in the provisions/reserves for credit impairment.
(i)	For each portfolio, the amount of exposures (for IRB ADIs, drawn plus exposure at default (EAD) on undrawn) subject to the 1) standardised, 2) foundation IRB, and 3) advanced IRB approaches.

<sup>1</sup> Table 4 does not include equities or securitisation exposures.

<sup>2</sup> Geographical areas may comprise individual countries, groups of countries or regions within countries. An ADI might choose to define the geographical areas based on the way its portfolio is geographically managed. The criteria used to allocate the loans to geographical areas should be specified.

<sup>3</sup> ADIs are encouraged also to provide an analysis of the ageing of past-due loans.

<sup>4</sup> The portion of general reserve for credit losses that is not allocated to a geographical area should be disclosed separately.

<sup>5</sup> The reconciliation shows separately specific provisions and the general reserve for credit losses; the information comprises: a description of the type of provision/reserve; the opening balances; write-offs taken during the period; amounts set aside (or reversed) for estimated probable loan losses during the period, any other adjustments (e.g. exchange rate differences, business combinations, acquisitions and disposals of subsidiaries), including transfers between provisions and reserve; and the closing balances. Write-offs and recoveries that have been recorded directly to the income statement should be disclosed separately.

Table 5

### Credit risk: disclosures for portfolios subject to the standardised approach and supervisory risk weights in the IRB approaches

<b>Qualitative Disclosures</b>	(a)	<p>For portfolios under the standardised approach:</p> <ul style="list-style-type: none"> <li>• names of external credit assessment institutions (ECAIs) used, plus reasons for any changes;</li> <li>• types of exposure for which each agency is used;</li> <li>• a description of the process used to transfer public issue ratings onto comparable assets in the banking book; and</li> <li>• the alignment<sup>1</sup> of the alphanumeric scale of each agency used with risk buckets.</li> </ul>
<b>Quantitative Disclosures</b>	(b)	<ul style="list-style-type: none"> <li>• For exposure amounts after risk mitigation subject to the standardised approach, the amount of an ADI's outstandings (rated and unrated) in each risk bucket as well as those that are deducted; and</li> <li>• For exposures subject to the supervisory risk weights in IRB (any SL products subject to supervisory slotting criteria and equities under the simple risk weight method), the aggregate amount of an ADI's outstandings in each risk bucket.</li> </ul>

<sup>1</sup> This information need not be disclosed if the ADI complies with a standard mapping published by the supervisor.

Table 6

**Credit risk: disclosures for portfolios subject to IRB approaches**

<b>Qualitative disclosures</b>	(a)	Supervisor's acceptance of approach/ supervisory approved transition.
	(b)	Explanation and review of the: <ul style="list-style-type: none"> <li>• structure of internal rating systems and relation between internal and external ratings;</li> <li>• use of internal estimates other than for IRB capital purposes;</li> <li>• process for managing and recognising credit risk mitigation; and</li> <li>• control mechanisms for the rating system including discussion of independence, accountability, and rating systems review.</li> </ul>
	(c)	Description of the internal ratings process, provided separately for distinct portfolios: <ul style="list-style-type: none"> <li>• corporate (including small and medium-sized entities (SMEs), specialised lending and purchased corporate receivables), sovereign and ADI;</li> <li>• residential mortgages;</li> <li>• qualifying revolving retail;<sup>1</sup> and</li> <li>• other retail.</li> </ul> <p>The description should include, for each portfolio:</p> <ul style="list-style-type: none"> <li>• the types of exposure included in the portfolio;</li> <li>• the definitions, methods and data for estimation and validation of PD, and (for portfolios subject to the IRB advanced approach) LGD and/or EAD, including assumptions employed in the derivation of these variables;<sup>2</sup> and</li> <li>• description of permitted material deviations from the reference definition of default, including the broad segments of the portfolio(s) affected by such deviations.</li> </ul>
<b>Quantitative disclosures: risk assessment</b>	(d)	For each portfolio (as defined above) except retail, present the following information across a sufficient number of PD grades <sup>3</sup> (including default) to allow for a meaningful differentiation of credit risk: <ul style="list-style-type: none"> <li>• total exposures (for corporate, sovereign and bank, outstanding loans and EAD on undrawn commitments<sup>4</sup>);</li> <li>• for ADIs on the IRB advanced approach, exposure-weighted average LGD (percentage); and</li> <li>• exposure weighted-average risk-weight.</li> </ul> <p>For ADIs on the IRB advanced approach, amount of undrawn commitments and exposure-weighted average EAD for each portfolio.<sup>5</sup></p> <p>For each retail portfolio (as defined above), either:<sup>6</sup></p> <ul style="list-style-type: none"> <li>• disclosures as outlined above on a pool basis (i.e. same as for non-retail portfolios); or</li> <li>• analysis of exposures on a pool basis (outstanding loans and EAD on commitments) against a sufficient number of EL grades to allow for a meaningful differentiation of credit risk.</li> </ul>
<b>Quantitative disclosures: historical results</b>	(e)	Actual losses (e.g. write-offs and specific provisions) in the preceding period for each portfolio (as defined above) and how this differs from past experience. A discussion of the factors that impacted on the loss experience in the preceding period – for example, has the ADI experienced higher than average default rates, or higher than average LGDs and EADs?
	(f)	ADIs' estimates against actual outcomes over a longer period. <sup>7</sup> At a minimum, this should include information on estimates of losses against actual losses in each portfolio (as defined above) over a period sufficient to allow for a meaningful assessment of the performance of the internal rating

	processes for each portfolio. <sup>8</sup> Where appropriate, ADIs should further decompose this to provide analysis of PD and, for ADIs on the advanced IRB approach, LGD and EAD outcomes against estimates provided in the quantitative risk assessment disclosures above. <sup>9</sup>
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<sup>1</sup> In both the qualitative disclosures and quantitative disclosures that follow, ADIs should distinguish between the qualifying revolving retail exposures and other retail exposures unless these portfolios are insignificant in size (relative to overall credit exposures) and the risk profile of each portfolio is sufficiently similar such that separate disclosure would not help users' understanding of the risk profile of the ADIs' retail business.

<sup>2</sup> This disclosure does not require a detailed description of the model in full – it should provide the reader with a broad overview of the model approach, describing definitions of the variables, and methods for estimating and validating those variables set out in the quantitative risk disclosures below. This should be done for each of the five portfolios. ADIs should draw out any significant differences in approach to estimating these variables within each portfolio.

<sup>3</sup> The PD, LGD and EAD disclosures below should reflect the effects of collateral, netting and guarantees/credit derivatives as applicable.

<sup>4</sup> Outstanding loans and EAD on undrawn commitments can be presented on a combined basis for these disclosures.

<sup>5</sup> ADIs need only provide one estimate of EAD for each portfolio. However, where ADIs believe it is helpful, in order to give a more meaningful assessment of risk, they may also disclose EAD estimates across a number of EAD categories, against the undrawn exposures to which these relate.

<sup>6</sup> ADIs would normally be expected to follow the disclosures provided for the non-retail portfolios. However, ADIs may choose to adopt expected loss (EL) grades as the basis of disclosure where they believe this can provide the reader with a meaningful differentiation of credit risk. Where ADIs are aggregating internal grades (either PD/LGD or EL) for the purposes of disclosure, this should be a representative breakdown of the distribution of those grades used in the IRB approach.

<sup>7</sup> These disclosures are a way of further informing the reader about the reliability of the information provided in the 'quantitative disclosures: risk assessment' over the long run. The disclosures are requirements from year-end 2009; In the meantime, early adoption would be encouraged. The phased implementation is to allow ADIs sufficient time to build up a longer run of data that will make these disclosures meaningful.

<sup>8</sup> ADIs are expected to provide these disclosures for as long run of data as possible – for example, if ADIs have 10 years of data, they might choose to disclose the average default rates for each PD grade over that 10-year period. Annual amounts need not be disclosed.

<sup>9</sup> ADIs should provide this further decomposition where it will allow users greater insight into the reliability of the estimates provided in the 'quantitative disclosures: risk assessment'. In particular, ADIs should provide this information where there are material differences between the PD, LGD or EAD estimates given by ADIs compared to actual outcomes over the long run. ADIs should also provide explanations for such differences.

Table 7

**Credit risk mitigation disclosures<sup>1</sup>**

<b>Qualitative Disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) with respect to credit risk mitigation, including: <ul style="list-style-type: none"> <li>• policies and processes for, and an indication of the extent to which the ADI makes use of, on- and off-balance sheet netting;</li> <li>• policies and processes for collateral valuation and management;</li> <li>• a description of the main types of collateral taken by the ADI;</li> <li>• the main types of guarantor/credit derivative counterparty and their creditworthiness; and</li> <li>• information about (market or credit) risk concentrations within the mitigation taken.</li> </ul>
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<b>Quantitative Disclosures</b>	(b)	For each separately disclosed credit risk portfolio under the standardised and/or foundation IRB approach, the total exposure (after, where applicable, on- or off- balance sheet netting) that is covered by: <ul style="list-style-type: none"> <li>• eligible financial collateral; and</li> <li>• other eligible IRB collateral after the application of haircuts.</li> </ul>
	(c)	For each separately disclosed portfolio under the standardised and/or IRB approach, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees/credit derivatives.

<sup>1</sup> Credit derivatives that are treated as part of synthetic securitisation structures should be excluded from the credit risk mitigation disclosures and included within those relating to securitisation.

Table 8

### General disclosure for exposures related to counterparty credit risk (CCR)

<b>Qualitative Disclosure</b>	(a)	The general qualitative disclosure requirement (paragraph 4) with respect to derivatives and CCR, including discussion of: <ul style="list-style-type: none"> <li>• methodology used to assign economic capital and credit limits for counterparty credit exposures;</li> <li>• policies for securing collateral and establishing credit reserves;</li> <li>• policies for wrong-way risk exposures;</li> <li>• the impact of the amount of collateral the ADI would have to provide given a credit rating downgrade.</li> </ul>
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Table 9

### Securitisation disclosures

<b>Qualitative disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) with respect to securitisation (including synthetics), including a discussion of: <ul style="list-style-type: none"> <li>• the ADI's objectives in relation to securitisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the ADI to other entities;</li> <li>• the roles played by the ADI in the securitisation process and an indication of the extent of the ADI's involvement in each of them; and</li> <li>• the regulatory capital approaches that are applicable to the ADI's securitisation activities.</li> </ul>
	(b)	Summary of the ADI's accounting policies for securitisation activities, including: <ul style="list-style-type: none"> <li>• whether the transactions are treated as sales or financings;</li> <li>• recognition of gain on sale;</li> <li>• key assumptions for valuing retained interests, including any significant changes since the last reporting period and the impact of such changes; and</li> <li>• treatment of synthetic securitisations if this is not covered by other accounting policies (e.g. on derivatives).</li> </ul>
	(c)	Names of ECAs used for securitisations and the types of securitisation exposure for which each agency is used.
<b>Quantitative disclosures</b>	(d)	The total outstanding exposures securitised by the ADI and subject to the securitisation framework (broken down into traditional/synthetic), by exposure type. <sup>1</sup>

(e)	For exposures securitised by the ADI and subject to the securitisation framework: <ul style="list-style-type: none"> <li>• amount of impaired/past due assets securitised; and</li> <li>• losses recognised by the ADI during the current period broken down by exposure type.</li> </ul>
(f)	Aggregate amount of securitisation exposures retained or purchased, broken down by exposure type.
(g)	Aggregate amount of securitisation exposures retained or purchased and the associated IRB capital charges for these exposures, broken down into a meaningful number of risk-weight bands. Exposures that have been deducted entirely from Tier 1 capital, credit enhancing interest-only strips deducted from Total Capital, and other exposures deducted from total capital should be disclosed separately by type of underlying asset.
(h)	For securitisations subject to the early amortisation treatment, the following items by underlying asset type for securitised facilities: <ul style="list-style-type: none"> <li>• the aggregate drawn exposures attributed to the seller's and investors' interests;</li> <li>• the aggregate IRB capital charges incurred by the ADI against its retained (i.e. the seller's) shares of the drawn balances and undrawn lines; and</li> <li>• the aggregate IRB capital charges incurred by the ADI against the investor's shares of drawn balances and undrawn lines.</li> </ul>
(i)	ADIs using the standardised approach are also subject to disclosures (g) and (h), but should use the capital charges for the standardised approach.
(j)	Summary of current year's securitisation activity, including the amount of exposures securitised (by exposure type), and recognised gain or loss on sale by asset type.

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Where relevant, ADIs are encouraged to differentiate between exposures resulting from activities in which they act only as sponsors, and exposures that result from all other securitisation activities that are subject to the securitisation framework.

### Market risk

6. An ADI must disclose the items set out in Tables 10 and 11, to the extent applicable to the ADI.

Table 10

#### Market risk: disclosures for ADIs using the standardised approach

<b>Qualitative disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) for market risk including the portfolios covered by the standardised approach.
<b>Quantitative disclosures</b>	(b)	The capital requirements for: <ul style="list-style-type: none"> <li>• interest rate risk;</li> <li>• equity position risk;</li> <li>• foreign exchange risk; and</li> <li>• commodity risk.</li> </ul>

Table 11

**Market risk: disclosures for ADIs using the internal models approach (IMA) for trading portfolios**

<b>Qualitative disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) for market risk including the portfolios covered by the IMA.
	(b)	For each portfolio covered by the IMA: <ul style="list-style-type: none"> <li>• the characteristics of the models used;</li> <li>• a description of stress testing applied to the portfolio; and</li> <li>• a description of the approach used for backtesting/validating the accuracy and consistency of the internal models and modelling processes.</li> </ul>
	(c)	The scope of acceptance by the supervisor.
<b>Quantitative disclosures</b>	(d)	For trading portfolios under the IMA: <ul style="list-style-type: none"> <li>• the high, mean and low VaR values over the reporting period and period-end; and</li> <li>• a comparison of VaR estimates with actual gains/losses experienced by the ADI, with analysis of important 'outliers' in backtest results.</li> </ul>

## Operational risk

7. An ADI must disclose the items set out in Table 12, to the extent applicable to the ADI.

Table 12

**Operational risk**

<b>Qualitative disclosures</b>	(a)	In addition to the general qualitative disclosure requirement (paragraph 4), the approach(es) for operational risk capital assessment for which the ADI qualifies.
	(b)	Description of the AMA used by the ADI, including a discussion of relevant internal and external factors considered in the ADI's measurement approach. In the case of partial use, the scope and coverage of the different approaches used.
	(c)	For ADIs using the AMA, a description of the use of insurance for the purpose of mitigating operational risk.

## Equities

8. An ADI must disclose the items set out in Table 13, to the extent applicable to the ADI.

Table 13

**Equities: disclosures for banking book positions**

<b>Qualitative Disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4) with respect to equity risk, including: <ul style="list-style-type: none"> <li>• differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and</li> <li>• discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</li> </ul>
<b>Quantitative Disclosures</b>	(b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.
	(c)	The types and nature of investments, including the amount that can be classified as: <ul style="list-style-type: none"> <li>• publicly traded; and</li> <li>• privately held.</li> </ul>
	(d)	The cumulative realised gains (losses) arising from sales and liquidations in the reporting period.
	(e)	Total unrealised gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier 1 and/or Tier 2 capital.
	(f)	Capital requirements broken down into appropriate equity asset classes, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirements.

## Interest rate risk in the banking book

9. An ADI must disclose the items set out in Table 14, to the extent applicable to the ADI.

Table 14

**Interest rate risk in the banking book (IRRBB)**

<b>Qualitative disclosures</b>	(a)	The general qualitative disclosure requirement (paragraph 4), including the nature of IRRBB and key assumptions, including those regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.
<b>Quantitative disclosures</b>	(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).  The ADI's specific regulatory capital against non-traded interest rate risk should be disclosed here, along with its derivation, and - at the ADI's discretion - need not be disclosed as part of Table 3.

**Attachment B****Basic market disclosure requirements for all locally incorporated ADIs**

1. The following sections set out the basic Prudential Disclosures that must be made under this Prudential Standard by all locally incorporated ADIs. While an ADI can augment this information with additional material (including graphics, etc), its disclosures must conform to the basic order/layout as follows.

*Scope of application*

2. An ADI must disclose the name of the top corporate entity in the group to which the disclosed information applies.

*Capital*

3. An ADI must disclose the items set out in Tables 1 and 2, to the extent applicable to the ADI.

Table 1  
**Capital structure**

(a)	The amount of Tier 1 capital, with separate disclosure of: <ul style="list-style-type: none"> <li>• paid-up ordinary shares;</li> <li>• reserves;</li> <li>• retained earnings, including current year earnings;</li> <li>• minority interests arising from consolidation of Tier 1 capital of subsidiaries;</li> <li>• innovative instruments;</li> <li>• non-innovative residual instruments; and</li> <li>• deductions from Tier 1 capital, including goodwill and investments.</li> </ul>
(b)	The total amount of Tier 2 capital (net of deductions).
(c)	Other deductions from capital.
(d)	Total eligible capital.

Table 2  
**Capital adequacy**

(a)	Capital requirements (in terms of risk-weighted assets) for: <ul style="list-style-type: none"> <li>• credit risk (excluding securitisation) by portfolio <sup>1</sup>: and</li> <li>• securitisation.</li> </ul>
(b)	Capital requirements for market risk.
(c)	Capital requirements for operational risk.
(d)	Total and Tier 1 capital ratio for the consolidated group.

<sup>1</sup> For standardised portfolios: claims secured by residential mortgage; other retail; corporate; bank; government; and all other; and for IRB portfolios: corporate; sovereign; bank; residential mortgage; qualifying revolving retail; other retail; and all other.

*Credit risk exposure*

4. An ADI must disclose the items set out in Table 3, to the extent applicable to the ADI.

Table 3<sup>1</sup>  
**Credit risk**

(a)	Total gross credit risk exposures, plus average gross exposure over the period, broken down by: <ul style="list-style-type: none"> <li>• major types of credit exposure<sup>2</sup>; and, separately, by</li> <li>• portfolio<sup>3</sup></li> </ul>
(b)	By portfolio <sup>3</sup> : <ul style="list-style-type: none"> <li>• amount of impaired facilities and past due facilities, provided separately;</li> <li>• specific provisions; and</li> <li>• charges for specific provisions and write-offs during the period.</li> </ul>
(c)	The general reserve for credit losses.

<sup>1</sup> Does not include equities or securitisation exposures.

<sup>2</sup> This breakdown could be in line with normal accounting rules (eg loans; commitments and other non-market off-balance sheet exposures; debt securities; and OTC derivatives).

<sup>3</sup> As per table 2.