

Reporting Forms ARF 111.0.1 and ARF 111.0.2

Fair Values

Instruction Guide

This instruction guide is designed to assist in the completion of the following forms:

- (a) *Form ARF 111.0.1 Fair Values (Level 1)*; and
- (b) *Form ARF 111.0.2 Fair Values (Level 2)*.

These forms set out the disclosure of certain information relating to assets and liabilities that are held at fair value by an authorised deposit-taking institution (ADI) at Level 1 and Level 2.¹

General directions and notes

Reporting entity

The forms are to be completed at Level 1 and Level 2 by all ADIs other than branches of a foreign bank and providers of purchased payment facilities.

If an ADI is a subsidiary of an authorised non-operating holding company (NOHC), the report at Level 2 is to be provided by the ADI's immediate parent NOHC.²

Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under *Prudential Standard APS 120 Securitisation (APS 120)*:
 - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes;
 - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the ADI's reported amounts in APRA's regulatory reporting returns; and

¹ Level 1 and Level 2 are defined in accordance with *Prudential Standard APS 001 Definitions (APS 001)*.

² Refer to paragraph 5 of *Reporting Standard ARS 110.0 Capital Adequacy*.

- (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the **securitisation exposures**³ that it retains or acquires and such exposures are to be reported in *Form ARF 120.0 Standardised – Securitisation (ARF 120.0)* or *Forms ARF 120.1A to ARF 120.1C IRB – Securitisation (ARF 120.1A, ARF 120.1B and ARF 120.1C)* (as appropriate). The risk-weighted assets (**RWA**) relating to such securitisation exposures must also be reported in *Form ARF 110.0 Capital Adequacy*.
2. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that does not meet APRA's operational requirements for regulatory capital relief under APS 120, or the ADI elects to treat the securitised assets as on-balance sheet assets under *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)* or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk (APS 113)*, such exposures are to be reported as on-balance sheet assets in APRA's regulatory reporting returns. In addition, these exposures must also be reported as a part of the ADI's total securitised assets within *Form ARF 120.2 Securitisation – Supplementary Items (ARF 120.2)*.

Reporting period and timeframes for lodgement

The forms are to be completed as at the last day of the stated reporting period (i.e. the relevant quarter). The following table specifies the number of business days after the end of the relevant reporting period within which each class of ADI must submit data to APRA.

Class of ADI	Number of business days
Bank – Advanced or Applicant Advanced	30
Bank – Standardised	20
Building Society	15
Credit Union	15
Specialist Credit Card Institution (SCCI)	15
Other ADI ⁴	20

An immediate parent NOHC must submit data to APRA within the same timeframe as its subsidiary ADI.

Where both "Bank – Standardised" and "Bank – Advanced or Applicant Advanced" reporting requirements and timeframes apply to an ADI

In the following cases an Australian-owned bank or a foreign subsidiary bank must meet reporting requirements and timeframes applicable to both a "Bank – Advanced or Applicant Advanced" and a "Bank – Standardised":

³ Securitisation exposures are defined in accordance with APS 120.

⁴ Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions.

- (a) where the ADI is operating under the standardised approaches to credit and operational risk, but has applied for IRB and AMA approval, in which case the ADI will be both a “Bank – Advanced or Applicant Advanced” and a “Bank – Standardised”; and
- (b) where the ADI has received IRB and/or AMA approval in respect of most (but not all) of its operations, and has approval for partial use of the standardised approaches to credit and/or operational risk for the remainder of its operations.

Such an ADI must report under the ARF 111.0.1 and ARF 111.0.2 (the **forms**) as follows:

Description of ADI	Reporting requirement	Timeframes for lodgement
ADI is operating under Basel II standardised approaches to credit and operational risk, but has applied to adopt IRB and AMA approaches for <u>all</u> its operations	Report under the forms (for purposes of calculating regulatory capital on the basis of the standardised approaches only)	“Bank – Standardised” timeframe (within 20 business days)
	Separately report under the forms as if IRB/AMA approval given (for purposes of assessing prospective regulatory capital calculation after IRB/AMA approval (i.e. “parallel run” of data))	“Bank – Advanced or Applicant Advanced” timeframe (within 30 business days)
ADI is operating under Basel II standardised approaches to credit and operational risk, but has applied to adopt the IRB and AMA approach for <u>most (but not all)</u> of its operations (or APRA has indicated that it does not propose to grant IRB and/or AMA approval in respect of all of the ADI’s operations)	Report under the forms (for purposes of calculating regulatory capital on the basis of the standardised approaches only)	“Bank – Standardised” timeframe (within 20 business days)
	Separately report under the forms as if approval given for IRB/AMA with partial use (for purposes of assessing prospective regulatory capital calculation after IRB/AMA approval (i.e. “parallel run” of data)). (This report must cover both operations that will be under IRB/AMA approaches and operations that will remain under standardised approaches.)	“Bank – Advanced or Applicant Advanced” timeframe (within 30 business days)
ADI has IRB and/or AMA approval, but some operations remain under a Basel II standardised approach	Report under the forms in respect of all operations using the relevant approaches (for purposes of calculating regulatory capital)	“Bank – Advanced or Applicant Advanced” timeframe (within 30 business days)

Unit of measurement

This form must be completed in Australian dollars (**AUD**) in accordance with the units set out for each class of ADI in the following table.

Class of ADI	Units
Bank – Advanced or Applicant Advanced	Millions of dollars rounded to one decimal place
Bank – Standardised	Millions of dollars rounded to one decimal place
Building Society	Whole dollars with no decimal place
Credit Union	Whole dollars with no decimal place
Specialist Credit Card Institution (SCCI)	Whole dollars with no decimal place
Other ADI	Whole dollars with no decimal place

An immediate parent NOHC must complete this form in AUD in accordance with the same units as its subsidiary ADI.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates (AASB 121)*.

Basis of preparation

Unless otherwise specifically stated, ADIs are to comply with Australian Accounting Standards regarding the measurement of asset, liability and equity items.

Implementation

ADIs are to complete the form(s) on a best endeavours basis until *AASB 13 Fair Value Measurement (AASB 13)* is applied. AASB 13 is to be applied for annual reporting periods beginning on or after 1 January 2013.

Specific instructions

The following instructions are applicable at Level 1 and (where relevant) Level 2 reporting consolidation bases.

SECTION A: Assets at Fair Value

1. Recurring fair value measurements

Recurring fair value measurements of assets or liabilities are those that Australian Accounting Standards require or permit in the statement of financial position at the end of each reporting period.

1.1 Trading portfolio assets

Please report the fair values of all trading portfolio securities representing held for trading financial assets as defined in *AASB 139 Financial Instruments (AASB 139)*, categorised within the relevant level(s) of the fair value hierarchy⁵ in accordance with AASB 13. These trading portfolio financial assets must exclude derivatives which are reported separately below.

⁵ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

1.2 Available-for-sale securities

Please report the fair values of available-for-sale securities, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

1.3 Derivative assets

Please report the fair values of derivative assets, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

1.4 Investment properties

Please report the fair values of investment properties, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

1.5 Other assets at fair value

This is a derived field which is equal to item 1.6 less the sum of items 1.1 to 1.4 above.

1.6 Total recurring fair value assets

Please report the total fair values of recurring assets which are measured at fair value, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

2. Non-recurring fair value measurements

Non-recurring fair value measurements of assets or liabilities are those that Australian Accounting Standards require or permit in the statement of financial position in particular circumstances (e.g. when an entity measures an asset held for sale at fair value less costs to sell in accordance with *AASB 5 Non-current Assets Held for Sale and Discontinued Operations (AASB 5)* because the asset's fair value less costs to sell is lower than its carrying amount).

2.1 Assets held for sale

Please report the fair values of all assets held for sale that are measured at fair value in accordance with AASB 5, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

2.2 Other non-recurring fair value assets

This is a derived field which is equal to item 2.3 less item 2.1 above.

2.3 Total non-recurring fair value assets

Please report the total fair values of non-recurring assets which are measured at fair value, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

3. Total Assets at Fair Value

Derived field calculated as the sum of items 1.6 and 2.3.

4. Unrealised Gains/(Losses) on Assets

Please sum all the unrealised fair value gains on assets separately from the sum of unrealised fair value losses on assets. Please report the gross gains in item 4.1 and/or 4.3; and the gross losses in item 4.2 and/or 4.4 accordingly. *That is, there should not be any netting of gains and losses for this reporting form.*

4.1 Cumulative gross recurring unrealised gains through P&L for assets held at the end of the reporting period

Please report the cumulative total gross recurring unrealised gains included in profit and loss for assets held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the gains as a positive number in each box.

4.2 Cumulative gross recurring unrealised losses through P&L for assets held at the end of the reporting period

Please report the cumulative total gross recurring unrealised losses included in profit and loss for assets held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the losses as a negative number in each box.

4.3 Cumulative gross recurring unrealised gains through OCI for assets held at the end of the reporting period

Please report the cumulative total gross recurring unrealised gains included in other comprehensive income for assets held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the gains as a positive number in each box.

4.4 Cumulative gross recurring unrealised losses through OCI for assets held at the end of the reporting period

Please report the cumulative total gross recurring unrealised losses included in other comprehensive income for assets held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the losses as a negative number in each box.

5. Total Unrealised Gains/(Losses) on Assets

Derived field calculated as the sum of items 4.1 to 4.4.

6. Transfers between Levels in Fair Value Hierarchy

6.1 Transfers into Level 1 fair value hierarchy

Please report any transfers of assets from Level 2 or Level 3 into Level 1 of the fair value hierarchy during the reporting period in the relevant boxes.

6.2 Transfers into Level 2 fair value hierarchy

Please report any transfers of assets from Level 1 or Level 3 into Level 2 of the fair value hierarchy during the reporting period in the relevant boxes.

6.3 Transfers into Level 3 fair value hierarchy

Please report any transfers of assets from Level 1 or Level 2 into Level 3 of the fair value hierarchy during the reporting period in the relevant boxes.

SECTION B: Liabilities at Fair Value

1 Recurring fair value measurements

1.1 Trading portfolio liabilities

Please report the fair values of all trading portfolio securities, representing held for trading financial liabilities as defined in AASB 139, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13. These trading portfolio financial liabilities must exclude derivatives which are reported separately below.

1.2 Derivative liabilities

Please report the fair values of derivative liabilities, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

1.3 Other liabilities at fair value

This is a derived field which is equal to item 1.4 less sum of items 1.1 to 1.2 above.

1.4 Total recurring fair value liabilities

Please report the fair values of total recurring liabilities which are measured at fair value, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

2 Other non-recurring fair value measurements

2.1 Total non-recurring fair value liabilities

Please report the total fair value of any non-recurring liabilities which are measured at fair value, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

3 Total Liabilities at Fair Value

Derived field calculated as the sum of items 1.4 and 2.1.

4 Unrealised Gains/(Losses) on Liabilities

Please sum all the unrealised fair value gains on liabilities separately from the sum of unrealised fair value losses on liabilities. Please report the gross gains in item 4.1 and/or 4.3 and the gross losses in item 4.2 and/or 4.4 accordingly. *That is, there should not be any netting of gains and losses for this reporting form.*

4.1 Cumulative gross recurring unrealised gains through P&L for liabilities held at the end of the reporting period

Please report the cumulative total gross recurring unrealised gains included in profit and loss for liabilities held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the gains as a positive number in each box.

4.2 Cumulative gross recurring unrealised losses through P&L for liabilities held at the end of the reporting period

Please report the cumulative total gross recurring unrealised losses included in profit and loss for liabilities held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the losses as a negative number in each box.

4.3 Cumulative gross recurring unrealised gains through OCI for liabilities held at the end of the reporting period

Please report the cumulative total gross recurring unrealised gains included in other comprehensive income for liabilities held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the gains as a positive number in each box.

4.4 Cumulative gross recurring unrealised losses through OCI for liabilities held at the end of the reporting period

Please report the cumulative total gross recurring unrealised losses included in other comprehensive income for liabilities held at the end of the reporting period, categorised within the relevant level(s) of the fair value hierarchy in accordance with AASB 13.

Please input the losses as a negative number in each box.

5 Total Unrealised Gains/(Losses) on Liabilities

Derived field calculated as the sum of items 4.1 to 4.4.

6 Transfers between Levels in Fair Value Hierarchy**6.1 Transfers into Level 1 fair value hierarchy**

Please report any transfers of liabilities from Level 2 or Level 3 into Level 1 of the fair value hierarchy during the reporting period in the relevant boxes.

6.2 Transfers into Level 2 fair value hierarchy

Please report any transfers of liabilities from Level 1 or Level 3 into Level 2 of the fair value hierarchy during the reporting period in the relevant boxes.

6.3 Transfers into Level 3 fair value hierarchy

Please report any transfers of liabilities from Level 1 or Level 2 into Level 3 of the fair value hierarchy during the reporting period in the relevant boxes.