

11 April 2014

To all authorised deposit-taking institutions (ADIs)

Changes to liquidity reporting arrangements

The purpose of this letter is to advise ADIs of changes to funding and liquidity reporting arrangements as well as to seek submissions on APRA's proposal that all ADIs have the capacity to produce set-format summary liquidity data.

Changes to existing liquidity reporting arrangements

Currently, 23 ADIs provide APRA with monthly liquidity, funding and contractual maturity data using a spreadsheet template specified by APRA. APRA intends to discontinue this report **with immediate effect**. APRA will use other sources of data from *Reporting Standard ARS 210 Liquidity* (ARS 210) to replicate its current analysis.

In addition, 30 ADIs currently provide APRA with twice-monthly liquidity, funding and contractual maturity data using a spreadsheet template specified by APRA. Again, APRA intends to discontinue this report **with immediate effect**. However, APRA expects that ADIs will retain the operational capacity to produce this data until such time as they have the operational capacity to produce the daily liquidity report proposed below.

APRA is not making any changes to arrangements for the regular submission of 'name crisis' scenario analysis or 'going concern' reports, which remain a current requirement of *Prudential Standard APS 210 Liquidity*. The arrangements for these reports will remain in place throughout 2014.

Daily liquidity report

APRA's need for a set-format summary liquidity report, lagged one business day, was set out in its September 2009 Discussion Paper, *APRA's prudential approach to ADI liquidity risk*.¹ APRA indicated its intention to consult on the details of this report in its November 2012 Discussion Paper, *Liquidity reporting requirements for authorised deposit-taking institutions*:

¹ <http://www.apra.gov.au/adi/PrudentialFramework/Pages/enhancing-prudential-framework-for-adi-liquidity-risk-management.aspx> Chapter 4

*'APRA proposes to formally incorporate crisis reporting into the ADI liquidity reporting framework. APRA's crisis reporting requirements will be similar in concept to the Mini Liquidity and Funding report currently provided to APRA in Microsoft Excel spreadsheets by select larger and more complex ADIs. This report summarises available liquid assets and upcoming maturities, short-term balance sheet growth for selected portfolios and collateral positions... As set out in APRA's 2009 discussion paper, ADIs will only need to submit the report when requested; however, APRA will require that it can be provided on short notice on a one-day time lag. The ability to provide the reporting form to APRA will be regularly and randomly tested.'*²

A further update was provided in APRA's December 2013 Response to Submissions paper, *Implementing Basel III liquidity reforms in Australia*:

*'APRA proposed that the crisis reporting form be maintained in a Microsoft Excel format and that further consultation on the form would be undertaken in 2013. APRA will now conduct this consultation in 2014.'*³

This letter and attachment begin these consultations. APRA is proposing that an ADI be able to submit to it, on request, a completed report in Microsoft Excel format using the template set out in the attachment, with no more than a one business day time lag. Draft instructions also form part of the reporting template. It is intended that the report would be used by APRA and the RBA to assist in assessing the liquidity position of an ADI, or group of ADIs, where there are doubts about that position.

An ADI would not need to produce the report every day but would need to have the operational capacity to do so on APRA's request - potentially for a number of consecutive business days. APRA proposes to run a programme of periodic and random 'fire drill' exercises to test an ADI's operational capacity. These exercises would involve APRA contacting an ADI (or group of ADIs) and requesting the daily liquidity report based on positions as at close of business the previous day. APRA will inform ADIs when a request forms part of a fire drill exercise.

To allow a suitable timeframe for implementation, APRA proposes that the daily liquidity report become effective on 1 April 2015.

APRA invites written submissions on this proposal. Written submissions should be forwarded by 24 May 2014 by email to Basel3liquidity@apra.gov.au and addressed to:

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² <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Liquidity-reporting-requirements-for-ADIs-November-2012.aspx> Section 2.8

³ <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-liquidity-reforms-in-Australia-December-2013.aspx> Chapter 5 - Reporting requirements

If you have any questions on these matters, please contact your APRA Responsible Supervisor.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Charles Littrell', is written on a light-colored rectangular background.

Charles Littrell
Executive General Manager
Policy, Statistics and International Division