Reporting Form ARF 731.1 International Banking Statistics - Locational Data

Instructions

These instruction assist in the completion of the *Reporting Form ARF 731.1 International Banking Statistics - Locational Data* (ARF 731.1) and is based on the Bank for International Settlements (BIS) *Guidelines for reporting the BIS international banking statistics March 2013* (BIS Guide). Reporting entities are encouraged to consult the BIS Guide for a detailed discussion of the rationale for, and uses of, the international banking statistics:
http://www.bis.org/statistics/bankstatsguide.htm

ARF 731.1 has two purposes:

- to provide information on the international exposures of Australian-resident banks; and

- to satisfy Australia's obligation to the BIS in providing aggregate international banking statistics for Australia. These are available, along with statistics from other countries, on its website (http://www.bis.org/statistics/index.htm).

ARF 731.1 is part of the international exposures forms. The four forms (listed below) make up the suite of international exposures forms.

- *ARF 731.1* collects data on claims and liabilities broken down by ***currency***, ***counterparty sector***, and ***counterparty country***, on a domestic books basis.

- *Reporting Form ARF 731.3a International Banking Statistics - Immediate and Ultimate Risk Exposures - Domestic Entity* (ARF 731.3a) collects data on claims broken down by ***counterparty country, maturity*** and ***counterparty sector*** on the greater of Level 1 or Level 2 basis.

- *Reporting Form ARF 731.3b International Banking Statistics - Immediate and Ultimate Risk Exposures – Foreign Entity* (ARF 731.3b) collects data on claims broken down by ***counterparty country, maturity*** and ***counterparty sector*** on a domestic books basis.

- *Reporting Form ARF 731.4 International Banking Statistics - Balance Sheet Items* (ARF 731.4) collects a small number of balance sheet items for Australian-owned banks on the greater of Level 1 or Level 2 basis.

Australian-owned banks complete ARF 731.1, ARF 731.3a and ARF 731.4.

Foreign subsidiary banks and branches of foreign banks complete ARF 731.1 and ARF 731.3b.

Reporting level

ARF 731.1 is to be completed by all banks on a domestic books basis.

Data are to be supplied on the positions on the Australian books of the Australian reporting entity, including claims and liabilities in all currencies including AUD vis-à-vis residents of Australia.

This form relates to the Domestic books Australian books of the ADI. The domestic books are an unconsolidated report of the Australian (domestic) books of the Level 1 ADI.

The following entities are to be consolidated**:**

- Australian-based Extended Licensed Entities (ELEs)*;* and
- Australian-based offshore banking units.

Include transactions and positions with both ***residents*** and ***non-residents*** that are recorded on the Australian (domestic) books of these entities.

The following entities are not to be consolidated:

- offshore branches;
- overseas-based offshore banking units of the Australian ADI;
- overseas-based ELEs of the ADI*;* and
- any entity not consolidated at Level 1.

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; and

   (b) the assets and liabilities of the relevant SPVs may be excluded from the bank's reported amounts in ARF 731.1.

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* or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*, such exposures are to be reported as on-balance sheet assets in ARF 731.1.

Reporting basis and unit of measurement

The return should be completed as at the last day of the stated quarter (i.e. March, June, September and December). Banks should submit the completed return to APRA within 28 calendar days after the end of the reporting quarter.

All banks are to complete the return in AUD millions to three (3) decimal places (with the data formatted to the nearest million).

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).

Report all items on ARF 731.1 in accordance with Australian Accounting Standards unless otherwise specified.

Resident and non-resident

The criterion for residency is whether an entity is permanently located, physically and/or by way of law or registration, inside or outside a country's borders.

Foreign branches or subsidiaries of Australian institutions are classified as ***non-residents*** (making them residents of the country in which they operate), while branches or subsidiaries of foreign institutions operating in Australia are classified as ***residents***.

Netting of assets and liabilities

Assets and liabilities should in principle be reported on a gross basis in the locational banking statistics. Assets and liabilities vis-à-vis the same counterparty should be reported separately, not netted one against the other.

Valuation

Assets and liabilities should be measured in accordance with Australian accounting standards.

Note: International financial claims should be reported gross of specific provisions and General Reserve for Credit Losses as defined by *Prudential Standard APS 220 Credit Quality*. Provisions and reserves are not to be included in ARF 731.1, ARF 731.3a and ARF 731.3b.

When reporting the data, reporting entities should also ensure that all figures be prepared in accordance with applicable Australian accounting principles.

As a general rule, it is recommended that financial claims belonging to the banking book be valued at face values or cost prices and financial claims belonging to the trading book be valued at market or fair values which is largely consistent with *AASB 139 Financial Instruments: Recognition and. Measurement.*

Background to the international exposures forms

There are two main sets of international banking data: the locational and consolidated banking statistics.

The ***locational statistics*** (collected on ARF 731.1) collect data on the domestic books international financial claims (assets) and liabilities of resident banks. The main purpose of the statistics is to provide information on the role of banks and financial centres in the intermediation of international capital flows. The key organisational criteria are:

- the country of residence of the reporting entities and their counterparties; and
- the recording of all positions on a gross basis, including those vis-a-vis own affiliates.

This methodology is consistent with the principles underlying the compilation of national accounts, balance of payments and external debt statistics.

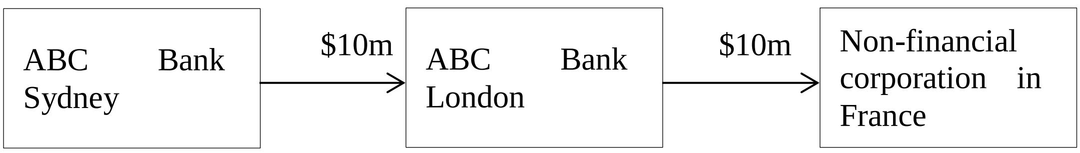
The ***consolidated statistics*** (collected on ARF 731.3a, ARF 731.3b and ARF 731.4) collects data on international on-balance sheet (and selected off-balance sheet) financial claims (i.e. contractual lending) of banks vis-à-vis the rest of the world and provides a measure of the risk exposure of lenders' national banking systems.

The key difference between the two sets of BIS banking data is based upon the concept of residency. Locational data show the claims and liabilities of banks located in Australia vis-à-vis entities located in other countries, including inter-office positions, and domestic entities.

The ***consolidated data*** show the total claims of a reporting entity groups' global offices, including the claims of their domestic and foreign affiliates. Claims between offices of the same entity group are netted out.

The differences between locational and consolidated data are highlighted in an example in Figure 1. ABC Bank (headquartered in Sydney) has lent $10 million to a non-financial corporation located in France routed via its branch office in London.

Figure 1: Flow of funds and BIS locational and consolidated banking data



The implications of this transaction for the BIS data are as follows:

Locational data:
Australian resident bank (i.e. ABC Bank Sydney) will report to APRA a $10 million increase in locational claims on UK resident banks (ABC Bank London).

The UK resident bank will report to the UK regulator a $10 million increase in locational claims on a non-financial corporation resident in France.

Consolidated data:
Australian resident reporting bank (i.e. ABC Bank, Sydney) will report a $10 million increase in consolidated claims on a non-financial corporation resident in France.

Specific instructions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

Part A: Claims by currency, counterparty, country and financial instrument

The main items to be reported are:

- ***claims*** vis-à-vis non-residents in all currencies; and
- ***claims*** vis-à-vis residents in all currencies, reported with Australia as the counterparty country.

Item 1	In item 1 column 1, report the ***currency*** of the ***claim***. In item 1 column 2, report the ***counterparty sector*** to the ***claim.*** The counterparty sectors to be reported are: • ***Banks: related offices***; • ***Banks: central banks***; • ***Banks: other***; • ***Non-bank financial institutions***; • ***General government***; • ***Non-financial corporations***; • ***Households and non-profit institutions serving households (NPISHs)***; and • ***Unallocated sector***. Avoid reporting large amounts as unallocated. In item 1 column 3, report the ***counterparty country*** to the ***claim***. In item 1 column 4, report the ***loans claims*** and ***deposits claims*** for the selected ***currency, counterparty sector and counterparty country.*** In item 1 column 5, report the holdings of ***debt securities*** for the selected ***currency, counterparty sector and counterparty country.*** Item 1 column 6 is derived as: • the value in column 7 Total ***claims,*** less; o the value in column 4 ***loans and deposits;*** and o the value in column 5 holdings of ***debt securities.*** Report the holdings of ***other assets*** for the selected ***currency, counterparty sector and counterparty country.*** In item 1 column 7, report the total ***claims*** for the selected ***currency, counterparty sector and counterparty country.***

Grand total across all currencies, counterparties and countries

	Item 1.1 Column 4 is derived as the sum of all ***loans*** and ***deposits*** for all ***currencies, counterparty sectors and counterparty countries.*** Item 1.1 Column 5 is derived as the sum of all holdings of ***debt securities*** for all ***currencies, counterparty sectors and counterparty countries.*** Item 1.1 Column 6 is derived as the sum of all ***other assets*** for all ***currencies, counterparty sectors and counterparty countries.*** Item 1.1 Column 7 is derived as the sum of all ***claims*** for all ***currencies, counterparty sectors and counterparty countries.***

Part B: Liabilities by currency, counterparty country and financial instrument

The main items to be reported are:

- ***liabilities*** vis-à-vis non-residents in all currencies; and
- ***liabilities*** vis-à-vis residents in all currencies, reported with Australia as the counterparty country.

Item 2	In item 2 column 1, report the ***currency*** of the ***liability***. In item 2 column 2, report the ***counterparty sector*** to the ***liability***. The counterparty sectors to be reported are: • ***Banks: related offices***; • ***Banks: central banks***; • ***Banks: other***; • ***Non-bank financial institutions***; • ***General government***; • ***Non-financial corporations***; • ***Households and non-profit institutions serving households (NPISHs)***; and • ***Unallocated sector***. Avoid reporting large amounts as unallocated. In item 2 column 3, report the ***counterparty country*** to the ***liability***. In item 2 column 4, report the ***deposit liabilities*** and ***loan liabilities*** for the selected ***currency, counterparty sector and counterparty country.*** In item 2 column 5 report ***issue of debt securities*** with a ***maturity*** of less than or equal to one year, for the selected ***currency, counterparty sector and counterparty country.***

	Report ***issue of debt securities*** with a ***maturity*** of greater than to one year, for the selected ***currency, counterparty sector and counterparty country*** in item 2 column 6 . Column 7 is derived as • the value in column 5: ***issue of debt securities***: remaining ***maturity*** <= 1 year; and • the value in column 6: ***issue of debt securities***: remaining ***maturity*** > 1 year. Report the ***issue of debt securities*** for the selected ***currency, counterparty sector and counterparty country.*** Column 8 is derived as: • the value in column 7 Total ***liability,*** less; o the value in column 4 ***loans and deposits;*** and o the value in column 5 issue of ***debt securities.*** Report the issue of ***other liabilities*** for the selected ***currency, counterparty sector and counterparty country.*** In item 2 column 9, report the total ***liability*** for the selected ***currency, counterparty sector and counterparty country***.

Grand total across all currencies, counterparties and countries

	In item 2.1 column 4 is item is derived as the sum of all ***loans and deposits*** for all ***currencies, counterparty sectors and counterparty countries.*** In item 2.1 column 5 is derived as the sum of all ***debt securities*** for all ***currencies, counterparty sectors and counterparty countries.*** Item 2.1 column 6 is derived as the sum of all ***issue of debt securities***: remaining ***maturity*** <= 1 year for all ***currencies, counterparty sectors and counterparty countries.*** Item 2.1 column 7 is derived as the sum of all ***issue of debt securities***: remaining ***maturity*** > 1 year for all ***currencies, counterparty sectors and counterparty countries.*** Item 2.1 column 8 is derived as the sum of all ***other liabilities*** for all ***currencies, counterparty sectors and counterparty countries.*** Item 2.1 column 9 is derived as the sum of all ***liabilities*** for all ***currencies, counterparty sectors and counterparty countries.***

Definitions

Banks: related offices refers to entities that are part of the same banking group (i.e. have the same controlling parent institution). Include the controlling parent, the head office (if different), and branches and subsidiaries which are part of the part of the consolidated entity.

Banks: central banks refers to central banks, including the RBA, BIS, the European Central Bank, and other official monetary authorities. A complete list of central banks is maintained on the BIS website at http://www.bis.org/statistics/bankstatsguide.htm

Banks: other refers to banks not included in ***banks: related offices*** and ***banks: central banks.***

Claims includes all on-balance sheet financial assets in all currencies vis-à-vis all counterparty countries. Include ***trustee business***.

Counterparty sector refers to the economic sector of the counterparty of the financial instrument. There are eight counterparty sectors to be reported:

- ***Banks: related offices***;
- ***Banks: central banks***;
- ***Banks: other***;
- ***Non-bank financial institutions***;
- ***General government***;
- ***Non-financial corporations***;
- ***Households and non-profit institutions serving households (NPISHs)***; and
- ***Unallocated sector***.

Country refers to where the counterparty of the financial instrument is domiciled.

Also listed are several regional residual entries (e.g. 'Residual Asia', 'Residual Europe' etc.). If a reporting entity has an exposure or liability to a country not already listed, allocate the data to the relevant 'Residual' entry. If this is not possible either, the data should be assigned to the 'Unallocated country' item.

Countries are as per ISO 3166, available at http://www.iso.org/iso/country_codes

Currency refers to the currency of denomination for an instrument. There are nine breakdowns to report:

- Australian dollar (AUD);
- US dollar (USD);
- Euro (EUR);
- Japanese Yen (JPY);
- British pound (GBP);
- Swiss franc (CHF);
- New Zealand dollar (NZD);
- Chinese renminbi (RNB); and
- Other currencies.

RNB should include both onshore and offshore Chinese renminbi, using the relevant exchange rate which reflects the individual exposure.

All positions are reported in AUD.

Debt securities
For bank's holding of debt securities, include:

- all negotiable short and long-term debt instruments;
- negotiable certificates of deposit (CDs); and
- debt securities held in own name but on behalf of third parties as part of trustee business.

Exclude:

- equity shares, investment fund units and warrants;
- debt securities held on a purely custodial basis for customers;
- debt securities acquired in the context of securities lending transactions without cash collateral; and
- borrowing and lending of securities and gold without cash collateral.

The reporting of negative positions is accepted in those cases where it is the result of the short selling of securities acquired in the context of repo or bond lending transactions.

Banks' issues of debt securities comprise liabilities in all negotiable debt securities, including negotiable CDs, subordinated issues and issues in their own name but on behalf of third parties. The classification of debt securities is determined by the location, currency and method of the issue rather than the residence of the issuer.

Derivative contracts
Include all derivatives entered into after adoption of International Financial Reporting Standards (IFRS) consistent with the classification and measurement basis used for derivatives by institutions in accordance with *AASB 132 Financial Instruments: Disclosure and Presentation*, *AASB 7 Financial Instruments: Disclosures* and *AASB 139 Financial Instruments: Recognition and Measurement* (AASB 139). Derivative financial instruments in existence prior to adoption of IFRS are to be reported in accordance with *AASB 1 First- time Adoption of Australian Equivalents to International Financial Reporting Standards*.

Derivative contracts are reflected in the on-balance sheet positions of reporting entities under IFRS (e.g. assets and liabilities arising from currency swaps, cash margins in connection with futures and fair values of option contracts). For the purposes of this form derivatives that are recorded on- balance sheet are to be included at fair values under ***other assets*** and ***other liabilities***.

Note that the treatment of derivative contracts in ***consolidated statistics*** differs.

Deposits claims include deposits placed with another financial institution and intra-group deposits claims, where there is evidence of deposit and are not represented by negotiable securities, including non-negotiable certificates of deposit. Deposit claims may only be reported against the following ***counterparty sectors***:

- ***Banks: related offices***;
- ***Banks: central banks***;
- ***Banks: other***; and
- ***Non-bank financial institutions.***

Deposit liabilities comprise all deposits held with the bank reflecting evidence of deposit that are not represented by negotiable securities, including non-negotiable certificates of deposit.

General government refers to federal, state and local government and social security funds both in Australia and overseas, and non-profit institutions financed by general government. Exclude central banks (which are included in banks: central banks) and public corporations (which are included in non-bank financial institutions or non-financial corporations).

Households and non-profit institutions serving households (NPISHs) refers to households, non-profit entities such as charities, religious institutions, trade unions, consumer associations and unincorporated enterprise owned by households.

Non-financial corporations refers to both public and private non-financial corporations as well as unincorporated enterprise, such as partnerships and branches of foreign corporations.

Liabilities includes all on-balance sheet liabilities in all currencies vis-à-vis all counterparty countries, and ***trustee business***.

Loan claims comprise of all ***loans*** where the bank extends funding and receives an asset.

Loan liabilities comprise of all ***loans*** where the bank receives funding in return for a claim against it. For example: intra-group loans.

Loans comprise of lending that is not represented by negotiable securities, including:

- ***trade-related credits***;
- ***trustee business***;
- international note and coin;
- repurchase transactions (repos);
- financial leases;
- promissory notes;
- non-negotiable debt securities;
- endorsement liabilities arising from bills rediscounted; and
- subordinated loans (including subordinated non-negotiable debt securities).

Exclude:

- loans that have become negotiable de facto. These should be classified under debt securities; and
- borrowing and lending of securities and gold without cash collateral.

Multi-currency loans should be classified according to the currency in which the repayment obligation exists. This would normally be the same currency in which the drawings are made.

Maturity refers to the remaining maturity of the instrument.

Non-bank financial institutions refers to private or public financial institutions which are not banks, engaged primarily in the provision of financial services and activities auxiliary to financial intermediation, such as fund management. Include special purpose vehicles, hedge funds, securities brokers, money market funds, pension funds, insurance companies, financial leasing corporations, central clearing counterparties, unit trusts, other financial auxiliaries, other captive financial institutions and any public financial institutions (such as development banks and export credit agencies).

Other assets and ***other liabilities***

Include:

- equity shares;
- mutual and investment fund units and holdings of shares in a reporting entity's own name but on behalf of third parties;
- participations;
- ***derivative contracts***;
- working capital supplied by head offices to branches;
- accrued interest;
- items in the course of collection; and
- any other asset or liability not included in loans, deposits or debt securities above.

Exclude:

- borrowing and lending of securities and gold without cash collateral.

Trade-related credits mainly occur in one of two forms: as buyers' credits or as suppliers' credits. A buyer's credit is granted directly by a reporting entity to a foreign importer and therefore represents an external asset that should be included in the locational statistics.

In contrast, a supplier's credit is granted directly by a reporting entity to a domestic exporter. However, this credit may be extended on the basis of a trade bill that is drawn by the exporter on the importer and subsequently acquired by the reporting entity. These credits may therefore be treated as external or domestic assets depending on whether the residency of the drawee (who is the final debtor) or of the presenter of the bill (who has guaranteed payment by endorsing the bill) is used as the criterion for geographical allocation.

For the purposes of the locational banking statistics, it is recommended that suppliers' credits be allocated according to the residence of the drawee of the relevant trade bills, as the drawee is the final recipient of the credit extended.

Reporting entities may acquire external trade bills 'à forfait' and 'en pension'. An 'à forfait' purchase is an outright purchase that absolves the seller/presenter of the bills from any obligation should the drawee fail to honour the bill when it matures. When the drawee is a non-resident, such bills should similarly be considered to be external assets, irrespective of the residence of the presenter.

An 'en pension' acquisition involves a reporting entity purchasing a foreign trade bill under a sale and repurchase agreement with the domestic exporter whereby the reporting entity must or may return the bill to the exporter on, or prior to, the maturity date. If the return of the bill is optional, the bill is recorded in the balance sheet of the purchaser as a claim on the drawee. If the bill must be returned, the instrument remains in the balance sheet of the seller and the transaction can be regarded as an advance to the domestic exporter that should not be included in the locational statistics as a foreign asset.

Trustee business
Funds received by reporting entities from non-residents in any currency or from residents in foreign currency on a trust basis represent international liabilities that fall into the category of loans and deposits. Funds on-lent or deposited on a trust basis in reporting entities' own name, but on behalf of third parties, with non-residents in any currency or with residents in foreign currency, represent international assets which also fall into the category of loans and deposits. In addition, international securities issued by reporting entities in their own name but on behalf of third parties, or funds invested on a trust basis in international securities and held in the reporting entities' own name but on behalf of third parties, represent international assets and liabilities that should be included in the categories of 'debt securities' and 'other' assets and liabilities as described below. Trustee business as described above with residents in AUD should also be reported.

Note: Trustee business does not refer to unit trusts.

Unallocated sector refers to where the counterparty sector is unknown.