



## Reporting Standard ARS 221.0

### Large Exposures

#### Objective of this reporting standard

This reporting standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* and outlines the overall requirements for the provision of information to APRA relating to an authorised deposit-taking institution's large exposures. It should be read in conjunction with the versions of *Form ARF 221.0 Large Exposures* designated for a 'Licensed ADI' and 'Consolidated Group', and the associated instructions (all of which are attached and form part of this reporting standard).

#### Purpose

1. Data collected in *Form ARF 221.0 Large Exposures* (**Form ARF 221.0**) is used by APRA for the purpose of prudential supervision. It may also be used by the Reserve Bank of Australia and the Australian Bureau of Statistics.

#### Application

2. This reporting standard applies to all authorised deposit-taking institutions (ADIs).

#### Information required

3. An ADI to which this reporting standard applies must provide APRA with the information required by the version of Form ARF 221.0 designated for a 'Licensed ADI' for each reporting period.
4. An ADI to which this reporting standard applies that is the highest parent entity in relation to a consolidated ADI group must provide APRA with the information required by the version of Form ARF 221.0 designated for a 'Consolidated Group' for each reporting period.

#### Form and method of submission

5. The information required by this reporting standard must be given to APRA in electronic form, using one of the electronic submission mechanisms provided by

the ‘Direct to APRA’ (also known as ‘D2A’) application.

*Note:* the Direct to APRA application software may be obtained from APRA.

## Reporting periods and due dates

6. Subject to paragraph 7, an ADI to which this reporting standard applies must provide the information required by this reporting standard for each quarter based on the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.
7. APRA may, by notice in writing, change the reporting periods, or specified reporting periods, for a particular ADI, to require it to provide the information required by this reporting standard more frequently, or less frequently, having regard to:
  - (a) the particular circumstances of the ADI;
  - (b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
  - (c) the requirements of the Reserve Bank of Australia or the Australian Bureau of Statistics.
8. The information required by this reporting standard must be provided to APRA in accordance with the table below. The right hand column of the table sets out the number of business days after the end of the reporting period to which the information relates within which information must be submitted to APRA by an ADI in the classes set out in the left hand column.

<b>Class of ADI</b>	<b>Number of business days</b>
Australian-owned Bank	20
Foreign Subsidiary Bank	20
Branch of a Foreign Bank	20
Building Society	15
Credit Union <sup>1</sup>	15
Specialist Credit Card Institution (SCCI)	15
Other ADI	20

9. APRA may grant an ADI an extension of a due date in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.

<sup>1</sup> The definitions of ‘credit union’ and ‘other ADI’ in paragraph 16 of this reporting standard provide that Cairns Penny Savings & Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions for the purposes of paragraph 8.

## Quality control

10. The information provided by an ADI under this reporting standard (except for the information required under paragraph 4) must be the product of processes and controls that have been reviewed and tested by the external auditor of the ADI. AGS 1008 'Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions', issued by the Auditing and Assurance Standards Board provides guidance on the scope and nature of the review and testing required from external auditors. This review and testing must be done on an annual basis or more frequently if necessary to enable the external auditor to form an opinion on the accuracy and reliability of the data.
11. All information provided by an ADI under this reporting standard must be subject to processes and controls developed by the ADI for the internal review and authorisation of that information. It is the responsibility of the board and senior management of the ADI to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

## Authorisation

12. If an ADI submits information under this reporting standard using the 'Direct to APRA' software, it will be necessary for an officer of the ADI to digitally sign, authorise and encrypt the relevant data. For this purpose, APRA's certificate authority will issue 'digital certificates', for use with the software, to officers of the ADI who have authority from the ADI to transmit the data to APRA.

## Minor alterations to forms and instructions

13. APRA may make minor variations to:
  - (a) a form that is part of this reporting standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or
  - (b) the instructions to a form, to clarify their application to the formwithout changing any substantive requirement in the form or instructions.
14. If APRA makes such a variation it must notify in writing each ADI that is required to report under this reporting standard.

## Transitional

15. An ADI must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

*old reporting standard* means the reporting standard revoked in the determination making this reporting standard (being the reporting standard which this reporting standard replaces).

**transitional reporting period** means a reporting period under the old reporting standard:

- (a) which ended before the date of revocation of the old reporting standard; and
- (b) in relation to which the ADI was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

*Note:* for the avoidance of doubt, if an ADI was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the ADI is still required to provide the overdue reporting documents in accordance with the old reporting standard.

## Interpretation

16. In this reporting standard:

**Accounting Standard AASB 127** means the accounting standards so made by the Australian Accounting Standards Board.

**ADI** means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

**AGS 1008** means the auditing and assurance standard entitled ‘Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions’ so made by the Auditing and Assurance Standards Board.

**APRA** means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*.

**Australian-owned bank** means a locally incorporated ADI that assumes or uses the word ‘bank’ in relation to its banking business and is not a foreign subsidiary bank.

**branch of a foreign bank** means a ‘foreign ADI’ as defined in section 5 of the *Banking Act 1959*, but does not include a SCCI that is a foreign ADI.

**building society** means a locally incorporated ADI that assumes or uses the expression ‘building society’ in relation to its banking business.

**business days** means ordinary business days, exclusive of Saturdays, Sundays and public holidays.

**class of ADI** means each of the following:

- (i) Australian-owned bank;
- (ii) foreign subsidiary bank;
- (iii) branch of a foreign bank;
- (iv) building society;
- (v) credit union;
- (vi) other ADI; and

(vii) specialist credit card institution.

**consolidated ADI group** means a group comprising:

- (a) an ADI that is a highest parent entity; and
- (b) each subsidiary (within the meaning of Accounting Standard AASB 127) of that ADI, whether the subsidiary is locally-incorporated or not, other than a subsidiary that is excluded by the instructions attached to this standard.

**credit union** means a locally incorporated ADI that assumes or uses the expression 'credit union' in relation to its banking business and includes Cairns Penny Savings & Loans Limited.

**due date** means the relevant due date under paragraph 8 or, if applicable, paragraph 9.

**foreign subsidiary bank** means a locally incorporated ADI in which a bank that is not locally incorporated has a stake of more than 15 per cent.

**highest parent entity** means an ADI that satisfies all of the following conditions:

- (a) it is locally-incorporated;
- (b) it has at least one subsidiary (within the meaning of Accounting Standard AASB 127); and
- (c) it is not itself a subsidiary (within the meaning of Accounting Standard AASB 127) of an ADI that is locally-incorporated.

**locally incorporated** means incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or territory law.

**other ADI** means an ADI that is not an Australian-owned bank, a branch of a foreign bank, a building society, a credit union, a foreign subsidiary bank or a specialist credit card institution but does not include Cairns Penny Savings & Loans Limited.

**reporting period** means a period mentioned in paragraph 6 or, if applicable, paragraph 7.

**specialist credit card institution** means an ADI that is subject to a condition on its authority under section 9 of the *Banking Act 1959* confining the banking business that the ADI is authorised to carry on to the activities of credit card acquiring and credit card issuing in any credit card scheme that was designated as a payment system under section 11 of the *Payment Systems (Regulation) Act 1998* on 11 April 2001.

**stake** means a stake determined under the *Financial Sector (Shareholdings) Act 1998*, as if the only associates that were taken into account under paragraph (b) of subclause 10(1) of the Schedule to that Act were those set out in paragraphs (h), (j) and (l) of subclause 4(1).

### ARF 221.0 Large Exposures

<b>Australian Business Number</b>	<input type="text"/>
<b>Institution Name</b>	<input type="text"/>
<b>Reporting Period</b>	<input type="text"/>
<b>Scale Factor</b>	<input type="text" value="Millions to one decimal place for banks&lt;br/&gt;Whole dollars no decimal place for other ADIs"/>
<b>Reporting Consolidation</b>	<input type="text" value="Consolidated Group"/>

**Section A: Large Exposures for Locally Incorporated Banks**

**10 Largest Exposures and All Those Exposures Exceeding or Equal to 10% of Level 2 Capital Base**

Counterparty (1)	Category (2)	On-Balance Sheet Exposures (3)	Off-Balance Sheet Exposures - Non-Market- Related (Commitments & Contingencies) (4.1)	Off-Balance Sheet Exposures - Market- Related (e.g. FX & Interest Rate Contracts) (4.2)	Total Exposures [Represents Columns (3)+(4.1)+(4.2)] (5.1)	Total Exposures as % of Capital Base (5.2)
<b>1. Total</b>						

**2. Memorandum Items**

2.1. Capital base of consolidated group	
2.2. Aggregate Exposure to Non-Deposit-Taking Subsidiaries of Unrelated ADIs (Including Foreign Equivalents)	
<b>Name (1)</b>	<b>Exposure (2)</b>
2.3. Aggregate Exposure to Foreign Parents and Their Subsidiaries	
2.3.1. of which: Aggregate exposure to foreign bank parent and deposit-taking subsidiaries	
2.3.2. of which: Aggregate exposure to non-deposit-taking foreign parent and subsidiaries	

**Section B: Large Exposures for Non-Bank ADIs**

**10 Largest Exposures and All Those Exposures Exceeding or Equal to 5% of Level 2 Capital Base**

Counterparty (1)	Category (2)	On-Balance Sheet Exposures - Loans (3.1)	On-Balance Sheet Exposures - Other (3.2)	On-Balance Sheet Exposures - Total (3.3)	Off-Balance Sheet Exposures - Non-Market- Related (Commitments & Contingencies) (4.1)	Off-Balance Sheet Exposures - Market- Related (e.g. FX & Interest Rate Contracts) (4.2)	Total Exposures [Represents Columns (3.1)+(3.2)+(4.1)+(4.2)] (5.1)	Total Exposures as % of Capital Base (5.2)
<b>1. Total</b>								

**2. Memorandum Items**

2.1. Capital base of consolidated group

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2.2. Aggregate Exposure to Non-Deposit-Taking Subsidiaries of Unrelated ADIs (Including Foreign Equivalents)

Name (1)	Exposure (2)

2.3. Aggregate Exposure to Foreign Parents and Their Subsidiaries

2.3.1. of which: Aggregate exposure to foreign bank parent and deposit-taking subsidiaries

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2.3.2. of which: Aggregate exposure to non-deposit-taking foreign parent and subsidiaries

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2.4. Five Largest Merchants by Sales Volume (Applicable Only for SCCIs Undertaking Credit Card Acquiring Activities)

Name (1)	Exposure (2)
1	
2	
3	
4	
5	



### ARF 221.0 Large Exposures

<b>Australian Business Number</b>	<input type="text"/>
<b>Institution Name</b>	<input type="text"/>
<b>Reporting Period</b>	<input type="text"/>
<b>Scale Factor</b>	<input type="text" value="Millions to one decimal place for banks&lt;br/&gt;Whole dollars no decimal place for other ADIs"/>
<b>Reporting Consolidation</b>	<input type="text" value="Licensed ADI"/>

**Section A: Large Exposures for Locally Incorporated Banks**

**10 Largest Exposures and All Those Exposures Exceeding or Equal to 10% of Level 1 Capital Base**

Counterparty (1)	Category (2)	On-Balance Sheet Exposures (3)	Off-Balance Sheet Exposures - Non- Market-Related (Commitments & Contingencies) (4.1)	Off-Balance Sheet Exposures - Market- Related (e.g. FX & Interest Rate Contracts) (4.2)	Total Exposures [Represents Columns (3)+(4.1)+(4.2)] (5.1)	Total Exposures as % of Capital Base (5.2)
<b>1. Total</b>						

**2. Memorandum Items**

2.1. Capital base of licensed ADI

2.2. Aggregate Exposure to Non-Deposit-Taking Subsidiaries of Unrelated ADIs (Including Foreign Equivalents)

Name (1)	Exposure (2)

2.3. Aggregate Exposure to Foreign Parents and Their Subsidiaries

2.3.1. of which: Aggregate exposure to foreign bank parent and deposit-taking subsidiaries

2.3.2. of which: Aggregate exposure to non-deposit-taking foreign parent and subsidiaries

**Section B: Large Exposures for Non-Bank ADIs**

**10 Largest Exposures and All Those Exposures Exceeding or Equal to 5% of Level 1 Capital Base**

Counterparty (1)	Category (2)	On-Balance Sheet Exposures - Loans (3.1)	On-Balance Sheet Exposures - Other (3.2)	On-Balance Sheet Exposures - Total (3.3)	Off-Balance Sheet Exposures - Non- Market-Related (Commitments & Contingencies) (4.1)	Off-Balance Sheet Exposures - Market- Related (e.g. FX & Interest Rate Contracts) (4.2)	Total Exposures [Represents Columns (3.1)+(3.2)+(4.1)+(4.2) ] (5.1)	Total Exposures as % of Capital Base (5.2)
<b>1. Total</b>								

**2. Memorandum Items**

2.1. Capital base of licensed ADI

2.2. Aggregate Exposure to Non-Deposit-Taking Subsidiaries of Unrelated ADIs (Including Foreign Equivalents)

Name (1)	Exposure (2)

2.3. Aggregate Exposure to Foreign Parents and Their Subsidiaries

2.3.1. of which: Aggregate exposure to foreign bank parent and deposit-taking subsidiaries

2.3.2. of which: Aggregate exposure to non-deposit-taking foreign parent and subsidiaries

2.4. Five Largest Merchants by Sales Volume (Applicable Only for SCCIs Undertaking Credit Card Acquiring Activities)

Name (1)	Exposure (2)
1	
2	
3	
4	
5	

**Section C: Large Exposures for Foreign ADIs/SCCI Branches**

**20 Largest Exposures of the Australian Branch to Unrelated Counterparties**

Counterparty (1)	Category (2)	On-Balance Sheet Exposures (3)	Off-Balance Sheet Exposures - Non- Market-Related (Commitments & Contingencies) (4.1)	Off-Balance Sheet Exposures - Market- Related (e.g. FX & Interest Rate Contracts) (4.2)	Total Exposures [Represents Columns (3)+(4.1)+(4.2)] (5)
<b>1. Total</b>					

**2. Memorandum Item**

2.1. Five Largest Merchants by Sales Volume (Applicable Only for SCCI Branches Undertaking Credit Card Acquiring Activities)

Name (1)	Exposure (2)
1	
2	
3	
4	
5	



# Reporting Form ARF 221.0

## Large Exposures

### Instruction Guide

#### Purpose

This form collects information on an authorised deposit-taking institution's (ADI's) large exposures to an individual counterparty or a group of related counterparties at the stand-alone and consolidated banking group level.

Information reported on this form is prudentially important, as it will form part of APRA's monitoring and analysis framework for the ADI and the industry.

Note: Do not include an ADI's exposures to related entities (defined in accordance with *Prudential Standard APS 222 Associations with Related Entities (APS 222)*) in this form. Such exposures are to be reported in *ARF 222.0 Exposures to Related Entities*.

#### Audit requirements

This form is subject to audit review and testing. The scope and nature of audit testing required is outlined in the applicable Audit Guidance Statement issued by the Auditing and Assurance Board of the Australian Accounting Research Foundation.

### General directions and notes

#### Reporting entity

##### 1. Licensed ADI

The Licensed ADI form is to be completed by all ADIs at Level 1 (i.e. the stand-alone level) defined in accordance with *Prudential Standard APS 110 Capital Adequacy (APS 110)*. Foreign ADIs and Specialist Credit Card Institutions (SCCIs) operating through branches in Australia are required to complete this form for the Australian branch only.

#### 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
  - (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of the ADI's regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the **securitisation exposures**<sup>1</sup> that it retains or acquires and such exposures are to be reported in *Form ARF 120.0 Standardised – Securitisation* or *Forms ARF 120.1A to ARF 120.1C IRB – Securitisation* (as appropriate). The RWA relating to such securitisation exposures must also be reported in *Form ARF 110.0 Capital Adequacy (ARF 110.0)*.
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 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*.

## 2. Consolidated group

The consolidated group form is to be completed by all ADIs (where applicable) at Level 2 (i.e. the consolidated banking group level) defined in accordance with APS 110. Foreign ADIs and SCCIs operating through branches in Australia are not required to complete this form.

### Reporting period

The form is to be completed as at the last day of the stated reporting quarter. Australian-owned banks, foreign subsidiary banks, branches of foreign banks and other ADIs should submit the completed form to APRA within 20 business days after the end of the relevant reporting quarter. Credit Unions, Cairns Penny Savings & Loans Limited, Building Societies and SCCIs should submit the completed form to APRA within 15 business days after the end of the relevant reporting quarter.

### Unit of measurement

Australian-owned banks, foreign subsidiary banks and branches of foreign banks are asked to complete the form(s) in millions of Australian dollars rounded to one decimal place, and for other non-bank ADIs (including SCCIs), in whole Australian dollars (no decimal place).

<sup>1</sup> Securitisation exposures are defined in accordance with APS 120.

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)*.

The general requirements of AASB 121 for translation are:

1. foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date;<sup>2</sup>
2. foreign currency non-monetary items that are measured at historical cost in a foreign currency must be translated using the exchange rate at the date of the transaction;<sup>3</sup>
3. foreign currency non-monetary items that are measured at fair value will be translated at the exchange rate at the date when fair value was determined.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with *AASB 139 Financial Instruments: Recognition and Measurement (AASB 139)*. However, those foreign currency derivatives that are not within the scope of AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) remain within the scope of AASB 121.

For APRA purposes equity items must be translated using the foreign currency exchange rate at the date of investment or acquisition. Post acquisition changes in equity are required to be translated on the date of the movement.

As foreign currency derivatives are measured at fair value, the currency derivative contracts are translated at the spot rate at the reporting date.

Exchange differences should be recognised in profit and loss in the period which they arise. For foreign currency derivatives, the exchange differences would be recognised immediately in profit and loss if the hedging instrument is a fair value hedge. For derivatives used in a cash flow hedge, the exchange differences should be recognised directly in equity.

The ineffective portion of the exchange differences in all hedges would be recognised in profit and loss; and

4. translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121 as meaning an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

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<sup>2</sup> Monetary items are defined to mean units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Spot rate means the exchange rate for immediate delivery.

<sup>3</sup> Examples of non-monetary items include amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; physical assets; and provisions that are to be settled by the delivery of a non-monetary asset.



- Exchange differences relating to foreign currency monetary items that form part of the net investment of an entity in a foreign operation, must be recognised as a separate component of equity.

Translation of financial reports should otherwise follow the requirements in AASB 121.

## **Basis of preparation**

For the purposes of this form, unless specifically advised in the ‘Instruction Guide for Specific Items’, ADIs are to report all exposures gross. No netting is to be recognised even if the ADI has in place netting agreements that are in the form of a legally recognised right to net or set off items of assets and liabilities in accordance with AASB 139, *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 7 Financial Instruments: Disclosures*.

## **Definitions**

This section provides guidance on the interpretation of certain items used in this form.

### **1. Licensed ADI (Level 1)**

This refers to the operations of the reporting ADI on a stand-alone basis.

### **2. Consolidated banking group (Level 2)**

For large exposure purposes, this is defined in accordance with APS 110 and refers to an ADI and all its subsidiaries (other than non-consolidated subsidiaries).

Consolidation at Level 2 should be conducted in accordance with Australian accounting standards. This should cover the global operations of an ADI and its subsidiary entities, including other controlled banking entities, securities entities and other financial entities (e.g. finance companies, money market corporations, stockbrokers and leasing companies), except for entities involved in the following business activities:

- (a) insurance businesses (including friendly societies and health funds);
- (b) acting as manager, responsible entity, approved trustee, trustee or similar role in relation to funds management or the securitisation of assets; and
- (c) non-financial (commercial) operations; and/or
- (d) SPVs vehicles whose assets have satisfied the clean sale requirements set down in APS 120.

### 3. Exposures

An ADI's exposures to a counterparty or a group of related counterparties at Level 1/Level 2 is the aggregate of all claims, commitments and contingent liabilities arising from on and off-balance sheet transactions (in both the banking and trading books) with the counterparty or group of related counterparties (refer to paragraph 7 in *Prudential Standard APS 221 Large Exposures (APS 221)*).

Note: Where credit risk is unequivocally transferred from a counterparty to a third party by an irrevocable letter of credit or a direct guarantee, the exposure is to be recorded against the third party.

### 4. A group of related counterparties

For the purposes of this form, an ADI must treat entities as related where there is:

- (a) a linkage by cross-guarantees;
- (b) common ownership or management;
- (c) ability to control;
- (d) financial interdependency; or
- (e) other connections which, in the ADI's assessment, would lead it to regard facilities it has provided to the various entities as representing a common risk.

Note: Family members are not to be treated as connected where they have independent retail relationships with the ADI at Level 1/Level 2 (although the ADI can choose to treat such exposures as connected should it consider appropriate to do so).

### 5. On-balance sheet exposures

This refers to items of assets that are recognised or recorded on the statement of financial position of the ADI at Level 1/Level 2.

### 6. Off-balance sheet exposures

This refers to items of assets or liabilities that are not recognised or recorded on the statement of financial position of the ADI at Level 1/Level 2 because they do not satisfy the asset or liability accounting recognition requirements. Items that were treated as Off-Balance Sheet items for the purpose of this form, pre-International Financial Reporting Standards (**IFRS**), will continue to be treated as Off-Balance Sheet items, post-IFRS.

## 7. Liability exposures

This refers to deposits; other borrowings; bonds, notes and long-term borrowings; and loan capital as per *ARF 320.0 Statement of Financial Position (Domestic Books)* (**ARF 320.0**) or *ARF 323.0 Statement of Financial Position (Licensed ADI)* (**ARF 323.0**), as appropriate. Exclude tradeable security issues.

## Specific instructions

### 1. Licensed ADI

The licensed ADI form has the following reporting components:

#### Section A: Large exposures for locally incorporated banks

Section A is to be completed by all locally incorporated banks. Report in this section on a net basis (explained in detail below) the bank's 10 largest exposures to a counterparty or a group of related counterparties unrelated to the bank at Level 1 and all those exposures that exceed or equal to 10% of the bank's Level 1 capital base (as reported in ARF 110.0 for the same quarter).<sup>4</sup>

#### Section B: Large exposures for non-bank ADIs

Section B is to be completed by all non-bank ADIs (including locally incorporated SCCIs). Report in this section on a net basis (explained in detail below) the ADI's 10 largest exposures to a counterparty or a group of related counterparties unrelated to the ADI at Level 1 and all those exposures that exceed or equal to 5% of the ADI's Level 1 capital base (as reported in ARF 110.0 for the same quarter)

#### Section C: Large exposures for foreign ADIs/SCCI branches

Section C is to be completed by all foreign ADIs, and SCCIs that operate as branches in Australia. Report in this section on a net basis (explained in detail below) the 20 largest exposures of the Australian branch to a counterparty or a group of related counterparties unrelated to the foreign ADI or SCCI.<sup>5</sup>

#### Section D: Large liability exposures

Section D is to be completed by all ADIs ~~that are not subject to scenario analysis under Prudential Standard APS 210 Liquidity~~ on a stand-alone basis. Report in this section all liability exposures to a counterparty or a group of related counterparties that exceed 5% of the ADI's total liabilities (as reported in ARF 320.0 or ARF 323.0 for the same quarter as appropriate).

These reporting components are individually explained in detail below.

<sup>4</sup> Exposures to related entities (defined in accordance with Prudential Standard *APS 222 Associations with Related Entities*) are to be reported in *ARF 222.0 Exposures to Related Entities* (**ARF 222.0**).

<sup>5</sup> Exposures of the Australian branch to head office, other overseas branches, Australian or overseas subsidiaries are to be reported in ARF 222.0.

## **Consolidated group**

The consolidated group form has the following reporting components:

### **Section A: Large exposures for locally incorporated banks**

Section A is to be completed by all locally incorporated banks. Report in this section on a net basis (explained in detail below) the bank's 10 largest exposures to a counterparty or a group of related counterparties unrelated to the bank at Level 2 and all those exposures that exceed or equal to 10% of the bank's Level 2 capital base (as reported in ARF 110.0 for the same quarter).

### **Section B: Large exposures for non-bank ADIs**

Section B is to be completed by all non-bank ADIs (including locally incorporated SCCIs). Report in this section on a net basis (explained in detail below) the ADI's 10 largest exposures to a counterparty or a group of related counterparties unrelated to the ADI at Level 2 and all those exposures that exceed or equal to 5% of the ADI's Level 2 capital base (as reported in ARF 110.0 for the same quarter).

These reporting components are individually explained in detail below.

### **Section A: Large exposures for locally incorporated banks**

### **Section B: Large exposures for non-bank ADIs**

Instructions for Section A and Section B for both the Licensed ADI form and the consolidated group form are set out below.

## **Column 1. Counterparty**

Report in column 1 the names of the relevant individual counterparties to which the ADI has exposures to at Level 1/Level 2 (as appropriate). In the case of exposures to a group of related counterparties, the ADI's aggregate exposure to the relevant group should be reported as one exposure and shown in the name of the principal counterparty.

## **Column 2. Category**

Report in column 2 the category of the counterparty reported in column 1 using the following abbreviations:

- G/CB/IO

Include:

- Australian governments (Commonwealth, State, local) and foreign governments (central, state, local), Australian and foreign central banks, and other international organisations.
- ADI

Include:

- Australian ADIs and foreign equivalents (and their subsidiaries).

Note:

- (1) Bills accepted by another ADI or foreign equivalent should be reported as an exposure to ADI.
  - (2) For foreign-owned locally incorporated ADIs (including SCCIs), report exposures to foreign (bank) parent(s) (including Australian and overseas branches), to the foreign parent's overseas based subsidiaries and to their directly owned non-ADI entities operating in Australia in the memorandum items.
- AO.

Include:

- all other counterparties not classified above.

### **Column 3. On-balance sheet exposures**

Include:

- all loans and advances, holding of debt and equity securities, and all other claims on the counterparty or group of related counterparties reported in column 1. Any accrued income associated with the exposure should also be included (e.g. interest, dividends).

Report in column 3 the book value of all on-balance sheet exposures to the counterparty or group of related counterparties at Level 1/Level 2 (as appropriate) on a net basis. Net basis means net of exposures excluded under paragraphs 7(b)(i)-(vi) in APS 221, specifically:

- exposures (e.g. claims or equity investments) deducted from the ADI's Level 1/Level 2 capital (refer to *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital*);
- exposures to the extent that they are secured by cash deposits (subject to satisfying the criteria set out in Attachment G to *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)*);
- exposures to the extent that they are guaranteed by, or secured against securities issued by, governments or central banks (subject to satisfying the conditions set out in APS 112);
- exposures arising in the course of settlement of market-related contracts;

- exposures to an ADI required as part of a liquidity support arrangement that has been certified by APRA under section 11CB of the *Banking Act 1959*; and
- exposures to the extent that they have been written off or specifically provided for.

### **Column 3.1 Loans (for Section B only)**

Report in column 3.1 the book value of all loans and advances to the counterparty or group of related counterparties at Level 1/Level 2 (as appropriate) on a net basis. Include any accrued interest associated with the exposure.

### **Column 3.2 Other (for Section B only)**

Report in column 3.2 the book value of all other on-balance sheet exposures (e.g. investment and liquidity exposures) to the counterparty or group of related counterparties at Level 1/Level 2 (as appropriate) on a net basis. Any accrued income associated with the exposure should also be included (e.g. interest, dividends).

### **Column 4. Off-balance sheet exposures**

#### **Column 4.1 Non-market related**

Include:

- all commitments, whether revocable or not, which have been advised to the counterparty or group of related counterparties reported in column 1 (refer to APS 112 for examples of these commitments). Any potential chargeback exposures to the counterparty or group of related counterparties (merchants) arising from credit card acquiring activities should also be included.

Exclude:

- internal limits that have not been formally advised to the counterparty or group of related counterparties and may be cancelled at the ADI's discretion at Level 1/Level 2 (as appropriate).

Report in column 4.1 the value of all unused commitments to the counterparty or group of related counterparties (do not apply credit conversion factors or risk weightings to the value) on a net basis (i.e. net of exposures excluded under paragraphs 7(b)(i)-(vi) in APS 221 as detailed in point 3 above).

ADIs that are engaged in credit card acquiring activities should use their own methodology in determining the amount of potential chargeback exposures to the counterparty (e.g. this could be based on the ADI's historical trends of chargeback exposures to the counterparty). Any amount reported should be net of exposures excluded under paragraphs 7(b)(i)-(vi) in APS 221 as outlined in point 3 above. For SCCIs, any funds held as performance bond from merchants for settling any outstanding liabilities to the reporting SCCI (e.g. reimbursement for merchant chargebacks) must be placed in a trust account with an ADI authorised to accept deposits to be eligible for netting purposes.

Exposures arising from repos (i.e. sale and repurchase agreements) and reverse repos (i.e. purchase and resale agreements) of securities should be reported as exposures to the issuer of the securities and collateralised loans to the counterparty respectively.

For large exposures reporting, credit derivatives should be reported in the same way as guarantees, irrespective of whether they are held in an ADI's trading book or banking book. This means, where an ADI is deemed by the requirements set down in APS 112 as having purchased protection on an underlying exposure using a credit derivative, the exposure is to the protection seller of the credit derivative. Where an ADI has sold protection using a credit derivative, the exposure is to the reference entity underlying the credit derivative. In all cases, exposures are to be reported at their gross values, where gross value is the amount of the exposure as defined in APS 112. For credit derivatives in an ADI's trading book, this requirement differs to APRA's capital adequacy arrangements, which treat credit derivatives in the same way as market rate related transactions. The requirement is, however, consistent with how APRA requires other non-market rate related transactions to be incorporated into the large exposures reporting framework.

The treatment of large exposures where protection is purchased requires some additional clarification in a couple of instances. Where an ADI has purchased protection using a credit derivative and the residual maturity of the credit derivative contract is less than the maturity of the underlying asset, the exposure is to the protection seller for the term of the credit derivative hedge and to the underlying exposure thereafter. Amongst other requirements, the credit derivative would need to have a residual maturity of at least one year to be regarded by APRA as a sufficient hedge. In the case of currency mismatches, that is, where the underlying exposure and the credit derivative hedge are denominated in different currencies, the proportion of the underlying exposure transferred to the protection seller will be determined by the current market exchange rate.

The following table summarises the treatment of credit derivatives for large exposures reporting purposes.

<b>Credit default swap</b>	
Protection seller	Exposure to the reference entity
Protection buyer	Exposure to the protection seller
<b>Total-rate-of-return swap</b>	
Protection seller	Exposure to the reference entity
Protection buyer	Exposure to the protection seller
<b>Credit-linked note</b>	
Protection seller	Exposure to the reference entity and the protection buyer
Protection buyer	Exposure to collateral (typically zero weighted)
<b>First-to-default baskets</b>	
Protection seller	Exposures to all reference entities
Protection buyer	Exposure to protection seller for one reference entity and exposures to all other entities

## **Column 4.2 Market related**

Include:

- all exposures arising from off-balance sheet market related contracts with the counterparty or group of related counterparties reported in column 1 at Level 1/Level 2 as appropriate (refer to APS 112 for examples of these contracts).

Report in column 4.2 the credit equivalent amounts of all market related contracts on a net basis (i.e. net of exposures excluded under paragraphs 7(b)(i)-(vi) in APS 221 large exposures as detailed in point 3 above). The credit equivalent amounts of these contracts are to be calculated in accordance with APS 112 where netting applies. Netting by novation and close-out netting are permissible for market related contracts provided all the requirements set out in APS 112 for bilateral netting are met. Multilateral netting and netting of exposures against offsetting positions held by a group of related counterparties are not recognised.

## **Column 5. Total exposures**

### **Column 5.1 Amount**

For Section A, this represents the total of column numbers 3, 4.1 and 4.2. For Section B, this represents the total of column numbers 3.1, 3.2, 4.1 and 4.2.

### **Column 5.2 As % of capital base**

This represents the value reported for column 5.1 divided by the ADI's capital base as reported in 'Memorandum items' (2.1).

## **2. Memorandum items**

### **2.2 Capital base of licensed ADI/consolidated group (where applicable)**

Report the ADI's capital base at Level 1 and Level 2 as appropriate for the reporting quarter (as shown in ARF 110.0 for the same reporting quarter).

### **2.3 Aggregate exposure to non-deposit-taking subsidiaries of unrelated ADIs (including foreign equivalents)**

For any reported exposures to an unrelated ADI (including foreign equivalent) and its subsidiaries at Level 1 and Level 2 listed in column 1, report the ADI's aggregate exposure to the unrelated ADI's non-deposit-taking subsidiaries, if any, in the memorandum item. For example, if the ADI has reported aggregate exposure to an unrelated ADI and its subsidiaries of \$10 million, of which \$2 million is to the unrelated ADI's non-deposit-taking subsidiaries, report the \$2 million exposure in the memorandum item for additional information purposes.



## 2.4 Aggregate exposure to foreign parents and their subsidiaries

Report the aggregate exposure to foreign (bank) parent(s) (including Australian and overseas branches), the foreign parent's overseas based subsidiaries and their directly owned non-ADI entities operating in Australia.<sup>6</sup>

## 2.5 Five largest merchants by sales volume (for Section B only)

For SCCIs that undertake credit card acquiring activities, report the five largest merchant customers in terms of aggregate transaction dollar value acquired by the reporting institution over the reporting quarter.

## Section C: Large exposures for foreign ADIs/SCCI branches

### Column 1. Counterparty

Report in column 1 the names of the relevant individual counterparties to which the Australian branch has exposures to. In the case of exposures to a group of related counterparties, the branch's aggregate exposure to the relevant group should be reported as one exposure and shown in the name of the principal counterparty.

### Column 2. Category

Report in column 2 the category of the counterparty reported in column 1 using the following abbreviations:

- G/CB/IO

Include:

- Australian governments (Commonwealth, State, local) and foreign governments (central, state, local), Australian and foreign central banks, and other international organisations.
- ADI

Include:

- Australian ADIs and foreign equivalents (and their subsidiaries).

Note: Bills accepted by another ADI or foreign equivalent should be reported as an exposure to ADI.

- AO

<sup>6</sup> Exposures to related entities (as defined in Prudential Standard *APS 222 Associations with Related Entities*) that form part of the Australian conglomerate group are to be reported in *ARF 222.0 Exposures to Related Entities*.

Include:

- all other counterparties not classified above.

### **Column 3. On-balance sheet exposures**

Include:

- all loans and advances, holding of debt and equity securities, and all other claims on the counterparty or group of related counterparties reported in column 1. Any accrued income associated with the exposure should also be included (e.g. interest, dividends).

Report in column 3 the book value of all on-balance sheet exposures to the counterparty or group of related counterparties on a net basis. Net basis means net of the following exposures:

- exposures to the extent that they are secured by cash deposits (subject to satisfying the criteria set out in APS 112);
- exposures to the extent that they are guaranteed by, or secured against securities issued by, governments or central banks (subject to satisfying the conditions set out in APS 112);
- exposures arising in the course of settlement of market-related contracts; and
- exposures to the extent that they have been written off or specifically provided for.

### **Column 4. Off-balance sheet exposures**

#### **Column 4.1 Non-market-related**

Include:

- all commitments, whether revocable or not, which have been advised to the counterparty or group of related counterparties reported in column 1 (refer to APS 112 for examples of these commitments). Any potential chargeback exposures to the counterparty or group of related counterparties (merchants) arising from credit card acquiring activities should also be included.

Exclude:

- internal limits that have not been formally advised to the counterparty or group of related counterparties and may be cancelled at the branch's discretion.

Report in column 4.1 the value of all unused commitments to the counterparty or group of related counterparties (do not apply credit conversion factors or risk weightings to the value) on a net basis (i.e. net of exposures detailed in point 3 above).

Foreign ADIs and SCCI branches that are engaged in credit card acquiring activities should use their own methodology in determining the amount of potential chargeback

exposures to the counterparty (e.g. this could be based on the branch's historical trends of chargeback exposures to the counterparty). Any amount reported should be net of exposures detailed in point 3 above.

Exposures arising from repos (i.e. sale and repurchase agreements) and reverse repos (i.e. purchase and resale agreements) of securities should be reported as exposures to the issuer of the securities and collateralised loans to the counterparty respectively.

For large exposures reporting, credit derivatives should be reported in the same way as guarantees, irrespective of whether they are held in an ADI's trading book or banking book. This means, where an ADI is deemed by the requirements set down in APS 112 as having purchased protection on an underlying exposure using a credit derivative, the exposure is to the protection seller of the credit derivative. Where an ADI has sold protection using a credit derivative, the exposure is to the reference entity underlying the credit derivative. In all cases, exposures are to be reported at their gross values, where gross value is the amount of the exposure as defined in APS 112. For credit derivatives in an ADI's trading book, this requirement differs to APRA's capital adequacy arrangements, which treat credit derivatives in the same way as market rate related transactions. The requirement is, however, consistent with how APRA requires other non-market rate related transactions to be incorporated into the large exposures reporting framework.

The treatment of large exposures where protection is purchased requires some additional clarification in a couple of instances. Where an ADI has purchased protection using a credit derivative and the residual maturity of the credit derivative contract is less than the maturity of the underlying asset, the exposure is to the protection seller for the term of the credit derivative hedge and to the underlying exposure thereafter. Amongst other requirements, the credit derivative would need to have a residual maturity of at least one year to be regarded by APRA as a sufficient hedge. In the case of currency mismatches, that is, where the underlying exposure and the credit derivative hedge are denominated in different currencies, the proportion of the underlying exposure transferred to the protection seller will be determined by the current market exchange rate.

The following table summarises the treatment of credit derivatives for large exposures reporting purposes.

<b>Credit default swap</b>	
Protection seller	Exposure to the reference entity
Protection buyer	Exposure to the protection seller
<b>Total-rate-of-return swap</b>	
Protection seller	Exposure to the reference entity
Protection buyer	Exposure to the protection seller
<b>Credit-linked note</b>	
Protection seller	Exposure to the reference entity and the protection buyer
Protection buyer	Exposure to collateral (typically zero weighted)
<b>First-to-default baskets</b>	
Protection seller	Exposures to all reference entities
Protection buyer	Exposure to protection seller for one reference entity and exposures to all other entities

## **Column 4.2 Market-related**

Include:

- all exposures arising from off-balance sheet market related contracts with the counterparty or group of related counterparties reported in column 1 (refer to APS 112 for examples of these contracts).

Report in column 4.2 the credit equivalent amounts of all market related contracts on a net basis (i.e. net of exposures detailed in point 3 above). The credit equivalent amounts of these contracts are to be calculated in accordance with APS 112 where netting applies. Netting by novation and close-out netting are permissible for market related contracts provided all the requirements set out in APS 112 for bilateral netting are met. Multilateral netting and netting of exposures against offsetting positions held by a group of related counterparties are not recognised.

## **Column 5. Total exposures**

This represents the total of column numbers 3, 4.1 and 4.2.

## **2. Memorandum item**

### **2.1 Five largest merchants by sales volume**

For SCCI branches that undertake credit card acquiring activities, report the five largest merchant customers in terms of aggregate transaction dollar value acquired by the reporting institution over the reporting quarter.

## **Section D: Large liability exposures**

### **Column 1. Counterparty**

Report in column 1 the names of the relevant individual counterparties or group of related counterparties to which the ADI has liability exposure concentration. In the case of exposures to a group of related counterparties, the ADI's aggregate exposure to the relevant group should be reported as one exposure and shown in the name of the principal counterparty.

### **Column 2. Deposits**

Include:

- total deposits held for the counterparty or group of related counterparties reported in column 1. Deposits are defined as per ARF 320.0 or ARF 323.0 as appropriate.

Exclude:

- tradeable security issues.

**Column 3. Other borrowings, bonds, notes and long-term borrowings, and loan capital**

Include:

- total “Other borrowings”, “Bonds, notes and long-term borrowings”, and “Loan capital” (defined as per ARF 320.0 or ARF 323.0 as appropriate) due to the counterparty or group of related counterparties reported in column 1.

Exclude:

- tradeable security issues.