



16 November 2016

To: Users of APRA's ADI statistical publications

RESPONSE TO SUBMISSIONS - CONSULTATION ON PUBLICATION OF ADI LIQUIDITY STATISTICS

Background

On 6 January 2016, APRA released a discussion paper outlining proposed changes to APRA's *Quarterly ADI Performance* (QADIP) publication. APRA proposed to expand the statistics published in QADIP to include relevant information on the liquidity of authorised deposit-taking institutions (ADI). APRA proposed to introduce liquidity statistics for banks, and expand the liquidity statistics published for credit unions and building societies.

In particular, the discussion paper contained three proposals. First, APRA proposed to publish new aggregate liquidity coverage ratio (LCR) statistics at the ADI segment-level for banks (as well as major banks, other domestic banks and foreign subsidiary banks sub-segments), and credit unions and building societies should institutions in these segments become subject to the LCR regime. Second, in addition to the existing minimum liquidity holdings (MLH) statistics, APRA proposed to publish additional statistics on securities and the adjusted liability base. Third, APRA proposed to publish MLH statistics at the segment level for all ADIs, all banks (as well as other domestic banks and foreign subsidiary banks sub-segments), credit unions and building societies.

APRA received four submissions in response to the proposals in the discussion paper. One of these submissions is available on APRA's website at the following address, with the other three submissions marked as confidential:

<http://www.apra.gov.au/adi/PrudentialFramework/Pages/Publication-Authorised-Deposit-taking-Institutions-liquidity-statistics-Nov-2016.aspx>

Respondents were broadly supportive of the proposal to publish additional liquidity statistics in QADIP. The submissions included feedback on the proposals, and APRA's response to the feedback follows.

Alignment of statistics to public disclosure requirements

One respondent suggested aligning the proposed liquidity statistics to those liquidity statistics disclosed by institutions under *Prudential Standard APS 330 Public Disclosure* (APS

330). In particular, the respondent made three recommendations: publish LCR data on an average basis and not a spot basis; align the categories to be published in QADIP with those released in APS 330 disclosures; and publish the LCR on an all-currencies basis only, as opposed to also an AUD-only LCR.

To implement the respondent's first two recommendations, ADIs would be required to increase the quantity of liquidity data submitted to APRA. In particular, ADIs would need to submit the data currently required under Prudential Standard *APS 210 Liquidity* (APS 210) for prudential supervision, as well as the data required to be disclosed publicly under APS 330. APRA welcomes feedback from ADIs in regards to expanding the ADI data collection to include liquidity data disclosed under APS 330.

In regards to the respondent's recommendation to only publish LCR on an all-currencies basis, it is appropriate to publish LCR on both an all-currencies and AUD-only basis. APS 210 requires an LCR ADI to undertake scenario analysis of domestic and foreign currency liquidity to ensure that it can operate under a wide range of operating conditions. Furthermore, APRA is proposing as part of the *Basel III liquidity - the net stable funding ratio and the liquid assets requirement for foreign ADIs* consultation to formalise the requirement for LCR ADIs to maintain a liquidity buffer such that their LCR on both an all-currencies and AUD-only basis are at all times greater than 100 per cent. This consultation is available on APRA's website at the following address:

<http://www.apra.gov.au/adi/PrudentialFramework/Pages/Basel-III-liquidity-NSFR-September-2016.aspx>

Confidentiality of additional liquidity statistics

APRA received submissions presenting alternate views on the confidentiality of the proposed liquidity statistics. One respondent proposed that APRA should publish institution-level statistics, while another raised concerns about the confidentiality of the proposed industry-level statistics.

Institution-level liquidity statistics are generally protected by the secrecy provisions in section 56 of the *Australian Prudential Regulation Authority Act 1998*. APRA will consider the suggestion of publishing institution-level liquidity statistics and welcomes feedback from ADIs.

In the meantime, APRA will publish industry-level liquidity statistics and continue to apply confidentiality protection measures ensuring that confidential information relating to an individual institution cannot be derived. In applying these measures, other external information sources such as APS 330 disclosures and financial disclosures will be taken into account.

Publication of mutual ADIs segment

APRA received submissions recommending that APRA publish additional ADI statistics in QADIP, including expanded statistics for mutual ADIs. While APRA currently publishes financial performance and financial position statistics for mutual ADIs, prudential statistics are not published for mutual ADIs. APRA does not intend to publish liquidity statistics for mutual ADIs at this stage.

APRA seeks to publish as much of the data collected as is considered useful, subject to APRA's confidentiality obligations with respect to individual institutions' data. APRA intends to consult ADIs and other interested parties in 2017 about the segments in its ADI statistics to ensure that the statistics APRA produces meet user needs and are not likely to be misinterpreted or misused.

Release of September 2016 QADIP

On the basis that submissions were broadly supportive of the proposal to publish additional liquidity statistics, APRA will incorporate the expanded liquidity statistics for the September 2016 edition of QADIP, to be released 29 November 2016. These expanded statistics will promote understanding of the ADI industry and provide users of APRA's statistics with additional information to make well-informed decisions.

To provide users with additional information, and to ensure that the new statistics are not misused or misinterpreted, APRA will also release an explanatory note that explains how the liquidity statistics should be interpreted and used.

The September 2016 edition of QADIP as well as the explanatory information will be available from 29 November 2016 on APRA's website at the link below:

<http://www.apra.gov.au/adi/Publications/Pages/adi-quarterly-performance-statistics.aspx>

APRA appreciates the feedback provided to date by industry and other stakeholders. We continue to welcome feedback on the liquidity statistics, QADIP, and other ADI statistical publications.

Yours sincerely



Dr Steve Davies
General Manager - Statistics