

# Reporting Form ARF 731.1

## International Banking Statistics - Locational Data

### Instructions

These instructions assist in the completion of *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 the BIS 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 of foreign subsidiary banks and branches of foreign banks 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.

The domestic books represent an unconsolidated report of positions, transactions and other information recorded on the Australian books of the body corporate licensed by APRA to carry out banking business as per the *Banking Act 1959*. The domestic books include transactions and positions with both **residents** and **non-residents** that are recorded on the Australian books of these entities.

Do not consolidate positions, transactions and other information recorded on the books of Extended Licensed Entities (ELEs), of any other entity not consolidated at Level 1 (for example, related parties such as subsidiaries, special purpose vehicles or parent entities) or of overseas-based entities (e.g. overseas-based branches and offshore banking units (within the meaning of Section 128AE of the *Income Tax Assessment Act 1936*)).

## 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).

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.

### 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. An exception exists for some cases of **derivative contracts**.

Reporting of net positions is allowed only if Australian accounting standards allow netting of multiple matching swaps (by **currency** and **maturity**) with the same **counterparty** that are covered under a legally enforceable netting agreement. Financial derivatives other than swaps should be reported at gross market value, with positive market value as claims and negative market value as liabilities.

### 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-à-vis own affiliates.

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

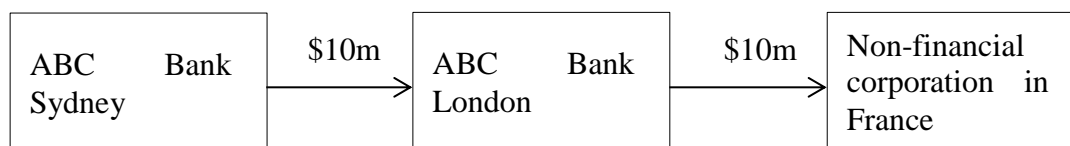
The **consolidated statistics** (collected on ARF 731.3a, ARF 731.3b and ARF 731.4) collects data on international on-balance sheet (and selected off-balance sheet) financial claims (i.e. contractual lending) of banks vis-à-vis the rest of the world and provides a measure of the risk exposure of lenders'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

<b>Item 1</b>	<p>In item 1 column 1, report the <b><i>currency</i></b> of the <b><i>claim</i></b>.</p> <p>In item 1 column 2, report the <b><i>counterparty sector</i></b> to the <b><i>claim</i></b>. The counterparty sectors to be reported are:</p> <ul style="list-style-type: none"> <li>• <b><i>Banks: related offices</i></b>;</li> <li>• <b><i>Banks: central banks</i></b>;</li> <li>• <b><i>Banks: other</i></b>;</li> <li>• <b><i>Non-bank financial institutions</i></b>;</li> <li>• <b><i>General government</i></b>;</li> <li>• <b><i>Non-financial corporations</i></b>;</li> <li>• <b><i>Households and non-profit institutions serving households (NPISHs)</i></b>; and</li> <li>• <b><i>Unallocated sector</i></b>.</li> </ul> <p>Avoid reporting large amounts as unallocated.</p> <p>In item 1 column 3, report the <b><i>counterparty country</i></b> to the <b><i>claim</i></b>.</p> <p>In item 1 column 4, report the <b><i>loans claims</i></b> and <b><i>deposits claims</i></b> for the selected <b><i>currency</i></b>, <b><i>counterparty sector</i></b> and <b><i>counterparty country</i></b>.</p> <p>In item 1 column 5, report the holdings of <b><i>debt securities</i></b> for the selected <b><i>currency</i></b>, <b><i>counterparty sector</i></b> and <b><i>counterparty country</i></b>. Report the <b><i>counterparty country</i></b> as the country of residence of the issuer of the security.</p> <p>Item 1 column 6 is derived as:</p> <ul style="list-style-type: none"> <li>• the value in column 7 total <b><i>claims</i></b>, less;             <ul style="list-style-type: none"> <li>○ the value in column 4 <b><i>loans</i></b> and <b><i>deposits</i></b>; and</li> <li>○ the value in column 5 holdings of <b><i>debt securities</i></b>.</li> </ul> </li> </ul> <p>Report the holdings of <b><i>other assets</i></b> for the selected <b><i>currency</i></b>, <b><i>counterparty sector</i></b> and <b><i>counterparty country</i></b>.</p> <p>In item 1 column 7, report the total <b><i>claims</i></b> for the selected <b><i>currency</i></b>, <b><i>counterparty sector</i></b> and <b><i>counterparty country</i></b>.</p>
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**Grand total across all currencies, counterparties and countries**

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

<b>Item 2</b>	<p>In item 2 column 1, report the <i>currency</i> of the <i>liability</i>.</p> <p>In item 2 column 2, report the <i>counterparty sector</i> to the <i>liability</i>. The counterparty sectors to be reported are:</p> <ul style="list-style-type: none"> <li>• <i>Banks: related offices</i>;</li> <li>• <i>Banks: central banks</i>;</li> <li>• <i>Banks: other</i>;</li> <li>• <i>Non-bank financial institutions</i>;</li> <li>• <i>General government</i>;</li> <li>• <i>Non-financial corporations</i>;</li> <li>• <i>Households and non-profit institutions serving households (NPISHs)</i>; and</li> <li>• <i>Unallocated sector</i>.</li> </ul> <p>Avoid reporting large amounts as unallocated.</p> <p>In item 2 column 3, report the <i>counterparty country</i> to the <i>liability</i>.</p> <p>In item 2 column 4, report the <i>deposit liabilities</i> and <i>loan liabilities</i> for the selected <i>currency, counterparty sector</i> and <i>counterparty</i></p>
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	<p><b>country.</b></p> <p>In item 2 column 5 report <i>issue of debt securities</i> with a <i>maturity</i> of less than or equal to one year, for the selected <i>currency</i>, <i>counterparty sector</i> and <i>counterparty country</i>.</p> <p>Report <i>issue of debt securities</i> with a <i>maturity</i> of greater than to one year, for the selected <i>currency</i>, <i>counterparty sector</i> and <i>counterparty country</i> in item 2 column 6 .</p> <p>Column 7 is derived as</p> <ul style="list-style-type: none"> <li>• the value in column 5: <i>issue of debt securities</i>: remaining <i>maturity</i> &lt;= 1 year; and</li> <li>• the value in column 6: <i>issue of debt securities</i>: remaining <i>maturity</i> &gt; 1 year.</li> </ul> <p>Report the <i>issue of debt securities</i> for the selected <i>currency</i>, <i>counterparty sector</i> and <i>counterparty country</i>.</p> <p>Column 8 is derived as:</p> <ul style="list-style-type: none"> <li>• the value in column 9 total <i>liabilities</i>, less; <ul style="list-style-type: none"> <li>○ the value in column 4 <i>loans and deposits</i>; and</li> <li>○ the value in column 7 issue of <i>debt securities</i>.</li> </ul> </li> </ul> <p>Report the issue of <i>other liabilities</i> for the selected <i>currency</i>, <i>counterparty sector</i> and <i>counterparty country</i>.</p> <p>In item 2 column 9, report the total <i>liabilities</i> for the selected <i>currency</i>, <i>counterparty sector</i> and <i>counterparty country</i>.</p>
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#### Grand total across all currencies, counterparties and countries

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

**Banks** refers to financial institutions whose business it is to receive deposits or close substitutes for deposits and to grant credits or invest in securities on their own account. Money market funds, investment funds and pension funds are excluded from this category.

**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**.

**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 consolidated entity.

**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](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 (RMB); and
- Other currencies.

RMB 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** refers to banks' holdings of debt securities and banks' own issues of debt securities.

Banks' holding of debt securities comprise claims in all negotiable debt instruments, include:

- all negotiable short and long-term debt instruments;
- negotiable certificates of deposit (CDs); and
- debt securities held in the bank's 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.

**Deposits claims** include deposits placed by the ADI with another financial institution that is not represented by negotiable securities. Includes non-negotiable certificates of deposit and intra-group deposits. 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.

**Derivative contracts** include derivative instruments that are reflected in the on-balance sheet positions of reporting entities under International Financial Reporting Standards

(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 derivative instruments that are recorded on-balance sheet are to be included at fair values under ***other assets*** and ***other liabilities***. Gross future commitments, recorded off-balance sheet, arising from ***derivative contracts*** should not be reported.

Where ***derivative contracts*** are entered into after adoption of IFRS, they are to be reported 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*. ***Derivative contracts*** 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*.

The ***currency*** denomination of ***derivative contracts*** should be the currency in which the value of the ***derivative contracts*** are to be redeemed or settled.

*Note:* The treatment of ***derivative contracts*** differs in ***consolidated statistics***.

***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 enterprises owned by households.

***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*** are financial assets that are created when a creditor lends funds directly to a debtor and are evidenced by non-negotiable documents.

Include:

- ***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).

**Non-financial corporations** refers to both public and private non-financial corporations as well as unincorporated enterprises that function as if they were corporations, such as partnerships and branches of foreign corporations.

**Non-residents** are entities whose centre of predominant economic interest is outside Australia's economic territory.

Include:

- households whose principal place of residence is overseas; and
- foreign branches and foreign subsidiaries of Australian enterprises, for example, a foreign branch of an Australian bank.

Exclude:

- Australian-based branches and subsidiaries of foreign enterprises, for example, Australian branches of foreign banks.

**Other assets** and **other liabilities** are the residual **claims** and **liabilities** that are not included under **loans**, **deposits** or **debt securities**.

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 **claim** or **liability** not included in **loans**, **deposits** or **debt securities**.

Exclude:

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

**Residents** of Australia are entities whose centre of predominant economic interest is within Australia's economic territory.

Include:

- households whose principal place of residence is in Australia; and
- Australian branches and Australian subsidiaries of foreign enterprises, for example, Australian branches of foreign banks.

Exclude:

- foreign branches and foreign subsidiaries of Australian enterprises, for example, foreign branches of Australian banks.

**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 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 above. Trustee business 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.