

Reporting Form ARF 731.4

International Banking Statistics - Balance Sheet Items

Instructions

These instructions assist in the completion of *Reporting Form ARF 731.3a International Banking Statistics- Balance Sheet Items* (ARF 731.4) 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 731.4 has two purposes:

- to provide information on the prudential balance sheet of Australian-owned banks; and
- to satisfy Australia's obligation to the Bank for International Settlements (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 731.4 is part of the international exposures forms. The four forms (listed below) make up the suite of international exposures forms.

- *Reporting Form ARF 731.1 International Banking Statistics - Locational Data* (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 Risk Exposures – Foreign Entity* (ARF 731.3b) collects data on claims broken down by counterparty country, maturity and counterparty sector on a domestic book basis.
- ARF 731.4 collects a small number of balance sheet items for Australian-owned banks 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 731.4 is to be completed by all Australian owned banks. Report data on a Level 2 consolidated basis (or Level 1 where there is no Level 2 entity).

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 731.4.
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 APARF 731.4.

Reporting basis and unit of measurement

ARF 731.4 should be completed as at the last day of the stated quarter (i.e. March, June, September and December). Australian-owned banks should submit the completed return to APRA within 28 calendar days after the end of the reporting quarter.

Australian-owned 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 731.4 in accordance with Australian Accounting Standards unless otherwise specified.

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 or 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*.

Financial claims resulting from derivative contracts should be valued at fair values (i.e. current credit exposure calculated as the sum of all positive fair values of derivative contracts outstanding after taking account of legally enforceable bilateral netting agreements) as this ensures consistency not only with the BIS OTC derivatives statistics but also with the valuation principles for all other on- and off-balance sheet items in the BIS international financial statistics. Negative fair values of derivative contracts are considered to represent financial liabilities and are therefore by definition excluded from the reporting of financial claims.

Specific instructions

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

Part A:

Claims on an immediate borrower basis: by remaining maturity

Item 1	In item 1 column 1, report the total assets of the ADI, including financial and non-financial assets and derivative contracts with a positive market value.
Item 2	<p>In item 2, report the total liabilities of the ADI including derivative instruments with a negative market value.</p> <p>In item 2.1, report <i>loan liabilities</i> and <i>deposit liabilities</i>.</p> <p>In item 2.2, report debt securities as including negotiable securities, including negotiable certificates of deposit.</p> <p>In item 2.2.1, report debt securities with a residual maturity of less than or equal to one year.</p> <p>In item 2.2.2, report debt securities with a residual maturity of greater than one year.</p> <p>In item 2.3, report derivative instruments with a negative market value.</p> <p>Item 2.4 is derived as total liabilities reported in item 2 less:</p> <ul style="list-style-type: none"> • deposit liabilities in item 2.1 • debt securities in item 2.2; and • derivative liabilities in item 2.3.
Item 3	Item 3 is derived as total assets reported in item 1 net of total liabilities reported in item 2.

Definitions

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

Loan liabilities comprise of all loans created by bank borrowing from institution.

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.

Note: 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.