



28 October 2020

**TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS (ADIS)**

**PROPOSED REPORTING STANDARD ARS 220.0 CREDIT EXPOSURES AND PROVISIONS**

The Australian Prudential Regulation Authority (APRA) has released a proposed *Reporting Standard ARS 220.0 Credit Exposures and Provisions* (draft ARS 220.0). APRA has updated ARS 220.0 to align it with the final version of *Prudential Standard APS 220 Credit Risk Management* (APS 220) released in December 2019.<sup>1</sup>

**Background**

In March 2019, APRA consulted on proposed revisions to the credit risk framework for authorised deposit-taking institutions (ADIs), including a draft *APS 220 Credit Risk Management* (APS 220). APRA released a response to submissions and final APS 220 in December 2019.

**APRA's approach to data**

APRA is designing new data collections which are based on data models that can be used for multiple purposes. Future collections, including this one, will move away from form-based returns to concept-dimension models, which allows the data collection to be changed or extended without wholesale redevelopment. By collecting data at a granular level, APRA aims to reduce the regulatory data burden on the industry, by minimising duplication of data collections and reducing the number of ad-hoc data requests in future.

The data collected by ARS 220.0 will form the basis of an ADI financial instrument data model which will be extended at a future date to include topics such as capital adequacy for credit risk amongst other areas of interest. In line with current practice, APRA will consult publicly on any changes before incorporating them into any data collections.

**Draft ARS 220.0**

Once finalised, the draft ARS 220.0 is intended to replace the current ADI reporting standards:

- *Reporting Standard ARS 220.0 Impaired Facilities;*
- *Reporting Standard ARS 220.3 Prescribed Provisioning;* and
- *Reporting Standard ARS 220.5 Movements in Provisions for Impairment.*

In keeping with APRA's approach to data, the ARS 220.0 data model uses a financial instrument level concept-dimension model. Compared with the existing collection, the draft ARS 220.0 will collect more detailed data on ADIs' credit exposures and provisions.

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<sup>1</sup> [Proposed revisions to the credit risk management framework for authorised deposit-taking institutions](#)

In parallel, APRA intends to remove a number of items from the current reporting forms, including detail on interest income and certain breakdowns of impaired and past due items. APRA has also removed the requirement for ADIs to categorise their prescribed provisioning exposures into separate time buckets.

APRA acknowledges that collecting provisions allocated on a portfolio basis at a detailed level, as is proposed in the draft reporting standard, introduces complexity into the collection. Accordingly, APRA seeks industry feedback on ways that provisions could be reported at a financial instrument level, for example on a pro-rata basis.

### **Proportional approach**

APRA is proposing a risk-based approach to reporting based on the complexity of the ADI where less sophisticated ADIs have reduced reporting requirements. This proportionate approach seeks to balance burden with the supervisor requirements. APRA seeks further feedback on potential enhancements to this approach.

### **Implementation**

To align with the commencement of the new APS 220, APRA proposes that the first reporting period for the new data collection will be for the quarter ending 31 March 2022.

The proposed implementation of ARS 220.0 will also coincide with the start of APRA's new data collection solution APRA Connect<sup>2</sup>, which replaces Direct to APRA (D2A), APRA's current data collection tool. As such, APRA intends that entities will submit ARS 220.0 data in APRA Connect and expects that ADIs will be able to submit data via manual entry, upload of XBRL or Microsoft Excel files. More information on the DCS is available on the APRA website at: <https://www.apra.gov.au/apra-replacing-d2a>.

As noted by APRA in December 2019, implementing APS 220 will also require changes to other ADI prudential standards. APRA will consult on any necessary changes to associated prudential standards when these are next updated, and after the new APS 220 becomes effective.

### **Confidentiality and publication of data**

APRA is committed to improving the public transparency of the data received but recognises that the collection of granular data requires a new approach to data confidentiality.<sup>3</sup> This approach needs to consider the potential commercial concerns with release of financial instrument level data and APRA's obligations under the *Privacy Act 1988*.

APRA intends to consult further on determining ARS 220.0 data to be non-confidential for the purposes of section 56 of the APRA Act at a later date. In the interim, APRA seeks feedback on how appropriate aggregations could address industry concerns with a view to including them as part of the upcoming consultation.

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<sup>2</sup> [APRA is replacing D2A](#)

<sup>3</sup> Data collected by APRA under a reporting standard is protected information under section 56 of the *Australian Prudential Regulation Authority Act 1998* (APRA Act). APRA may disclose protected information in certain circumstances, including where APRA has determined the information to be non-confidential under section 57 of the APRA Act.

## **Consultation period and request for submissions**

APRA welcomes feedback on the proposal in this letter, including the design of the proposed credit risk data collection, including specific items that ADIs consider to be challenging to report or would require additional time to implement, instructions included in the draft reporting standard, the proposed implementation timeline and appropriate entity-level aggregates from ARS 220.0 data which could be declared non-confidential. APRA also seeks feedback on the feasibility of ADIs reporting a pro-rata allocation to individual financial instruments of provisions that have been raised on a portfolio basis.

Written submissions on draft ARS 220.0 should be sent to [DataConsultations@apra.gov.au](mailto:DataConsultations@apra.gov.au) by 28 January 2021 and addressed to:

Senior Manager, Data Strategy and Frameworks  
Data Analytics and Insights  
Australian Prudential Regulation Authority

## **Important disclosure notice – publication of submissions**

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence.

Automatically generated confidentiality statements in emails do not suffice for this purpose.

Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA).

APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.

Yours sincerely,

Alison Bliss  
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