



8 June 2021

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

**RESPONSE TO SUBMISSIONS AND CONSEQUENTIAL CHANGES – REPORTING STANDARD ARS 220.0 CREDIT EXPOSURES AND PROVISIONS**

The Australian Prudential Regulation Authority (APRA) is releasing a response to submissions on the new *Reporting Standard ARS 220.0 Credit Exposures and Provisions* (ARS 220.0). APRA is also commencing consultation on consequential changes to ADI reporting standards and forms that will be affected by the revised *Prudential Standard APS 220 Credit Risk Management* (APS 220).

**Background**

ARS 220.0 will complement the modernised APS 220. APRA released a draft ARS 220.0 for consultation in October 2020, with submissions due in January 2021<sup>1</sup>. ARS 220.0 is the first ADI collection to be designed based on a concept-dimension data model which will provide data that can be used for multiple purposes and moves away from traditional form-based returns. APRA's collection of more granular data will reduce the regulatory data burden on industry by minimising the duplication of data collections and reducing the number of future ad-hoc data requests.

Since January 2021, APRA has held a number of bilateral discussions with ADIs and industry bodies to gain feedback on the proposed reporting standard and APRA's likely response. APRA has used formal consultation feedback as well as feedback from these discussions to develop its response.

**Submissions received**

APRA received 13 submissions to its October 2020 consultation – three from industry bodies, two from RegTech providers and eight from ADIs.

Industry feedback from formal consultation and industry discussions was very supportive of moving to a granular collection. However, this feedback indicated ADIs would experience difficulty in providing all the data required under ARS 220.0 by the 1 January 2022 implementation date.

Industry feedback also referred to the use of the 2006 *Australia and New Zealand Standard Industry Classification* (ANZSIC) to classify data by industry, noting that some ADIs use earlier versions of ANZSIC.

**Implementation and timing**

In response to industry feedback, APRA proposes a phased implementation of ARS 220.0:

- an interim and simplified reporting standard will apply while ADIs develop their solutions for delivering the full suite of credit risk data collected by ARS 220.0; and

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

- the final full reporting standard to be developed at the same time, following consultation with industry. A draft timeline can be found in Appendix A. This timeline is indicative only and will change as APRA gains a greater understanding of the complexities involved in the design of the new collection.

APRA will also seek to incorporate into the final full reporting standards data that supports the updated credit risk capital framework requirements included in *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* and *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* as appropriate.

### **Industry classification**

Some ADIs indicated that they use pre-2006 versions of ANZSIC and indicated they would need to re-work their systems to be able to report data by industry using ANZSIC 2006. APRA seeks feedback from ADI's on the impediments to transitioning to ANZSIC 2006 in time for full ARS 220.0 implementation in early 2023.

### **Consultation on consequential changes to reporting forms and standards**

Under the new APS 220, the term *impaired* will no longer be used and will be replaced with the term *non-performing*. Currently eight ADI reporting standards and the reporting taxonomy of *Reporting Form ARF 743.0 ABS/RBA Housing Finance (ARF 743.0)* use the term *impaired* and refer to the current *Prudential Standard APS 220 Credit Quality*.

Consequently, APRA proposes aligning these reporting standards and forms to the revised prudential standard by replacing the term *impaired* with the new term *non-performing*. As described in the March 2019 discussion paper<sup>2</sup> this change expands the scope of exposures covered to include those that are in default but are well-secured. This change enhances international comparability of ADI reporting of non-performing exposures and provides clarity in mapping provisions to their regulatory treatment.

APRA proposes these consequential changes will be effective commencing 1 January 2022. Updated draft reporting standards are available to be viewed at: [Proposed revisions to the credit risk management framework for authorised deposit-taking institutions](#).

ADIs are invited to comment on the proposed changes. Written submissions should be sent to [DataConsultations@apra.gov.au](mailto:DataConsultations@apra.gov.au) by 6 July 2021 and addressed to:

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

Yours sincerely,

Alison Bliss  
General Manager  
Cross-Industry Insights and Data Division

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<sup>2</sup> [Discussion Paper 220 Credit Risk Management March 2019](#)

## APPENDIX: HIGH LEVEL TIMEFRAME – 220 STRATEGIC COLLECTION

<b>Timeframe</b>	<b>Activity</b>
<b>Q3 2021</b>	<ul style="list-style-type: none"><li>• Pilot collection (pilot group only)</li><li>• Release of high-level data expectations to industry</li></ul>
<b>Q4 2021</b>	<ul style="list-style-type: none"><li>• Pilot collection (pilot group only)</li></ul>
<b>Q1 2022</b>	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
<b>Q2 2022</b>	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
<b>Q3 2022</b>	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
<b>Q4 2022</b>	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li><li>• Release of finalised standards</li></ul>
<b>Q1 2022</b>	
<b>Q2 2023 (March quarter end)</b>	<ul style="list-style-type: none"><li>• First formal collection</li></ul>
<b>Q3 2023</b>	<ul style="list-style-type: none"><li>• Tactical standards cease</li></ul>