



11 August 2021

TO: ALL AUTHORISED DEPOSIT- TAKING INSTITUTIONS (ADIS)

REPORTING STANDARD ARS 720.1 – CONSULTATION ON CHANGES TO ACCURATELY REPRESENT REVISIONS TO APS 220

The Australian Prudential Regulation Authority (APRA) has released proposed updates to *Reporting Standard ARS 720.1 ABS/RBA* (ARS 720.1). APRA, the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) (collectively, ‘the agencies’) have updated ARS 720.1 to correctly align it with the final version of *Prudential Standard APS 220 Credit Risk Management* (APS 220) released in December 2019.

Background

APRA and the agencies started consultation on the EFS data collection in January 2017. The collection replaced the domestic books collection submitted by authorised deposit-taking institutions and registered financial corporations (RFCs). APRA and the agencies released final versions of the EFS reporting standards in January 2019.

APRA and the agencies released draft revisions to EFS reporting standards and guidance that incorporated guidance from previously issued frequently asked questions for consultation in August 2020 and finalised versions in November 2020.

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

After working with industry, APRA and the agencies have identified that a number of adjustments made to the credit quality data capture for EFS were not correctly aligned to the changes in APS 220.

Changes to accurately represent revisions to APS 220 and proposed implementation

APRA and the agencies identified that Item 6 of *Reporting Form ARF 720.1A ABS/RBA Loans and Finance Leases (Standard)* (ARF 720.1A) collects data on impaired exposures, which will no longer be used in APS 220.

As a result, APRA and the agencies propose updating Item 6 and the accompanying table headers to collect data on non-performing exposures. ARF 720.1A will continue to collect data on past due exposures. A marked-up copy of ARS 720.1 is available for download at <https://www.apra.gov.au/modernised-economic-and-financial-statistics>.

The change does not affect RFCs or Category A ADIs, as only Category B ADIs are required to report data on ARF 720.1A.

APRA proposes the changes will be effective from 1 January 2022. As a result, APRA will delay implementing the updates to ARS 720.1 released in November 2020¹ until this time.

Consultation period and request for submissions

APRA welcomes feedback on the proposed change in this letter.

Written submissions on draft ARS 220.0 should be sent to DataConsultations@apra.gov.au by 7 September 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
General Manager
Data Analytics and Insights Division

¹ [Proposed changes to modernised Economic and Financial Statistics \(EFS\) reporting standards and guidance | APRA](#)