



6 July 2021

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Data Analytics and Insights  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001

By email: [dataconsultations@apra.gov.au](mailto:dataconsultations@apra.gov.au)

Dear Sir/Madam,

**Revised Reporting Standard ARS 220.0 Credit Exposures and Provisions:**  
*Consultation on consequential changes to reporting forms and standards, and  
Supplemental feedback regarding APRA's response to ARS 220.0 industry  
submissions.*

The Australian Financial Markets Association (AFMA) welcomes the opportunity to make comment on APRA's above referenced consultation and provide supplemental feedback relative to ARS 220.0 Credit Exposures and Provisions.

AFMA's feedback expresses the views of our foreign subsidiary bank and foreign bank branch members.

***Consequential changes to reporting forms and standards.***

AFMA notes that under the revised APS 220 Credit Risk Management the term 'impaired' will no longer be used and will be replaced with the term 'non-performing', and that consequential changes will be made to ADI reporting standards and forms to reflect this. We commend APRA's endeavours to align its terminology across prudential and reporting standards and its initiatives that further enhance international comparability of ADI reporting of non-performing and other exposures.

***Supplemental feedback regarding APRA's response to ARS 220.0 industry submissions***

**1. Implementation and timing**

AFMA welcomes APRA's proposal to now adopt a phased implementation of the reporting standard, i.e.

- 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

- 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.

We note that the indicative draft timeline for implementation is subject to change as APRA gains a greater understanding of the complexities involved in the design of the new collection. While this provides some assurance that timelines may be extended should circumstances dictate, it is stressed that in order for APRA to reasonably expect ADIs to meet a Q2 2023 commencement of formal data submissions in accord with the finalised reporting standard (and particularly given that Q2 2023 is considered to be a short lead time from the Q4 2022 release of the final reporting standard) it is essential that APRA soon provide the taxonomy, or a substantial draft of it, in order that work on systems, processes and controls can commence. This is particularly important to enable ADIs to assess the cross-form impacts of the change from 'impaired' to 'non-performing'.

Absent the timely provision of this taxonomy, foreign ADIs which rely on it are likely to encounter considerable difficulty in satisfying the 2022 quarterly incremental collections with any degree of assurance as to data quality, this by virtue of the lead times needed to secure the necessary home office systems expenditure approvals. For most foreign ADIs, the finalised reporting standards are required before changes to Group IT systems can be proposed. This shortens the lead time available for design and implementation of the revised reporting solution.

## **2. Observations for report format in ARS220.0**

### ***IFRS 9 concepts and potential overlaps***

Section **A.1. Credit Exposures** appears to mix concepts and potentially has overlaps (i.e. Stage 2 IFRS concepts vs days past due). Similarly, the non-performing section overlaps with  $\geq 90$  days past due section. It would be helpful if APRA could indicate whether it is its intention, with the inclusion of an IFRS 9 stage concept, to align the forms with these IFRS stages. If this is the case, it may be appropriate to consider splitting these by the stages, i.e. 1, 2 and 3.

It would also be helpful if, under Section C, APRA could provide clarity as to whether its intent is to capture both ' $\geq 90$  days past due' and ' $< 90$  days past due' as there is a section (line item 5.) that asks for the provisions for exposures of the latter.

### ***Inconsistency with Pillar 3 Reporting***

It appears that the changes in APS 220 have not carried over to Pillar 3 reporting, which will result in data reported under ARS 220.0 being inconsistent with market disclosure in Pillar 3 reports. If this is the case it would be helpful to foreign ADIs for APRA to address this inconsistency.

For more information or if you have questions in relation to this letter please contact me at [REDACTED]

Yours sincerely

[REDACTED]

Murray Regan

**Director Markets and Rates**