



19 October 2021

TO: ALL AUTHORISED DEPOSIT- TAKING INSTITUTIONS (ADIS)

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

The Australian Prudential Regulation Authority (APRA) has released a response to submissions on 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

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

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

After working with industry, APRA and the agencies identified that some adjustments made to EFS credit quality data items were not correctly aligned to the changes in APS 220.

As a result, in August 2021 APRA and the agencies consulted on updating Reporting Standard ARS 720.1 ABS/RBA Loans and Finance Leases (ARS 720.1) to collect data on non-performing exposures, instead of impaired exposures, in order to align it with APS 220. *Reporting Form ARF 720.1A RBS/RBA Loans and Finance Leases (Standard)* will continue to collect data on past due exposures.

APRA proposed the changes would be effective from 1 January 2022.

Submissions received

The consultation was open for one month. APRA received two submissions, one from an industry body and one from an ADI. Submissions were supportive of the changes and the decision to delay implementation of the new ARS 720.1 to align with the start of reporting of the interim credit risk *Reporting Standard ARS 220.0 Credit Quality* (ARS 220.0).

Both submissions also requested APRA move the commencement from January 2022 to March 2022, the first reporting period of the new ARS 220.0.

Timeframe for implementation

To allow ADIs to align their reporting with APRA’s updated credit risk framework, APRA will delay implementation of the updates to ARS 720.1. The updated ARS 720.1 will now apply to reporting periods ending on or after 31 March 2022.

APRA is of the view that delaying the commencement will provide a clean basis for ADIs to change their reporting to the new credit risk framework and provide them with more time to make this transition.

Finalised ARS 720.1

Copies of the finalised ARS 720.1 can be viewed at: [Modernised economic and financial statistics | APRA](#).

Yours sincerely,

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