



7 April 2022

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS (ADIS)

REVISIONS TO THE ADI CAPITAL FRAMEWORK: INTERIM REPORTING STANDARDS FOR CONSULTATION AND PARALLEL RUN EXPECTATIONS

On 29 November 2021, APRA released the final capital adequacy and credit risk capital requirements for ADIs, contained in *Prudential Standard APS 110 Capital Adequacy* (APS 110), *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112) and *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113).

APRA is now releasing for consultation interim reporting standards that will accompany APS 110, APS 112, and APS 113. In addition, APRA is also releasing three reporting standards for consultation that contain consequential changes as a result of updates to ADI capital adequacy and credit risk capital requirements and other minor changes.

Where possible APRA has made changes to these new collections to better meet data needs, simplify reporting requirements, and reduce the need for future data collections and ad hoc requests.

APRA is also clarifying the expectations for the data submitted for September 2022 and December 2022 quarter ends in parallel with existing reporting.

Interim ADI capital adequacy and credit risk capital reporting standards

The ADI capital reforms will embed the industry's 'unquestionably strong' capital position, and improve the flexibility of the framework to respond during periods of stress.

To support the capital reforms, APRA has created three draft interim reporting standards for consultation:

- *Reporting Standard ARS 110.0 Capital Adequacy* (ARS 110.0),
- *Reporting Standard ARS 112.0 Capital Adequacy: Standardised approach to credit risk* (ARS 112.0), and
- *Reporting Standard ARS 113.0 Capital adequacy: Internal ratings-based approach to credit risk* (ARS 113.0).

ARS 110.0 maintains the structure of the current reporting form, with updates that align it with the new prudential standards. These updates include more detailed information on subsidiaries and the addition of data items related to ADIs' leverage ratios.

ARS 112.0 and ARS 113.0 will use a table-based format made possible by the implementation of APRA Connect, moving away from the current form-based collections. The new standards will replace the below reporting standards and their associated reporting forms, effective for the reporting period ending 31 March 2023:

- *Reporting Standard ARS 112.1 Standardised Credit Risk – On-balance Sheet Assets;*
- *Reporting Standard ARS 112.2 Standardised Credit Risk – Off-balance Sheet Exposures;*
- *Reporting Standard ARS 113.0 Foundation Internal-Ratings Based (FIRB) Approach to Credit Risk;*
- *Reporting Standard ARS 113.1 Advanced Internal-ratings Based (AIRB) Approach to Credit Risk;*
- *Reporting Standard ARS 113.2 Internal Ratings-Based (IRB) Approach to Credit Risk - Specialised Lending Supervisory Slotting;*
- *Reporting Standard ARS 113.3 Internal Ratings-Based (IRB) Approach to Credit Risk – Retail;*
- *Reporting Standard ARS 113.4 Internal Ratings-Based (IRB) Approach to Credit Risk – Other Assets, Claims and Exposures; and*

Consequential and other minor updates to ADI reporting standards

In addition to ARS 110.0, ARS 112.0, and ARS 113.0, APRA has identified three other ADI reporting standards that require minor updates, primarily as a result of APRA's ADI capital reforms:

- *Reporting Standard ARS 180.0 Counterparty Credit Risk (ARS 180.0);*
- *Reporting Standard ARS 221.0 Large Exposures (ARS 221.0); and*
- *Reporting Standard ARS 223.0 Residential Mortgage Lending (ARS 223.0).*

APRA has updated cross-references to APS 112 and APS 113 (as applicable) in ARS 180.0 and ARS 223.0. Similarly, references to APS 112 in ARS 221.0 have been updated or otherwise amended to refer to the corresponding provisions which are now located in *Prudential Standard APS 180 Capital Adequacy: Counterparty Credit Risk*. APRA has also updated each of ARS 180.0, ARS 221.0 and ARS 223.0 to include certain other minor changes. No changes to the data submitted by ADIs under these three reporting standards are expected.

Parallel run expectations

In the *Roadmap to 2023*¹ released on 2 June 2021, APRA communicated the expectation for entities to provide details of the capital requirement as at the September 2022 and December 2022 quarter ends in parallel with existing reporting.

In response to a number of requests from the industry, APRA is clarifying the expectations for the data submitted for these time periods.

¹ [ADI capital reforms: Roadmap to 2023 | APRA](#)

APRA's Expectations	Ready?	Set?	Go! (Live)
Reference date	30 Sep	31 Dec	31 Mar
Due Date	+ 40 BD	+ 40 BD	+35 CD
Expected level of compliance with the standards	Largely	Materially	Complete
May use unapproved models and proxies	Yes (Except mortgage LGD)	No	No
May use test systems	Yes	Yes	No
Completeness of data sets	Some small gaps permitted	Complete data required but may not be reconciled	Complete, reconciled data
Subject to APS 310 requirements	No	No	Yes
Signed off by accountable executive	No	No	Yes

APRA expects that ADIs will submit ARS 110.0, ARS 112.0, ARS 113.0 and ARS 115.0 data, and intends to use APRA Connect to collect all submissions. Versions of the draft collections for ARS 110.0, ARS 112.0 and ARS 113.0 will be available in a test environment before the end of consultation to give ADIs more time to develop reporting solutions.

ADIs are also expected to accompany the September and December submissions with a document detailing where the submission does not comply with the prudential requirements, such as the use of unapproved models and proxies.

Next steps

APRA is committed to meeting the 1 January 2023 implementation date, to complete the prudential reforms and provide ADIs with certainty for planning. APRA proposes that the interim reporting standards and consequential and other updates will be effective for the reporting period ending 31 March 2023. Updated draft reporting standards are available to be viewed at: [Revisions to the capital framework for authorised deposit-taking institutions | APRA](#).

ADIs are invited to comment on the proposed changes. Written submissions should be sent to DataConsultations@apra.gov.au by 7 June 2022 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

Important disclosure requirements – 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. Requests for submissions to remain in confidence are to be clearly marked on the first page of the submission. 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 may be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and may therefore be exempt from production under the FOIA.