



10 August 2022

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

**CREDIT RISK REPORTING – RESPONSE TO SUBMISSIONS**

The Australian Prudential Regulation Authority (APRA) has released a response to submissions on proposed updates to the following reporting standards as a result of changes to the corresponding prudential standards:

- *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)*
- *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).*

**Background**

On 7 April APRA released drafts of new standards for capital adequacy and credit risk capital (ARS 110.0, ARS 112.0 and ARS 113.0) as well as consequential amendments to ARS 180.0, ARS 221.0 and ARS 223.0 for consultation

**Submissions received**

APRA received seven submissions: four from ADIs, two from industry bodies, and one from a RegTech provider.

Submissions noted the short timeframes for implementation of the reporting standards and the large scale of change being made. Concerns were raised regarding the ability of the industry to participate in the September and December parallel runs and file returns for the first formal collection for Q1 2023.

APRA is committed to meeting the 1 January 2023 implementation date, to complete the prudential reforms and provide ADIs with certainty for planning. To maximise the time available for entities development of reporting solutions APRA is including a copy of the publicly visible taxonomy (PVT) with this response and will be making the collection available in the APRA Connect external test environment in early September. APRA will also hold information sessions to provide more information regarding the submission of returns.

Submissions also requested further clarification regarding the reporting levels for the completion of forms. Special mention was made of the reporting treatment for exposures in

New Zealand subsidiaries. APRA has made changes to ARS 112.0 and ARS 113.0. to clarify that reporting is expected at Level 1 and Level 2 and that exposures in New Zealand subsidiaries are not to be included. APRA has also made minor amendments to ARS 110.0 to better capture the quantum of exposures in New Zealand subsidiaries.

A number of submissions also requested further information regarding the continuing requirement to report under the *Reporting Standard ARS 118.1 – Other Off-balance Sheet Exposures* (ARS 118.1), given that the content overlaps with that of the new ARS 112.0 and ARS 113.0. APRA can confirm that ARS 118.1 will be discontinued as part of ARS 112.0 implementation.

Following the finalisation of *Reporting Standard ARS 115.0 Capital Adequacy: Standardised Measurement Approach to Operational Risk (ARS 115.0)*, submissions requested further clarity regarding the submission date of the data of this standard. In keeping with start date of the relevant prudential standard, APRA's expectation is that the first reporting for ARS 115.0 would be submitted 35 calendar days after 31 March 2023.

Requests for further information regarding Pillar 3 disclosure requirements were also included in a number of submissions. APRA has released further information on this topic which can found at: [Public disclosure requirements for authorised deposit-taking institutions](#).

Submissions also requested clarification on a number of technical aspects of the reporting standards. APRA has included amendments in the reporting standards to provide further clarity to ADIs. APRA has also made minor modifications to ARS 113 to improve the ability to use data provided under this standard when comparing standardised and Internal Ratings-based Approach credit risk.

### **Finalised reporting standards**

Copies of the finalised reporting standards can be viewed at: [Revisions to the capital framework for authorised deposit-taking institutions](#).

Yours sincerely,

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