



Level 24, Three International Towers
300 Barangaroo Ave
Sydney, NSW 2000
info@regcentric.com | 02 8091 7187
www.regcentric.com

Senior Manager, Data Strategy and Frameworks
Data Analytics and Insights
Australian Prudential Regulation Authority
Via email: [REDACTED]

6 June 2022

Dear Sir/Madam,

Sub: Comments on proposed revisions to the ADI Capital Framework: Interim reporting standards and parallel reporting expectations

We thank APRA for the opportunity to provide feedback on the proposed changes to reporting requirements under the Revised Capital Framework for ADI's.

RegCentric specialises in transformation in Regulatory Reporting, Finance and Risk in the Australian financial services industry. RegCentric is supporting a wide range of ADI's in their regulatory change programs to deliver on their obligations under the Revised Capital Framework. We provide consulting and implementation services as well as modern technology solutions to meet the new requirements under APS 112 and APS 113, and respective reporting standards. RegCentric supports clients across the spectrum of ADI's, from the "big four" through to mid-Tier banks, foreign subsidiaries and mutuals.

APRA's interim reporting standards largely align with the industry's expectations, and we are generally supportive of the approach of collecting *reporting tables* instead of *reporting forms*. We welcome APRA's additional guidance on the expectations during parallel run and we are generally supportive of the timetable and expectations outlined in the consultation.

A number of clarifications are sought to confirm queries and concerns raised across our client-base.

112 reporting table

- i) Can APRA confirm it does not expect ADI's with IRB approved portfolios to report any exposures in their IRB portfolios in the 112 table? The consultation paper suggests that the SA RWA for exposures approved for IRB are only to be reported under the 113 table (column 22 RWA-standardised). We seek confirmation that APRA has considered it will not have a similar granular data set with regards to data points such as the exposure classification under SA, exposures dependent on counterparties, LVR, LMI related to those exposures under the proposed approach.
- ii) Can APRA confirm which off-balance sheet commitments would classify as irrevocable commitments under industry support arrangements.

- iii) Can APRA clarify that column 12 – Risk-weighted assets (RWA) will be a calculated field in the collection.
- iv) ARS 112 submission is not due till 1Q23, what is APRA’s expectations, if any, of the monthly returns due before 1Q23 and after 31st December 2022, which have some capital elements (such as ARF923 reporting) to be reported? Can APRA clarify if those capital elements need to be reported in compliance with the revised APS 112?
- v) Under the ARS 112 requirements ADI's will need to report on-balance sheet and off-balance balances in separate rows of the table (single exposure class / single contract will need to be reported twice). Would APRA consider a change to require on-balance sheet and off-balance sheet values to be reported in separate columns to eliminate double reporting of an exposure class or a contract? A similar approach has been adopted by APRA in prior data collection templates such as the Data Calibration Request.

113 reporting table

- vi) Covered and uncovered – Can APRA confirm how exposures with partial coverage (i.e. part covered, part uncovered) need to be reported?
- vii) RWA overlays – Can APRA clarify expected reporting treatment for overlays impacting multiple asset classes?

Audit Requirements

- viii) Can APRA confirm the expectations for internal and external audit assurance under the new reporting requirements?

Foreign ADI's

- ix) Foreign branches are not directly impacted by the Revised Capital Framework. However, under their current reporting regime ARF 112.2A is used for off-balance sheet items reporting. Can APRA please clarify if foreign branches will continue to report ARF 112.2A in D2A, or if indeed foreign branches will also be required to report table 112 in APRA Connect? And in case of the latter, can APRA clarify which columns are required to be reported? Would APRA consider foreign branches to start submitting ARF118.1 Other Off-Balance Sheet exposures – which is structurally well-aligned with 112.2A.

Parallel run

- x) Can APRA provide further guidance on the terms “largely compliant” and “materially compliant” with respect to the parallel run?

APRA Connect

- xi) In the superannuation industry, APRA's SDT taxonomy no longer follows SBR taxonomy standards, but rather a new APRA Connect specific taxonomy. Can APRA confirm it will continue to support SBR in the ADI industry? Can APRA confirm when it will release the APRA Connect taxonomy and validation rules?
- xii) Can APRA confirm the submission file format that will be available for submission in APRA Connect?

Attestation

- xiii) In its letter to industry titled ADI CAPITAL REFORMS: ROADMAP TO 2023 on 2 June 2021, APRA outlined its expectation of "Attestation from accountable person that the ADI will be compliant with the updated standards". Under the consultation on interim reporting standards and parallel reporting expectations, APRA has mentioned it only expects Mar 2023 reports to be signed off by the accountable executive as compliant. Can APRA clarify or confirm its expectation of the compliance attestation in December 2022? Can APRA advise the required format, content, submission mechanism and due date for the attestation?

We thank APRA for the opportunity to lodge this submission and would welcome further discussion on our feedback. Please do not hesitate to contact us via email on

[REDACTED]

Yours Faithfully

[REDACTED]

Thomas Verlaet
Founder | Principal Consultant