RESPONSE TO SUBMISSIONS

Finalising ADI public disclosure requirements

December 2022

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Executive summary

Transparency is a fundamental principle of a sound banking system. *Prudential Standard APS 330 Public Disclosure* (APS 330) sets out public disclosure requirements for locally-incorporated authorised deposit-taking institutions (ADIs) that seek to provide market participants with sufficient information to assess an ADI's material risks and capital, which promotes market discipline.

In July 2022, APRA initiated consultation for the review of APS 330.[1] As part of this consultation, APRA engaged with industry to discuss what changes, if any, are required to the standard to reduce information asymmetry and further promote bank transparency and comparability within and across jurisdictions. APRA's review of ADI public disclosure requirements aimed to achieve three key objectives:

- **improve transparency and comparability** – APRA will produce a new centralised publication of key prudential metrics, which will provide market participants access to information in a way that is easier to compare and analyse than standalone individual disclosures. Additionally, APRA will require quantitative disclosures to be published in machine-readable format, to better support the analysis of prudential information;
- **enhance proportionality** – APRA will remove disclosure requirements for smaller, less complex ADIs, using the centralised publication to promote transparency and reduce regulatory requirements for this cohort of the industry; and
- **align with updated international and domestic standards** – APRA has aligned APS 330 with the updated international standards for public disclosure set by the Basel Committee, and with APRA's *Unquestionably Strong* reforms to the ADI capital framework.

Consultation process

As part of the consultation process, APRA received five submissions and engaged with market participants through industry workshops and bilateral discussions. Respondents were supportive of APRA's objectives in the review, while providing suggestions to amend the timing and format of the standard to ease implementation pressures and clarify some requirements. APRA has made the following key changes in response to this feedback.

- **Implementation** – APRA has provided further clarity on the format and timing of disclosures and delayed the effective date of the new APS 330 by twelve months to 1 January 2025. This longer timeframe will better support implementation by relieving pressure on resourcing as ADIs implement the new capital framework.
- **Format of APS 330** – APRA has retained the approach to incorporating the Basel Committee's internationally agreed minimum disclosure standards by reference, to enhance international comparability and ensure APRA's framework is Basel-equivalent.

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[1] Refer to: APRA strengthens transparency on remuneration and bank disclosures | APRA.

However, APRA has included provisions in both the new and transitional prudential standards that provide ADIs flexibility in meeting the international standards.

- **Transitional arrangements** – APRA has updated the transitional APS 330 so that ADIs may continue to make public disclosures from 1 January 2023 that are consistent with the new capital framework, until the new disclosure standard becomes effective on 1 January 2025.[2] These changes address feedback provided during consultation.

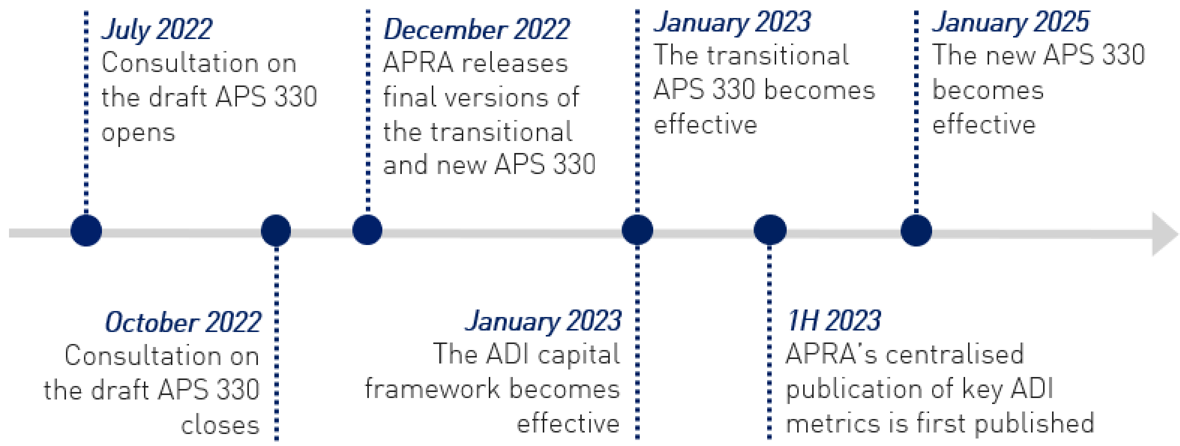
- **Technical adjustments** – APRA has updated Attachment A to the new APS 330 so that minimum international disclosure requirements better align with APRA's prudential framework.

This *Response to submissions* paper further explains these issues and sets out APRA's responses in more details.

Next steps

A timeline of the reforms to ADI public disclosures is provided below.

Figure 1. Policy development roadmap for APS 330



Alongside this response paper, APRA has released two final versions of APS 330:

1. a **transitional APS 330** that becomes effective from 1 January 2023 to align with APRA's new ADI capital framework; and

2. a **new APS 330** that becomes effective from 1 January 2025 that aligns with both APRA's new capital framework and the Basel Committee's internationally agreed minimum requirements for public disclosures.

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[2] Refer to: APRA finalises new bank capital framework designed to strengthen financial system resilience | APRA.

Glossary

ADI	Authorised deposit-taking institution
APRA	Australian Prudential Regulation Authority
Basel III framework	A series of reforms to the internationally agreed capital framework following the global financial crisis that commenced with the Basel Committee on Banking Supervision's *Basel III: A global regulatory framework for more resilient banks and banking systems* (December 2010, revised June 2011) and includes *Basel III: Finalising post-crisis reforms* (December 2017), *Minimum capital requirements for market risk* (January 2019), and *Interest rate risk in the banking book* (April 2016).
BCBS	Basel Committee on Banking Supervision
G-SIB	Global systemically important bank
IRB ADI	An ADI which has been approved by APRA to use the internal ratings-based (IRB) approach to credit risk.
Non-significant financial institution (non-SFI)	An ADI that: 1. is a foreign ADI; 2. has total assets not greater than AUD $20 billion; or 3. has not been determined a significant financial institution by APRA having regard to matters such as complexity in its operations, or its membership of a group.
Pillar 3	The third 'pillar' of the ADI prudential framework – the promotion of market discipline through the disclosure of meaningful regulatory information to market participants on a consistent and comparable basis.
RBNZ	Reserve Bank of New Zealand
RWA	Risk-weighted assets
Significant financial institution (SFI)	An ADI that is either: 1. not a foreign ADI, and has total assets in excess of AUD $20 billion; or 2. determined as such by APRA having regard to matters such as complexity in its operations, or its membership of a group.
Standardised ADI	An ADI that only uses the standardised approach to measure credit risk, to determine its capital adequacy requirements. This ADI has not been approved by APRA to use the IRB approach to credit risk.

Chapter 1 - Consultation responses

This chapter outlines APRA's response to general feedback on APRA's proposals to revise public disclosure requirements. This includes issues on the implementation timeline, the Basel framework and the machine-readability of public disclosures. In response, APRA has provided further clarity on the format and revised the effective date of the new Prudential Standard.

Implementation timeline

APRA proposed commencing the new APS 330 from 1 January 2024. This date would provide industry twelve months to implement the updated disclosure requirements, following the release of the final Prudential Standard in 2022. Twelve months is the usual implementation period provided by APRA to implement a new Prudential Standard.

Comments received

Respondents advised that the implementation timeframe did not provide ADIs sufficient time to implement the revised APS 330. Respondents identified several issues restricting ADIs from implementing the reforms within twelve months, including the significant uplift required to handle the voluminous Basel Committee's public disclosure framework and that resources are being prioritised to implement the new capital framework during 2023.

Respondents suggested postponing the effective date, to provide ADIs more time to upgrade their systems to ensure disclosure requirements were sufficiently met and accurately reflect the risk profile and capital position of each entity. Additionally, respondents requested for the consultation period on the new standard to be extended to Q3 2023, to provide additional time to review the Basel Committee's Pillar 3 framework.

APRA's response

APRA recognises the regulatory burden associated with implementing the new disclosure requirements by 2024, amid the significant reform agenda for ADIs in 2023. This includes the new capital framework and its accompanying reporting requirements. Additionally, given ADIs are expected to prioritise the implementation of the new capital framework, APRA recognises the difficulty of attaining resources to simultaneously implement the new public disclosure requirements.

APRA has delayed the effective date of APS 330 by twelve months to 1 January 2025, to alleviate pressure on ADI resourcing and to ensure industry can prioritise the implementation of the new capital framework. However, APRA has decided not to increase the consultation period for feedback on the new APS 330 and has instead included a provision in the new APS 330 that allows ADIs the flexibility to make minor modifications to disclosure templates when implementing the new requirements if needed to align with APRA's prudential framework.

APRA also considers it appropriate to retain the effective date of the transitional APS 330 of 1 January 2023, to ensure that ADIs disclose prudential information that is consistent with the new capital framework. This transitional Prudential Standard will also include a provision to allow ADIs flexibility in meeting APRA's public disclosure requirements.

Implementing the Basel framework

As part of the July 2022 consultation, APRA proposed a new approach to designing APS 330. Rather than duplicating the Basel Committee's disclosure framework within the Prudential Standard, as is current practice, APRA proposed to incorporate the Basel Committee's disclosure framework by reference.

APRA included an attachment to the draft Prudential Standard that comprised a limited number of high-level modifications to the Basel Committee's disclosure framework. APRA's objective was to ensure that ADIs could meet the disclosure requirements in the Australian context without diminishing international comparability. Additionally, this approach would ensure APRA's prudential framework remains Basel-equivalent.

APRA sought feedback on what amendments would be required to this attachment, to better support ADIs in implementing the Basel Committee's public disclosure framework.

Comments received

Some respondents questioned whether the benefits of implementing the Basel Committee's Pillar 3 framework would outweigh the cost of implementation for Australian ADIs, arguing that the Basel framework is complex, lengthy and may not be suitable for Australian ADIs.

Respondents argued that APRA's proposed approach to incorporating the Basel Committee's disclosure templates by reference may cause unnecessary complication and create confusion in needing to refer to both the Basel Committee's Standard and APS 330. Additionally, the revised approach would diminish an ADI's ability to ensure strong governance around regulatory change, as ADIs would need to be aware of any changes to both the Basel framework and APS 330. Respondents proposed that APRA should instead either develop a limited number of targeted additional disclosures to accompany the existing requirements, instead of adopting the Basel Committee's requirements in full, or directly replicate the Basel Committee's Standard within APS 330.

APRA's response

APRA, as a member of the Basel Committee, has no appetite to be sub-equivalent to the Basel framework.

The publication of comparable capital information supports investors in assessing an ADI's risk profile and capital position, and to compare them to international peers. This is particularly important for Australian ADIs, given their continued reliance on international wholesale funding. The internationally agreed minimum disclosure requirements set by the Basel Committee provide a platform for comparability. If trends emerge where international regulators move away from the Basel Committee's minimum requirements in favour of their own bespoke public disclosure frameworks, APRA will reassess the appropriateness of the Australian approach.[3]

APRA does acknowledge there may be difficulty for some ADIs in ensuring the Basel Committee's framework aligns neatly with APRA's prudential framework. APRA has included a provision in the new APS 330 that allows ADIs some flexibility to make minor modifications to disclosure templates in situations where the Basel framework conflicts with APRA's framework. APRA does not consider it necessary to redevelop the Basel Committee's Pillar 3 framework.

Machine-readable format

To improve the accessibility to prudential information disclosed by ADIs, APRA proposed that ADIs disclose quantitative information in machine-readable format. This could mean, for example, that ADIs publish their disclosures in Comma Separate Value (CSV) format.

APRA requested feedback as part of the consultation process on what machine-readable format is most useful to support market participants in analysing prudential information and did not prescribe the format type in the draft APS 330 (although CSV file was suggested as an appropriate format).

Comments received

Respondents were supportive of APRA's proposal to require ADIs to publish their individual prudential disclosures in machine-readable format, to improve accessibility to prudential information across industry. The preferred format of disclosures was CSV files, which aligned with APRA's suggestion in the draft Prudential Standard.

Given this is a new approach to disclosing prudential information, respondents provided several suggestions to clarify APRA's expectations and to ensure consistency across industry.

APRA's response

APRA is maintaining the requirement to publish individual ADI disclosures in machine-readable format. Responses to suggestions, provided by respondents as part of the consultation process to ensure consistency across industry, are provided in the below table.

Table 1. Clarification on APRA's expectations of machine-readable formats

Comments received	APRA's response
APRA should mandate that CSV files be required for public disclosures, to ensure consistency.	Supported.

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3 APRA notes that it is difficult to determine common international practice, given many international prudential regulators are still developing and finalising their public disclosure frameworks to align with the Basel III framework. However, directing banks to Basel Committee's disclosure templates to complete and disclose is not unique to APRA and is an appropriate approach to ensure international comparability and Basel-equivalence.

Comments received	APRA's response
The start date for publishing machine-readable formats should align with the implementation date for the new APS 330.	The implementation date is 1 January 2025, with no transitional requirement.
APRA should list the specific templates that should be made publicly available in machine-readable format.	The Basel Committee's Pillar 3 framework sets out the type of content required in each table or template. An ADI is not expected to disclose templates and tables that solely contain 'qualitative information' in machine-readable format. APRA would expect that all other templates and tables that include quantitative information should be disclosed.
APRA should confirm whether templates that include nil values should be disclosed.	Tables should be made publicly available even if they include nil values. However, if the disclosures would not be meaningful for users, an ADI may omit the relevant disclosure and include accompanying narrative to explain why it was omitted, as required by APS 330.
APRA should explain how to determine whether information is deemed immaterial and therefore not required to be made public.	The onus is on the ADI to determine the materiality of a disclosure, given it would be dependent on the size, complexity, and risk profile of an ADI.
APRA should confirm where ADIs should make these files publicly available.	APS 330 requires ADIs to include a 'Regulatory Disclosures' section on its website that is easily identifiable to users. An ADI must publish all prudential disclosures required under APS 330 in this section of its website. APRA will publish key ADI prudential information as part of the centralised publication on the APRA website.

Centralised disclosures

APRA will publish key ADI prudential metrics to provide market participants access to information on the risk profile and capital position of all locally-incorporated ADIs. The publication will include key high-level entity-specific metrics relating to capital and liquidity data.

This centralised disclosure will complement individual bank disclosures published by SFI ADIs and improve the comparability of high-level prudential information across the industry. Additionally, this publication will include time series data, to better support market participants in analysing prudential information across the banking industry.

Comments received

Industry requested that APRA consider the timing of the release of the centralised publication. In particular, some respondents requested that APRA should not publicly disclose information on any individual bank prior to the bank disclosing this information itself, as part of either their financial or prudential disclosure requirements.

APRA's response

APRA will continue developing the centralised publication of key ADI prudential metrics, with the first version of the publication expected in 1H 2023 using March quarter 2023 data. Further information on the centralised publication of key ADI prudential metrics will be provided by APRA as part of the development process.

Chapter 2 - Transitional arrangements

This chapter outlines APRA's response to feedback on issues relating to the transitional APS 330. Having considered consultation feedback, APRA has amended the transitional APS 330 to better align with APRA's new capital framework that will become effective from 1 January 2023.

Flexibility in approach

The new ADI capital framework becomes effective from 1 January 2023 and it is important that ADIs' public disclosures align with this framework (rather than the previous approach). APRA consulted on a small number of amendments to the current APS 330, that would be effective on 1 January 2023, to ensure appropriate alignment.

APRA requested feedback on the proposed amendments as part of the July 2022 consultation on public disclosure requirements. The amendments focused on inconsistencies such as the disclosure of the capital floor, implementation of the SFI framework and the disclosure of residential mortgage IRB RWA if re-computed under the standardised approach.

Comments received

Respondents welcomed the proposal to publish a transitional APS 330 to reduce inconsistencies between the ADI capital framework and public disclosure requirements. However, respondents also recognised that the current APS 330 is quite prescriptive, and it is difficult to capture all inconsistencies given the wide-ranging changes to APRA's ADI capital framework from 1 January 2023.

Respondents suggested that APRA provide a public statement to allow flexibility for ADIs to modify APS 330 disclosure templates to meet the revisions to the ADI capital framework. This public statement will assure auditors and other compliance agencies where there are inconsistencies in disclosure requirements under APS 330. Alternatively, APRA could include a provision within the transitional APS 330 that allows ADIs to make some amendments to the disclosure templates in APS 330, where there are inconsistencies with the new capital framework.

APRA's response

In response to submissions, APRA has refined the transitional standard to ensure consistency, where possible, with the new ADI capital framework. Changes have included alignment of asset classes, updated terminology, and more general consequential amendments to reflect the new capital framework. However, APRA is aware that it is difficult to ensure there are no inconsistencies with the new capital framework, given the wide-ranging changes to APRA's capital requirements.

As a result, and in response to suggestions around flexibility, APRA has included a provision to allow flexibility when meeting the requirements under the transitional APS 330. This includes making minor amendments to the disclosure templates where there are inconsistencies between APS 330 and the new capital framework.

APRA would expect an ADI to notify APRA when they make modifications to the disclosure templates in the transitional APS 330. Additionally, the transitional APS 330 includes a materiality principle. Where an ADI deems a disclosure to be immaterial, it is not required to make that disclosure. APRA considers these provisions will allow sufficient flexibility to continue to make meaningful disclosures under APS 330 and support ADIs as they transition onto the new capital framework.

Asset classes and New Zealand banking subsidiary exposures

The new capital framework updates the asset class categorisations set out in *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). APS 330 requires ADIs to disclose information on their exposures categorised by these asset classes.

Additionally, under the new capital framework, locally-incorporated ADIs with New Zealand subsidiaries regulated by the Reserve Bank of New Zealand (RBNZ) are required to calculate capital requirements using the RBNZ's prudential framework rather than APRA's framework. This approach will lead to a discrepancy in asset classes between the two jurisdictions and creates difficulty in completing disclosure templates under the current APS 330.

Comments received

Following the implementation of APRA's new capital framework, asset class categorisations require updating in the transitional APS 330 to reflect the new capital prudential standards. Respondents provided suggestions on an updated set of asset classes to be included in the transitional APS 330. Additionally, respondents suggested that APRA endorse a minimum standard for asset class disclosures to ensure some level of comparability is maintained throughout the transitional period and APRA provide a public statement to allow flexibility.

Respondents also suggested that ADIs disclose exposures of an overseas banking subsidiary that is prudentially regulated by the RBNZ as a separate asset class. More granularity in exposures to New Zealand subsidiaries is accessible in the relevant RBNZ-regulated subsidiary's own Pillar 3 disclosure, as required by the RBNZ.

APRA's response

In response to issues raised around the inconsistency of asset classes, APRA has amended the transitional APS 330 to align with the asset classes under the new capital framework. The updated asset class list is provided below. APRA has also amended the transitional APS 330 to allow ADIs to disclose exposures to New Zealand banking subsidiaries as a separate asset class. APRA notes that flexibility is required for ADIs in transitioning to the disclosure of new asset classes under the transitional APS 330.

Table 2. Comparison of asset classes under APS 330

Current APS 330	Transitional APS 330
• Corporate (including specialised lending not subject to the supervisory slotting approach) • Sovereign • Bank • Residential mortgage • Qualifying revolving retail • Other retail	• Corporate (including corporate SME) • Sovereign • Financial institution • Retail SME • Residential mortgage • Qualifying revolving retail • Other retail • Exposures of New Zealand banking subsidiaries

Comparative periods

The new capital framework updates the calculations and definitions used by ADIs when meeting capital adequacy requirements. To ensure ADIs can continue to make accurate and reliable public disclosures, APRA has modified the current APS 330 to reflect the new calculations and definitions. These changes become effective alongside the new capital framework from 1 January 2023.

Comments received

Respondents noted that changes to the underlying capital framework creates difficulties for ADIs making comparisons between prudential information before and after 1 January 2023. The new capital framework includes updated methodologies and definitions that are inconsistent with the current capital framework. For instance, exposures to asset classes cannot be compared before and after 1 January 2023 given changes to their definitions. Respondents flagged that this may create obscure disclosures of prudential information.

Respondents also noted that the restatement of data for prior periods under the new framework would not be possible given the new data elements and change in key definitions may not be available historically. However, respondents recognised this is not a requirement under the new framework.

APRA's response

APRA recognises that there will be some difficulty in making public disclosures as ADIs transition from the current to the new capital framework. Changes in the calculation of metrics or differences in definitions, such as asset classes, may give rise to inconsistencies when making comparisons across periods.

APRA does not require or expect an ADI to recalculate information in prior periods under the methodology in the new capital framework. Additionally, APRA expects ADIs to make prudential disclosures on a pragmatic basis. This means that ADIs would utilise the flexibility allowed in the Prudential Standard to continue to make disclosures that best reflect its capital position and risk profile under the new capital framework. ADIs can make amendments to the disclosure templates set out in the transitional APS 330, for instance, to better explain comparisons across periods under the new asset class definitions.

Summary of changes in the transitional APS 330

The below table summarises the changes made to the current APS 330 that will become effective from 1 January 2023, to assist ADIs in continuing to make public disclosures when the new capital framework becomes effective.

Table 3. Key features of the transitional APS 330

Topic	Current APS 330	Transitional APS 330
Proportionality	All ADIs are required to make individual public disclosures under APS 330.	Only SFI ADIs are required to make individual public disclosures under APS 330.
Capital floor	IRB ADIs are not required to publish their capital floor as it is not a feature of the current capital framework.	IRB ADIs are required to publish their capital floor, given it becomes effective from 1 January 2023.
Inclusion of mortgage RWA	IRB ADIs are not required to make disclosures related to their IRB RWA if re-computed under the standardised approach.	IRB ADIs are required to publish their mortgage RWA under the IRB approach and if re-computed using the standardised approach.
Cross referencing	Cross-references refer to outdated versions of capital adequacy prudential standards.	Cross-references have been updated to refer to the prudential standards under the new capital framework.
Asset classes	Requires disclosures under the current asset classes used in APS 112 and APS 113.	Asset classes have been updated to align with the new capital framework.
New Zealand exposures	Credit risk exposures of a New Zealand banking subsidiary are included within relevant credit risk asset class disclosures.	Credit risk exposures of a New Zealand banking subsidiary are separated and disclosed as a separate asset class.
Flexibility	Does not include a provision that allows an ADI to modify disclosure templates where there are inconsistencies with the broader APRA prudential framework.	Includes a provision that allows an ADI to modify disclosure templates where there are inconsistencies with the broader APRA prudential framework. ADIs should notify APRA in advance of making any modifications.
Terminology	Includes outdated terminology from the broader APRA prudential framework.	Includes updated terminology, for instance, replaces 'impaired facilities' with 'non-performing facilities' to align with the approach in *Prudential Standard APS 220 Credit Risk Management* (APS 220).

Chapter 3 - Technical adjustments

This chapter outlines APRA's response to feedback on technical adjustments to the Basel disclosure standard. Having considered consultation feedback, APRA has updated the new APS 330 such that the minimum international disclosure requirements better align with APRA's prudential framework.

New Zealand banking subsidiary exposures

The Basel Committee's disclosure framework is not jurisdictionally specific and does not recognise the operations of Australian ADIs with overseas banking subsidiaries that are prudentially regulated by the RBNZ. APRA proposed that when ADIs disclose their credit risk exposures, they should separately disclose its New Zealand exposures. Given prudential disclosures under APS 330 are on a Level 2 basis, this provides market participants the opportunity to analyse a locally-incorporated ADI's exposure to the New Zealand market.

Comments received

Respondents provided feedback on the wording of this provision. In particular, some respondents suggested the new APS 330 refer specifically to subsidiaries that are regulated by the RBNZ, to ensure only the exposures of banking subsidiaries operating in New Zealand are captured under APRA's disclosure requirements.

Clarity was also sought on the method of disclosing these exposures. For instance, respondents queried whether exposures should be included as a single row in the relevant Basel Committee template or whether whole templates should be reproduced for each relevant overseas banking subsidiary. Respondents suggested an appropriate approach would be to treat exposures of banking subsidiaries operating in New Zealand as their own asset class, noting that more granular information on these exposures are available as part of the subsidiary's own Pillar 3 disclosures under the RBNZ prudential framework. Respondents also noted that where disclosure as a separate asset class would result in an obscure disclosure – for instance, where a figure is a weighted average rather than a total – ADIs would accompany the disclosure with commentary to explain the figure.

APRA's response

In response to the feedback provided through the consultation process, APRA has amended APS 330 to ensure prudential disclosures are limited to the exposures of overseas banking subsidiaries regulated by the RBNZ.

APRA has considered the feedback from submissions and amended APS 330 so that exposures of banking subsidiaries operating in New Zealand are disclosed as a separate asset class. APRA has also included this requirement in the transitional APS 330, given the inconsistencies between the APRA and RBNZ prudential frameworks will occur from 1 January 2023.

APRA would expect where disclosure of exposures of overseas banking subsidiaries regulated by the RBNZ would result in confusion for users, an ADI would accompany the disclosure with explanatory commentary.

Other adjustments

APRA has made other adjustments to APS 330 to incorporate feedback from submissions and to ensure the Basel Committee's disclosure framework is consistent with APRA's prudential framework. These adjustments are outlined in the below table.

Table 4. Submissions on adjustments to Basel disclosure requirements

Topic	Comments received	APRA response
Disclosure of obligors	The Basel Standard requires an ADI to disclose the number of 'obligors' in templates relating to credit risk. However, 'obligors' is not defined in the Basel Standard or APS 330. Respondents asked how to interpret the term.	A reference to 'obligors' under the Basel Standard would mean 'borrower' or 'counterparty' as used in the APRA prudential framework. Additionally, an ADI would interpret a group of connected obligors as a group of connected counterparties that is connected by control or single-risk relationships. Where an ADI assesses that a borrower may form part of more than one group of connected borrowers, the ADI may primarily assign the borrower based on a control relationship rather than a single-risk relationship.
G-SIB indicators	Under the Basel Standard, G-SIB indicators are published in the annual Pillar 3 report, which for ADIs with a September year-end would mean disclosure in November instead of the current 31 July reporting date. Respondents asked APRA to confirm whether this was the intention of the standard.	An ADI would disclose the G-SIB indicators to the Basel Committee as part of the annual data collection exercise for the assessment and identification of G-SIBs. An ADI would then restate this disclosure as part of its year-end Pillar 3 report, as required by the Basel disclosure framework.
IRB LGD disclosure	APS 113 Attachment E paragraph 6(d) states 'the ADI publicly discloses how it has satisfied the conditions in sub-paragraphs (b) and (c)'. Respondents asked APRA to confirm whether this is intended to reference disclosures under APS 330 or whether it should be publicly disclosed in another way.	APRA has included a requirement in the new APS 330 that an IRB ADI would make this disclosure as part of its prudential disclosures under APS 330 on an annual basis.
European Union centric terminology	The Basel Standard references terminology that is not used in APRA's prudential framework and require clarification in APS 330.	Where possible, APRA expects ADIs to use APRA terminology instead of Basel terminology. For instance, ADIs are expected to use the 'non-performing

Topic	Comments received	APRA response
		exposures' term defined in APS 220 rather than Basel's 'defaulted exposures'. Where the Basel Standard includes terminology that has no equivalence or relevance under the APRA framework, ADIs are not required to make disclosures relating to these metrics.
Composition of regulatory capital	The Basel Standard does not include APRA-specific requirements and deductions relating to the composition of regulatory capital disclosures. Respondents questioned how these requirements and deductions should be disclosed.	The Basel Standard requires ADIs to include 'any national specific regulatory adjustments' into their disclosures, which would include APRA-specific requirements and deductions.
Reconciliation of regulatory capital to balance sheet	The Basel Standard currently includes multiple tables that partially duplicate similar information on the reconciliation of regulatory capital to balance sheet. Respondents asked whether these tables should be combined.	An ADI should, to the extent possible, meet the disclosure requirements under the Basel Standard to maximise comparability with international banks.
Credit quality of assets – Definition of specific and general provisions	Respondents requested that APRA confirm the definitions of 'specific' and 'general provisions' in the context of the expected credit loss (ECL) accounting model.	Provisions under the ECL accounting model would receive the following treatment for disclosure purposes: • 12-month ECL Stage 1 provisions would be treated as general provisions; • ECL Stage 2 provisions would be treated as specific provisions where these provisions do not represent a purely forward-looking amount for future losses that are presently unidentified. If some Stage 2 loans do represent a purely forward-looking amount for future losses that are presently identified, they would be treated as general provisions; and • ECL Stage 3 provisions would be treated as specific provisions.
Disclosure of ECL transitional arrangements	Respondents suggested that APRA should provide guidance on how to approach disclosure requirements relating to ECL transitional arrangements, given this is not applicable in the Australian context.	APRA has amended APS 330 to require ADIs not to disclose metrics relating to ECL transitional arrangements, such as the 'fully loaded ECL accounting model'.

Topic	Comments received	APRA response
Credit quality of assets – New Zealand exposures	Respondents queried whether New Zealand exposures should be included separately in the Credit Risk Geographic distribution disclosures, and whether APRA could include a threshold or materiality rule to apply where these exposures are immaterial.	An ADI should include New Zealand exposures separately in the Credit Risk Geographic distribution section. An ADI may omit these disclosures if they are immaterial. However, an ADI would provide commentary to explain why these exposures were considered immaterial and omitted.
Interest rate risk in the banking book	The Basel Standard's RWA disclosure template does not include disclosures for interest rate risk in the banking book (IRRBB) RWA. Respondents asked how ADIs should disclose their IRRBB RWA.	APRA has amended the new APS 330 to include the requirement for an ADI to disclose their IRRBB RWA.
Equity deductions	Respondents queried whether the Level 1 capital treatment of equity exposures in other ADIs or overseas banking or insurance subsidiaries are required to be disclosed under APS 330, given this Prudential Standard only applies at Level 2.	As APS 330 only applies at Level 2, the Level 1 threshold deduction for equity exposures in prudentially regulated subsidiaries is not required to be disclosed under APS 330.
Capital charge for switching between trading and banking books	The capital charge for switching between the banking and trading books is not included in the market risk disclosure requirements under the new APS 330. Respondents queried whether ADIs were still required to disclose this capital charge as part of its general RWA disclosures.	APRA has amended the new APS 330 to not require ADIs to disclose the capital charge for switching between the banking and trading books as part of the RWA disclosure requirements. This capital charge is not required under the current APRA framework. However, ADIs should publish their market risk RWA under the standardised and internal model approaches. Specific market risk disclosure requirements will be updated following APRA's review of APS 116.
Changes in stock of defaulted loans and debt securities	The Basel Standard includes a template on the 'Changes in stock of defaulted loans and debt securities'. The template's instructions note that national supervisors have discretion to decide whether off-balance sheet exposures should be included. Respondents requested APRA confirm whether off-balance sheet exposures should be included in this disclosure template.	APRA expects ADIs to include off-balance sheet exposures in their disclosures of changes in stock of defaulted loans and debt securities. APRA has amended the new APS 330 to include this requirement.

Topic	Comments received	APRA response
Credit risk mitigation (CRM) techniques	Respondents requested APRA clarify whether 'performance guarantees' would be included in the Basel Standard as a CRM technique.	Only guarantees that meet the definition under APS 112 would be considered a CRM technique for disclosure purposes.
Definition of 'securities financing transactions'	Respondents requested APRA clarify how to interpret 'securities financing transactions' (SFTs) under the Basel Standard, as it provides no definition.	An ADI would use the definition of SFTs in APS 112 when determining their disclosures under APS 330.
Derivatives held by overseas subsidiaries	Respondents suggested that APRA amend APS 330 to allow ADIs to disclose their derivative exposures under the APRA and RBNZ methodologies as separate items, rather than together.	APRA has amended APS 330 to require ADIs to disclose derivatives exposures under the APRA and RBNZ methodologies as separate line items.
Internal Model Method (IMM)	Respondents queried whether disclosures relating to the IMM for counterparty credit risk (CCR) exposures under the Basel Standard are required to be disclosed given IMM is not applicable in the Australian context.	The new APS 330 outlines that ADIs are not required to make disclosures relating to the IMM for CCR exposures.
Leverage ratio	Respondents requested that APRA only require leverage ratio disclosures to be disclosed semi-annually rather than quarterly as required by the Basel Standard. Respondents argued the leverage ratio requirement is a backstop measure of capital and should not be disclosed more frequently than regulatory capital.	APRA expects ADIs to meet the frequency of disclosures as required under the Basel Standard.
Prudential valuation adjustments (PVA)	Respondents requested APRA clarify how an ADI should interpret PVA under the Basel Standard, given they may not be transposable to APRA's framework.	APRA has amended APS 330 to not require ADIs to disclose information related to PVAs.
Non-performing exposures	Respondents sought clarification on the approach to disclosing 'defaulted' or 'impaired' exposures, given the terminology of 'non-performing' is used to describe these exposures under the APRA framework.	An ADI should use equivalent terminology relevant for the APRA framework, including 'non-performing exposures', as defined by *Prudential Standard APS 120 Credit Risk Management*, rather than 'defaulted' exposures. This approach aligns with current disclosure practice under the APRA framework.[4]

[4] Refer to: *Credit risk management and related reporting standard – Frequently asked questions*, available at: Credit risk management and related reporting standards - frequently asked questions | APRA.

Topic	Comments received	APRA response
Liquidity	Respondents noted that non-SFI ADIs under the minimum liquidity holdings (MLH) regime that migrate onto the SFI framework would have difficulty in making liquidity risk disclosures under the Basel framework given it relates to the liquidity coverage ratio (LCR) regime.	SFI ADIs that are subject to the MLH regime would not be expected to make liquidity risk disclosures under the Basel framework.

APRA