



Australian Banking
Association



UPDATES TO MODERNISED ECONOMIC AND FINANCIAL STATISTICS REPORTING STANDARDS AND GUIDANCE

APRA

6 November 2023

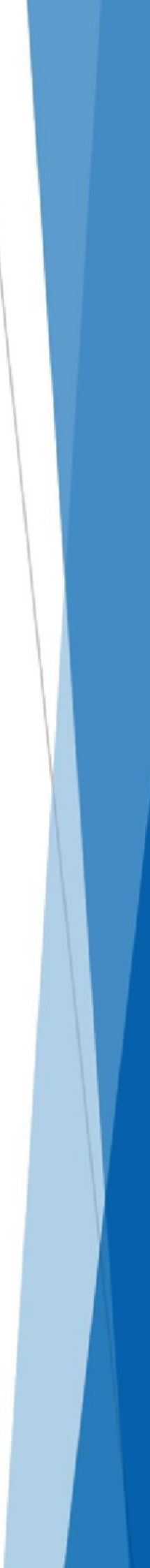




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Key Recommendations

The ABA:

- a) supports aligning EFS business size definitions with the new capital framework.
- b) notes the clarifying reporting requirements for holdings of covered bonds.
- c) notes the implementation costs and time stemming from minor changes to the EFS priority listing for data items and recommends APRA allow for a 9-month implementation period.
- d) requests guidance for APRA's future approach to changes to priority listings.

Policy Lead: [REDACTED], Policy Director, [REDACTED]

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

ABA submission to APRA

The Australian Banking Association (ABA) supports the Australian Prudential Regulation Authority's (APRA) aligning the Economic and Financial Statistics (EFS) business size definitions with the new capital framework and the clarification on covered bonds, while we raise concerns with the changes to the priority listings and implementation timelines.

a) Aligning EFS business size definitions with the new capital framework

The ABA notes the proposed changes align EFS business size definitions with the new capital framework, which went live on 1 January 2023. Many banks are already compliant with these reporting requirements.

One area where additional clarification is sought is on the calculation of 'total business-related exposure'. In particular:

- The EFS exposure metric is measured on balance sheet as credit outstanding of the immediate counterparty.
- The credit capital standards utilise an exposure metric called 'total business-related exposure' (APS 113, para 40a) which is defined as the total business-related exposures to a borrower or group of connected borrowers inclusive of off-balance sheet commitments. A customer qualifies as SME Retail if the total business-related exposure is less than \$1.5 million.

The exposure metrics used in EFS, and the capital standards are therefore currently not consistent as the capital standards include exposures for connected counterparties.

The ABA requests that APRA advise on the expected alignment in the calculation of both exposure and turnover metrics to include inter-connected counterparties?

b) Clarifying reporting requirements for holdings of covered bonds

The ABA understands that many banks are already reporting holdings of both resident- and non-resident-issued covered bonds in EFS, therefore the proposed amendments to ARS 701.0 and RPG 701.0 will have a limited impact on these banks.

c) Minor changes to the EFS Priority Listing for Data Items

The ABA notes the minor changes and makes the following comments.

1. Implementation costs and timeline

While the proposed changes to the priority listings may appear to be small, increased priority items will require additional resources and time to analyse, interpret and validate movements. This can be challenging given the short submission timelines and turnaround time on APRA queries.

The ABA notes that some members have aligned their reporting risk frameworks around the RPG 702 priority levels. Making the requested changes in priority listings will require system updates and technological changes, including updates to critical data element data management controls and processes and control reports. Such technological changes will require implementation lead times. Further, as part of these proposed changes banks will be required to uplift their data governance and compliance with RPG 702.0 ABS/RBA Data Quality for the EFS Collection. The changes to reporting

processes are proposed to be implemented for the effective reporting period ending 30 June 2024. The ABA does not consider that it is feasible for banks to make the necessary updates in time for the reporting period ending 30 June 2024. The ABA, therefore, requests that APRA delays the commencement of these changes. The ABA requests that APRA allow banks least 9-months to implement these changes.

The ABA acknowledges the need for EFS data and the need for changes to the priority listing. The ABA notes that the increased priority items add to the reporting burden and requests that APRA ensure this increased burden is considered when changes are considered.

In respect of the reporting burden, the ABA acknowledges the reduction of some priority items. Specifically, the ABA wishes to address the reduction of all items in column 3 under item ARF_720_1A/B: ABS/RBA Loans and Finance Leases except for Item 1.1 Total loans and finance leases. In the ABA's view, the items in column 3 all contribute to Item 1.1, therefore the reduction in priority has little effect without also reducing the priority of item 1.1. The ABA requests that APRA also reduce the priority of item 1.1.

Finally, in addition to noting the implementation timelines and costs, the ABA seeks assurance from APRA that the increased priority items will not lead to a substantial increase in additional queries.

2. Further insight

The ABA would appreciate the following:

- Guidance from APRA on the future plans for priority listing changes, including guidance on why specific data items increased in priority. Noting the comment on implementation costs and timelines, our members would benefit from a commitment from APRA to limit further changes to the EFS priority listings unless absolutely required. This would provide members with confidence when making the necessary systems investment. For example, those members who have aligned their reporting risk frameworks around the RPG 702 priority levels, will be required to make further investments under these proposed changes.
- Guidance from APRA on when a reporting error will result in a resubmission request. The ABA understands that there some inconsistency around when a notice to APRA results in a resubmission.
- Finally, the ABA recommends that the changes in priority will not be applied retrospectively. The new priority listings should take effect with respect to data items in the first reporting period 9 months after APRA finalises these proposed changes.