
Feedback on the Proposed Standards ARS 117 & APS 117 – Interest Rate Risk in the banking book

Introduction

Before we share the feedback on the consultation for Interest Rate Risk in the banking book (IRRBB), Wolters Kluwer team would sincerely appreciate APRA team for this opportunity and acknowledge the fact that lot of planning goes behind this industry engagement process.

At Wolters Kluwer Financial services (WKFS), we help the Australian financial services entities in the risk & regulatory reporting space by offering an integrated solution. Our history span over 100+ years and across the globe.

The recent announcement from APRA on IRRBB aligns with the regulator's policy priorities to ensure the banks effectively managing this risk & holding adequate buffers against it. While APS 117 changes elaborated in Nov'2022 still hold grounds, APRA also introduced new reporting standard consultation (ARS 117.0/ARS117.1) for the banking industry with a wider applicability. In this write-up, Wolters Kluwer team shall share the general feedback as well as seek minor clarifications based on our initial conversations with the banks.

General Feedback & Queries

I. Prudential framework (APS 117)

1. Based on 2023 US crisis learning, it was important to bring smaller, less complex ADIs to build a resilient risk management framework and avoid any financial crisis in future. WKFS team welcome APRA's regime to bring non-significant (non-SFIs) ADIs (total assets < \$20b) under the IRRBB framework. While this do add considerable burden on the entities , the long term benefit shall spread across the industry.

Question - There are no explicit IRRBB requirements mentioned under APS 117 and non-SFIs are encouraged to follow risk management requirements set out in CPS 220. Does APRA plan to provide detailed requirements for non-SFIs to remove the ambiguity among banks and have consistent standards for better comparability among ADIs? For example, EBA (European Banking Authority) has introduced Simplified Standardised Approach and Standardised Approach in the consultation.

2. **Question** - For capturing ADI's repricing gap positions of banking book items as well as interest rate sensitivities, APRA has proposed six Basel-defined interest rate shock scenarios to perform outlier test. Does APRA intend to introduce EVE (Economic Value of Equity) and NII (Net Interest Income) for non-SFIs?

II. Reporting standards

1. With introduction of next tabular data collection in ARS 117.0/117.1, this shall further align with other capital reforms collection on APRA Connect. To adopt this change, reporting entities would extend the Basel reforms submission solution to support the new IRRBB reports.

Question – When can we expect the release of APRA Connect artefacts for these reporting standards?

2. As per APS 117, the applicability of the prudential standard is restricted to all authorised deposit-taking institutions (ADIs), other than foreign ADIs. However, as per the reporting standard ARS 117.0, Table 1 and Table 2 related to Repricing Analysis is applicable to foreign ADIs as well. In our discussion with few foreign ADIs, we have received different views on the applicability for them, it would be of great help if APRA can clarify the applicability for foreign ADIs.
3. APRA has clearly chart out the roll out plan for APS 117 & reporting of new standards with effect from Oct'2025 with requirement of parallel runs starting Jun'25 reporting period. May we request APRA to clarify if the parallel runs requirement is also mandated for non-SFI & foreign banks (assuming the standards apply to foreign banks)?

WKFS team shall continue to look through these standards while enabling our solution readiness for the banks.

Warm regards,

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