

# Reporting Form ARF 120.0

## Standardised Approach – Securitisation

### Instruction Guide

This instruction guide is designed to assist in the completion of the *Standardised - Securitisation* form. This form captures the credit risk-weighted assets (**RWA**) and deductions from regulatory capital relating to an authorised deposit-taking institution's (**ADI's**) securitisation exposures under the standardised approach to securitisation. In completing this form, ADIs should refer to *Prudential Standard APS 120 Securitisation (APS 120)*.

### General directions and notes

#### Reporting entity

This form is to be completed at Level 1 and Level 2<sup>1</sup> by each ADI that satisfies both of the following requirements:

- (a) it is applying the standardised approach to credit risk to all or part of its securitisation exposures (refer to APS 120 and *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)*); and
- (b) it is included in one of the classes of ADI to which this form applies, as set out in the table below.

Class of ADI	Reporting required
Bank – Advanced or Applicant Advanced <sup>2</sup>	Yes
Bank – Standardised	Yes
Branch of a Foreign Bank	No
Building Society	Yes
Credit Union	Yes
Specialist Credit Card Institution (SCCI)	Yes <sup>3</sup>
Provider of Purchased Payment Facilities	No
Other ADI	Yes

<sup>1</sup> Level 1 and Level 2 are defined in accordance with *Prudential Standard APS 110 Capital Adequacy*.

<sup>2</sup> When an ADI is seeking APRA's approval to use the internal ratings-based approach to credit risk and/or an advanced measurement approach to operational risk, and is therefore classified as a "Bank – Advanced or Applicant Advanced", the ADI may concurrently be classified as a "Bank – Standardised", and therefore also subject to the reporting requirements for a "Bank – Standardised" (refer to the section below on "Where both "Bank – Standardised" and "Bank – Advanced or Applicant Advanced" reporting requirements and timeframes apply to an ADI").

<sup>3</sup> A specialist credit card institution operating through a branch in Australia is not required to complete this form.

If an ADI is a subsidiary of an authorised non-operating holding company (NOHC), the report at Level 2 is to be provided by the ADI's immediate parent NOHC.<sup>4</sup>

### Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120:
  - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes, irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes;
  - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the ADI's reported amounts in APRA's regulatory reporting returns; and
  - (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of the ADI's regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the **securitisation exposures**<sup>5</sup> that it retains or acquires and such exposures are to be reported in this form (**ARF 120.0**) or *Forms ARF 120.1A to ARF 120.1C IRB – Securitisation* (as appropriate). The RWA relating to such securitisation exposures must also be reported in *Form ARF 110.0 Capital Adequacy (ARF 110.0)*.
2. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that does not meet APRA's operational requirements for regulatory capital relief under APS 120, or the ADI elects to treat the securitised assets as on-balance sheet assets under APS 112 or *Prudential Standard APS 113 Capital Adequacy: Internal-Ratings Based Approach to Credit Risk*, such exposures are to be reported as on-balance sheet assets in APRA's regulatory reporting returns. In addition, these exposures must also be reported as a part of the ADI's total securitised assets within *Form ARF 120.2 Securitisation – Supplementary Items*.

### Reporting period and timeframes for lodgement

The form is to be completed as at the last day of the stated reporting period (i.e. the relevant quarter). The table below sets out the number of business days after the end of the relevant reporting period within which each class of ADI must submit data to APRA.

<sup>4</sup> Refer to paragraph 4 of *Reporting Standard ARS 120.0 Standardised - Securitisation*.

<sup>5</sup> Securitisation exposures are defined in accordance with APS 120.

<b>Class of ADI</b>	<b>Number of business days</b>
Bank – Advanced or Applicant Advanced	30
Bank – Standardised	20
Branch of a Foreign Bank	Not applicable
Building Society	15
Credit Union	15
Specialist Credit Card Institution (SCCI)	15
Provider of Purchased Payment Facilities	Not applicable
Other ADI <sup>6</sup>	20

An immediate parent NOHC must submit data to APRA within the same timeframe as its subsidiary ADI.

**Where both "Bank – Standardised" and "Bank – Advanced or Applicant Advanced" reporting requirements and timeframes apply to an ADI**

In the following cases, an Australian-owned bank or a foreign subsidiary bank must meet reporting requirements and timeframes applicable to both a “Bank – Advanced or Applicant Advanced” and a “Bank – Standardised”:

- (a) where the ADI is operating under the standardised approach to credit risk under APS 112, but has applied for IRB approval under APS 113, in which case the ADI will be both a “Bank – Advanced or Applicant Advanced” and a “Bank – Standardised”; and
- (b) where the ADI has received IRB approval under APS 113 in respect of most (but not all) of its operations, and has approval for partial use of the standardised approach under APS 112 for the remainder of its operations.

Such an ADI must report under ARF 120.0 (the **form**) as follows:

<sup>6</sup> Cairns Penny Savings and Loans Limited is to be treated in accordance with the requirements applicable to credit unions.

Description of ADI	Reporting requirement	Timeframes for lodgement
ADI is operating under Basel II <sup>7</sup> APS 112 standardised approach, but has applied to adopt IRB approach for <u>all</u> its operations	Report under the form (for purposes of calculating regulatory capital relating to securitisation activities for all of its operations)	“Bank – Standardised” timeframe (within 20 business days)
ADI is operating under Basel II APS 112 standardised approach, but has applied to adopt IRB approach for <u>most (but not all)</u> of its operations (or APRA has indicated that it does not propose to grant IRB approval in respect of all of the ADI’s operations)	Report under the form (for purposes of calculating regulatory capital relating to securitisation activities for all of its operations)	“Bank – Standardised” timeframe (within 20 business days)
	Separately report under the form in respect of relevant operations that will remain under the standardised approach (i.e. partial use) after IRB approval given (for purposes of assessing prospective component of regulatory capital relating to securitisation activities after IRB approval (i.e. “parallel run” of data))	“Bank – Advanced or Applicant Advanced” timeframe (within 30 business days)
ADI has IRB approval, but some operations remain under Basel II standardised approach	Report under the form in respect of relevant operations that will remain under standardised approach (for purposes of calculating partial use component of regulatory capital relating to securitisation activities)	“Bank – Advanced or Applicant Advanced” timeframe (within 30 business days)

These ADIs will also have certain reporting obligations under *Reporting Forms ARF 120.1A to 120.1C IRB - Securitisation*.

### Unit of measurement

This form should be completed in Australian dollars (AUD) and in accordance with the units set out for each class of ADI in the table below.

Class of ADI	Units
Bank – Advanced or Applicant Advanced	Millions of dollars rounded to one decimal place
Bank – Standardised	Millions of dollars rounded to one decimal place
Branch of a Foreign Bank	Not applicable

<sup>7</sup> If an ADI is required to apply the Basel I capital adequacy standards pending APRA’s determination of an application made before 1 January 2008 for approval to use the internal ratings-based approach to credit risk and/or an advanced measurement approach to operational risk, the ADI must report under the Basel I capital reporting standards: refer to *Reporting Standard ARS 150 Capital Adequacy: Basel II Transition (Advanced ADIs)* and paragraph 14 of *Prudential Standard APS 150 Capital Adequacy: Basel II Transition (Advanced ADIs)*.

Building Society	Whole dollars with no decimal place
Credit Union	Whole dollars with no decimal place
Specialist Credit Card Institution (SCCI)	Whole dollars with no decimal place
Provider of Purchased Payment Facilities	Not applicable
Other ADI	Whole dollars with no decimal place

An immediate parent NOHC must complete this form in AUD and in accordance with the same units as its subsidiary ADI.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

## Definitions

In relation to this instruction guide and its corresponding reporting form (ARF 120.0), refer to APS 120 for the definitions of securitisation exposures and other securitisation related terminology.

## Specific instructions

The following instructions are applicable at Level 1 and (where relevant) Level 2.

For on-balance sheet securitisation exposures, the exposure value is to be reported net of specific provisions. For off-balance sheet securitisation exposures, a credit conversion factor (**CCF**) is to be applied to the exposure amount (or the notional amount in the case of eligible facilities) to determine the credit equivalent amount (refer to Attachments B and C to APS 120).

Unless otherwise stated in this instruction guide, deductions from capital relating to an ADI's securitisation exposures, are to be made 50 per cent from Tier 1 capital and 50 per cent from Tier 2 capital, in accordance with Attachment B to APS 120. Deductions from capital may be calculated net of any specific provisions raised against the relevant securitisation exposures (refer to Attachment B to APS 120).

### **Section A: Asset weighting for credit risk capital requirements relating to securitisation and resecuritisation exposures**

#### Column 1. Exposures after CRM

Refer to Attachments B and C to APS 120 for the treatment of credit risk mitigation (**CRM**) for securitisation exposures.

Report securitisation and resecuritisation exposures after CRM, in the relevant rows, for each credit rating grade (refer to Attachment C to APS 120 and *Prudential Practice Guide APG 120 Securitisation*). Securitisation exposures reported under item 1.1 do not include resecuritisation exposures.

## Column 2. Risk-weights

Risk-weights are pre-defined in this section in accordance with the weightings detailed in paragraphs 4 and 5 of Attachment C to APS 120.

## Column 3. RWA

Derived fields that are calculated by multiplying the exposure amount after CRM (column 1) for each credit rating grade by the relevant risk-weight (column 2) (refer to Attachment C to APS 120).

## Column 4. Deductions from capital

Derived fields that equate to the amounts of exposures after CRM corresponding to those credit rating grades for which a deduction is required, in accordance with Attachment C to APS 120.

These deductions are to be made 50 per cent from Tier 1 capital and 50 per cent from Tier 2 capital (refer to Attachment B to APS 120) and are captured in *Section F: Summary of securitisation related RWA and deductions from capital* of this form.

## **Section B: Exceptions to the general treatment of unrated securitisation exposures**

Under APS 120, the general treatment prescribed for unrated securitisation (including resecuritisation) exposures is deduction from capital. This section captures the exceptions to this treatment (refer to Attachment C to APS 120).

### Column 1. Amount

Report the exposure amount after CRM (as described in section A, column 1 of this instruction guide, except in relation to unrated eligible facilities). For unrated eligible facilities, use the notional amount, which is the face value or gross amount of a given exposure.

### Column 2. Credit equivalent amount

Derived fields that calculate the credit equivalent amounts for unrated eligible facilities and eligible servicer cash advance facilities using the CCFs detailed in Attachment C to APS 120.

### Column 3. RWA

RWA are to be calculated in accordance with the requirements detailed in Attachment C to APS 120.

## 2.1 Other unrated exposures

Other unrated exposures include unrated most senior securitisation exposures and, for asset backed commercial paper securitisations, exposures in a second loss, or better, position (refer to paragraphs 7 to 11 of Attachment C to APS 120).

## 2.2 Unrated eligible facilities

Refer to paragraphs 12 and 13 of Attachment C to APS 120.

## 2.3 Eligible servicer cash advances

Refer to paragraph 14 of Attachment C to APS 120.

### **Section C: Credit risk capital requirements relating to cash collateral lodged for securitisation and resecuritisation exposures**

This section captures the RWA and deductions from capital associated with cash collateral provided by the ADI to collateralise its obligations under liquidity and other facilities.

#### Column 1. Amount

Report cash collateral facility amounts in the relevant rows for each risk-weight category (refer to Attachment E to APS 120).

#### Column 2. Risk-weights

Risk-weights are pre-defined in this section in accordance with the risk-weights for on-balance sheet items in Attachment A to APS 112.

#### Column 3. RWA

Derived fields that are calculated by multiplying the exposure amount after CRM (column 1) by the relevant risk-weight (column 2).

#### Column 4. Deductions from capital

Derived fields that equate to the amounts of exposures after CRM for which a deduction is required, where the ADI does not satisfy the requirements in Attachment E to APS 120.

These deductions are to be made 50 per cent from Tier 1 capital and 50 per cent from Tier 2 capital (refer to Attachment B to APS 120) and are captured in *Section F: Summary of securitisation related RWA and deductions from capital* of this form.

### **Section D: Early amortisation**

This section captures the RWA for the investors' interest<sup>8</sup> where an ADI transfers a pool of revolving exposures into a securitisation (including a resecuritisation) that contains an early amortisation provision (refer to Attachment G to APS 120).

RWA are to be calculated in accordance with the requirements detailed in Attachment G to APS 120. Report the total amount of RWA for the revolving exposures (that

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<sup>8</sup> Investors' interest is defined in accordance with Attachment G to APS 120.

have been transferred into a securitisation) that contain an early amortisation provision.

## **Section E: Additional securitisation-related deductions from capital**

This section captures any additional securitisation-related deductions from capital that are not captured elsewhere in this form. References to securitisation include resecuritisation.

### **5.1 Deductions from Tier 1 capital**

#### *5.1.1 Securitisation start-up costs*

Report start-up and other establishment costs of a securitisation, where the costs have been capitalised (refer to *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital*).

#### *5.1.2 Tier 1 specific deductions (excluding start-up costs)*

Report all deductions that need to be made specifically from Tier 1 capital, in accordance with APS 120, with the exception of the start-up costs of securitisation that have been capitalised. Include:

- (a) gain-on-sale, including expected future income from a securitisation exposure that an ADI reports as an on-balance sheet asset or profit, until irrevocably received;
- (b) funds provided by the ADI to establish a spread, reserve or similar account, until the funds are irrevocably paid to the ADI;
- (c) the difference between the book value and the amount received by the ADI, where the originating ADI transfers exposures to an SPV below their book value, unless it is written off in the ADI's profit and loss (and capital) accounts;
- (d) any positive mark-to-market value of a basis swap provided to a securitisation, that the ADI has reported as an on-balance sheet asset or profit before it has been irrevocably received; and
- (e) any other Tier 1 specific deductions in accordance with APS 120.

#### *5.1.3 Any other deductions relating to securitisation (50%)*

Report 50 per cent of any other deductions relating to securitisation that have not been captured elsewhere in this form. Include in this item deductions for exposures where the ADI does not have the information on the underlying collateral necessary to permit exposures to be risk weighted. Refer to paragraph 13 in Attachment B to APS 120.



*5.1.3.1 of which: Securitisation exposures that do not meet due diligence requirements*

Report 50 per cent of securitisation exposures that do not meet the due diligence requirements in paragraph 13 in Attachment B to APS 120. Do not include resecuritisation exposures in this item.

*5.1.3.2 of which: Resecuritisation exposures that do not meet due diligence requirements*

Report 50 per cent of resecuritisation exposures that do not meet the due diligence requirements in paragraph 13 in Attachment B to APS 120.

## 5.2 Deductions from Tier 2 capital

Derived field that replicates the amount reported in item 5.1.3 *Any other deductions relating to securitisation (50%)*.

## **Section F: Summary of securitisation-related RWA and deductions from capital**

This section summarises the RWA and deductions from regulatory capital relating to an ADI's securitisation exposures under the standardised approach to securitisation. All fields in this section are derived from the data reported in Sections A to E of this form, with the exception of item 6.1.8 *Other securitisation-related adjustments* relating to RWA and item 6.2.4 *Other securitisation-related adjustments* relating to deductions from capital.

### 6.1.8 Other securitisation-related adjustments (RWA)

Report any other securitisation-related adjustments to RWA, as required by APRA. Any additions to RWA are to be reported as a positive amount and any deductions from RWA are to be reported as a negative amount.

### 6.1.9 Adjusted total (RWA)

Derived field that is calculated by adding or deducting (as appropriate), the amount reported under item 6.1.8 *Other securitisation-related adjustments* to/from item 6.1.7 *Total*, for the calculation of the adjusted total RWA relating to securitisation exposures under the standardised approach.

### 6.2.3 All other deductions relating to securitisation

This item summarises all deductions relating to securitisation that are to be made 50 per cent from Tier 1 capital (column 1) and 50 per cent from Tier 2 capital (column 2).

#### *Column 1 Deductions from Tier 1 capital*

Derived field that sums up item 5.1.3 *Any other deductions relating to securitisation (50%)* of section E of this form, and 50 per cent of the amounts reported in items 1.1.5, 1.1.6, 1.2.5 and 1.2.6 of section A of this form.

*Column 2 Deductions from Tier 2 capital*

Derived field that replicates the amount reported in column 1.

**6.2.4 Other securitisation-related adjustments (deductions from capital)**

Report any other securitisation-related adjustments to deductions from Tier 1 and Tier 2 capital, in columns 1 and 2 respectively, as required by APRA.

**Related guidance for reporting in ARF 110.0 Capital Adequacy**

For capital adequacy purposes, the following items of this form, relating to RWA and deductions from capital, are to be reported under the corresponding items in ARF 110.0 as set out in the table below:

<b>Item in ARF 120.0</b>	<b>Corresponding item in ARF 110.0</b>
Item 6.1.9 <i>Adjusted total</i>	Section B, item 1.2.1 <i>Securitisation – Standardised approach</i>
Item 6.2.1 <i>Securitisation start-up costs</i>	Section A, item 2.6.5 <i>Securitisation start-up costs</i>
Item 6.2.2 <i>Tier 1 specific deductions (excluding securitisation start-up costs)</i>	Section A, item 2.9 <i>Tier 1 specific deductions relating to securitisation (excluding securitisation start-up costs)</i>
Item 6.2.3 <i>All other deductions relating to securitisation</i> (a) column 1 <i>Deductions from Tier 1 capital</i> (b) column 2 <i>Deductions from Tier 2 capital</i>	(a) Section A, item 2.14.4 <i>All other deductions relating to securitisation (50%)</i> (b) Included in section A in the total for item 4.1 <i>Total 50/50 deductions from Tier 2 capital.</i>
Item 6.2.4 <i>Other securitisation related adjustments</i> (a) column 1 <i>Deductions from Tier 1 capital</i> (b) column 2 <i>Deductions from Tier 2 capital</i>	(a) Included in section A in the total for item 2.13 <i>Other Tier 1 capital deductions</i> (b) Included in section A in the total for item 4.2 <i>Other Tier 2 capital deductions as advised by APRA</i>