



2 February 2017

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS (ADIs)

CONSULTATION ON PROPOSED REVISED REPORTING REQUIREMENTS FOR SECURITISATION

On 10 November 2016, APRA released the final version of an updated *Prudential Standard APS 120 Securitisation* (APS 120).¹ APRA is now consulting on revisions to associated reporting requirements for securitisation. It is envisaged that the revised reporting requirements will take effect at the same time as the revised prudential standard, that is, from 1 January 2018.

Background

ADIs are currently required to report their securitisation activities under three reporting standards:

- *Reporting Standard ARS 120.0 Standardised Approach – Securitisation* (ARS 120.0);
- *Reporting Standard ARS 120.1 Internal Ratings-based (IRB) Approach – Securitisation* (ARS 120.1); and
- *Reporting Standard ARS 120.2 Securitisation – Supplementary Items* (ARS 120.2).

APRA proposes to streamline statistical reporting for securitisation activities, ensure they capture the most meaningful data, and are aligned with the revised APS 120. In doing so, APRA is proposing to consolidate the three current reporting standards into two:

- *Reporting Standard ARS 120.0 Securitisation – Regulatory Capital* (draft ARS 120.0); and
- *Reporting Standard ARS 120.1 Securitisation – Supplementary Items* (draft ARS 120.1).

Draft ARS 120.0

In line with the removal of the Internal Ratings-based (IRB) approach from the revised APS 120, the current split between ARS 120.0 and ARS 120.1 will no longer be necessary. In future, APRA proposes all ADIs report their securitisation exposures for regulatory capital purposes under draft ARS 120.0.

¹ http://www.apra.gov.au/MediaReleases/Pages/16_43.aspx

Securitisation exposures will be reported according to the method used to calculate risk-weighted assets. Securitisation exposures which are required to be deducted from Common Equity Tier 1 capital are captured as separate line items on this form.

One of APRA's objectives in reviewing APS 120 was to arrive at a simplified prudential framework for securitisation. As a result, a number of items that were previously reported under ARS 120.0 and ARS 120.1 have been removed from the reporting framework.

Draft ARS 120.1

The current ARS 120.2 will be renumbered, with all ADIs reporting their securitisation activities under draft ARS 120.1. APRA is proposing to streamline this form so that the volume and detail of reporting required is reduced to cover the most meaningful information for prudential supervision.

The main changes proposed to this form relate to the reporting of securitisation structure type, holdings of own senior securities, and clearer requirements for the reporting of self-securitisation.

In regard to the reporting of facilities, minor changes have also been made to reduce the number of categories of facilities reported. A new section is proposed to capture additional data on self-securitisation, which will be excluded from all other reporting items in the draft ARS 120.1. ADIs that establish self-securitisation structures will be required to report all structures that have been established for this purpose.

Consequential changes to other reporting standards

APRA is proposing minor amendments to the securitisation deconsolidation principle to align with the revised APS 120.² This will require updates to all ADI reporting standards; however, it is proposed that this be undertaken as and when these standards are next reviewed.

APRA is proposing to amend *Reporting Standard ARS 110.0 Capital Adequacy* to reflect the amalgamation of the current ARS 120.0 and ARS 120.1, so that ADIs are no longer required to separately report securitisation exposures under the standardised or IRB approach. These changes to ARS 110.0 will also be effective from 1 January 2018.

Covered bonds reporting

APRA intends to consult on reporting requirements for covered bonds as part of its review of liquidity reporting in the coming months.

Draft ARS 120.0 and Draft ARS 120.1 are available on the APRA website at:

<http://www.apra.gov.au/adi/PrudentialFramework/Pages/Revisions-securitisation-reporting-standards-Feb-2017.aspx>

Written submissions on the proposed reporting requirements should be forwarded preferably by email to APS120review@apra.gov.au by 31 March 2017. Submissions may also be addressed to:

² The securitisation deconsolidation principle allows an originating ADI to remove a securitisation from its books if the ADI meets the operational requirements for regulatory capital relief.

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