



30 October 2013

To the CEOs of all locally incorporated Authorised Deposit-taking Institutions

**IMPLEMENTATION OF PRUDENTIAL STANDARD APS 910 FINANCIAL CLAIMS SCHEME - APPLICATION RELATING TO ADJUSTMENTS UNDER PARAGRAPH 35**

A number of issues relating to the implementation of the Financial Claims Scheme (FCS) have been raised by industry with APRA. In particular, these include the issue of generating single customer view (SCV) data on a calendar day basis rather than a business day basis.

APRA's aim in setting timeframes for pre-positioning for an FCS payment in *Prudential Standard APS 910 Financial Claims Scheme* (APS 910) is to achieve a target of completing the majority of payments within seven calendar days. Changing the requirements to business days would be inconsistent with this aim and could potentially increase the administrative cost for ADIs if a second payment were required to meet depositors' needs for liquid funds.

APRA notes that the requirements of the FCS are set out in the *Banking Act 1959* (Banking Act), *Banking Regulations 1966* (Banking Regulations) and APS 910. In addition to determining the 'net credit balance' as at declaration time, complexity arises from the requirements under the Banking Act to pay out accrued interest, and deduct fees, charges and duties payable and withholding tax, and to be able to calculate these items on demand. It is not possible to predict when an ADI might become insolvent and be declared subject to the FCS by the Minister. APRA acknowledges that the need to be able to generate these components on demand adds additional complexity to generating the SCV on a calendar day basis.

Industry will understand, however, that issues with the particular requirements of the Banking Act are for Government consideration.

As an interim measure, APRA is open to considering an application from an ADI for an adjustment of APS 910 requirements under paragraph 35 (*Adjustments and exclusions*) as part of an approach that is moving towards full compliance with APS 910 over time. APRA would consider each ADI's application on a case-by-case basis, separately from extension requests for extended transition under paragraph 37 of APS 910.

Any applications for an adjustment under paragraph 35 of APS 910 should cover all relevant issues, including but not limited to:

- system information and data for all affected systems, including the types of products covered by the system, aggregate value of deposit balances, total number of accounts and total number of customers for the system;
- expected timing and implications for generating SCV data and meeting other requirements of APS 910 for the affected systems operating on a business day basis (including considering different scenarios covering declaration occurring on any day of the week);
- estimated costs of migrating each affected system to a calendar day basis;

- longer-term planning and strategy for migrating systems to ensure full compliance with APS 910, without any adjustment of requirements under paragraph 35; and
- expected implications for audit and CEO attestation if the adjustment under paragraph 35 of APS 910 is not made.

ADIs would need to lodge applications for adjustment under paragraph 35 of APS 910 by 30 November 2013. Applications should be addressed to your supervisor in the first instance, and copied to [fcs@apra.gov.au](mailto:fcs@apra.gov.au).

Yours sincerely



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