



7 July 2017

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS

REVISED LIQUIDITY REPORTING REQUIREMENTS – RESPONSE TO SUBMISSIONS

On 24 March 2017, the Australian Prudential Regulation Authority (APRA) released for consultation a draft revised *Reporting Standard ARS 210.0 Liquidity* (ARS 210).¹ APRA proposed amending ARS 210 to align the reporting requirements for liquidity with the revised *Prudential Standard APS 210 Liquidity* (APS 210). The amendments related primarily to the introduction of a new reporting form on the net stable funding ratio (NSFR), as well as other changes to streamline the current statistical reporting.

APRA received a total of eight submissions from authorised deposit-taking institutions (ADIs) and industry associations. APRA's response to the issues raised in submissions is set out in an Attachment to this letter.

APRA confirms that it expects all ADIs to commence reporting under the revised ARS 210 from 1 January 2018, with the first data submission due for the quarter ending 31 March 2018. In relation to *Reporting Form ARF 210.4 3 year funding plan* (ARF 210.4), ADIs will be required to submit this form in line with their end of financial year.

Together with this letter, APRA has released the final revised ARS 210 which incorporates the amendments as set out in this letter. The final revised ARS 210 is available at: <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Liquidity-reporting-requirements-response-to-submissions-Jul2017.aspx>

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Pat Brennan'.

Pat Brennan
Executive General Manager
Policy and Advice Division

¹ <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Reporting-Standard-ARS-Liquidity-Mar2017.aspx>

ATTACHMENT

RESPONSE TO SUBMISSIONS

Audit requirements

APRA consulted on the addition of ARS 210 to the audit requirements set out in *Prudential Standard APS 310 Audit and Related Matters* (APS 310). Submissions sought clarification on the scope of the audit requirements and suggested that not all reporting forms under ARS 210 should be subject to the same level of audit. As APRA is not proposing to add the liquidity reporting forms to APS 310 at this time, it will consider the comments raised in submissions in a more holistic manner as part of its broader review of audit requirements.

Reporting basis

Two submissions raised concerns regarding reporting forms being completed as at the last business day of the reporting period. APRA has amended the instructions to revert back to reporting as at the last calendar day of the relevant reporting period.

LCR for significant currencies

APRA added a table to *Reporting Form ARF 210.1A Liquidity Coverage Ratio* (ARF 210.1A), under which ADIs will be required to report their LCR for other significant currencies. Three submissions sought further guidance as to the scope of products and time basis for reporting this item. APRA has clarified in the instructions, that foreign ADIs are not required to report item 35. All locally incorporated LCR ADIs are expected to report the foreign currency LCR for any currency where the ADI's total liabilities in that currency exceed five per cent of the ADI's total liabilities at any time during the quarter.

Minimum liquidity holdings (MLH) ratio

One submission requested that APRA publish a list of ADIs categorised by the liquidity requirement that applies to assist MLH ADIs to identify and report their liquidity exposures by the correct counterparty bucket. APRA will consider this as part of its ongoing review of the prudential framework for ADIs.

Contractual maturity mismatch

Four submissions sought additional guidance on the nature of items to be reported under *Reporting Form ARF 210.3.1 Contractual Maturity Mismatch – Funded Assets* (ARF 210.3.1) and *Reporting Form ARF 210.3.2 Contractual Maturity Mismatch – Funding Liabilities and Capital* (ARF 210.3.2). APRA confirms that the intention of these forms is to capture the contractual maturity mismatch of funded assets and funding liabilities and capital, rather than the accounting balance sheet. Items such as fixed assets, deferred tax, equity investments and general provisions should not be reported on these forms.

As the intention of these reporting forms is to capture cash inflow and outflow data, rather than balance sheet assets and liabilities, APRA confirms that total inflows reported under ARF 210.3.1 will not necessarily equal total outflows under ARF 210.3.2 and has removed reference to this from the reporting instructions.

Forecast maturity

Two submissions sought further guidance on the methodology to be applied to forecast maturity in the memo items of ARF 210.3.1. APRA has provided clarification in the instructions that the reporting of forecast residential mortgages should be on the basis of an ADI's own prepayment assumptions and include further advances on existing loans, but not new loans. Similarly, the reporting of forecast RMBS should be on the basis of the ADI's own prepayment

assumptions and only include third party RMBS. Additional clarification has also been provided in the ARF 210.3.2 instructions on when to report term securitisation funding using the contractual amortisation of the underlying assets versus forecast maturity.

Secured funding

One submission sought clarification on where ADIs should report other secured funding which does not fall into the securitisation, covered bonds or repurchase agreement categories. APRA has added an additional line item under ARF 210.3.2 to capture other forms of secured funding which do not fall into these categories.

Large liability exposures

One submission suggested that APRA move the reporting of large liability exposures from ARF 210.4 to ARF 210.3.2 as it does not relate to the forward planning process. As suggested, APRA has moved the reporting of this item to ARF 210.3.2 and confirms that this item has been removed from the draft revised *Reporting Standard ARS 221.0 Large Exposures*.

Two submissions sought clarification on the scope of liability and counterparty exposures to be reported. APRA has provided further guidance in the reporting instructions and confirms that ADIs should report any large liabilities that exceed 1.0 or 5.0 per cent of on-balance sheet liabilities, including any liabilities to related entities.

Daily liquidity report

One submission requested that in relation to the reporting of the LCR over the last five business days, ADIs be permitted to instead report the five most recently finalised daily LCR observations, which align with the publicly disclosed LCR. From 1 January 2018, ADIs must be able to calculate their LCR daily on an all-currencies and Australian dollar basis (and at Level 1/Domestic books and Level 2): the publicly disclosed LCR is not relevant for this purpose. APRA has amended *Reporting Form ARF 210.5 Daily Liquidity Report (ARF 210.5)* to ensure that the daily LCR over the last five business days is appropriately reported.

Two submissions requested an extension for the time to submit ARF 210.5. Given the nature of the form, APRA does not believe it is appropriate to extend the timeframe to submit.

Net stable funding ratio

CLF-eligible self-securitised assets

One submission requested consolidation of the unencumbered and encumbered for less than six months line items for CLF-eligible self-securitised assets. Although these items have the same required stable funding (RSF) factor, APRA has maintained separate reporting items to provide visibility of self-securitised assets that are encumbered as part of 'open' repos contracted with the Reserve Bank of Australia.

Treatment of general provisions

One submission sought guidance on the appropriate treatment of general provisions for the NSFR. APRA has provided additional guidance in the reporting instructions that the General Reserve for Credit Losses (GRCL) not otherwise reported in item 1, should be reported in item 16.4 and receives an available stable funding (ASF) factor of 0 per cent. In addition, assets should be reported net of the associated GRCL that has not been included in item 1.

Callable structured debt

Two submissions requested that APRA allow ADIs that issue funding instruments with call dates to profile the maturity of these instruments on the basis of their behavioural maturity or

final maturity. As stated in APS 210, APRA's policy position is that in order to determine the maturity of a funding instrument with an option, an ADI must assume the maturity date as being the earliest date at which the funds may be redeemed.

RSF factor applicable to open reverse repos

One submission requested that APRA provide guidance to NSFR ADIs in relation to assigning a 10 per cent RSF factor to non-maturity reverse repo transactions (open reverse repos) secured by HQLA1. APRA would be willing to allow the application of a 10 per cent RSF factor subject to certain conditions being met, such as the addition of a maturity date to the reverse repo, implementation of a policy that all open reverse repos must be redeemed prior to six months, or other arrangements that would demonstrate to APRA's satisfaction that all open reverse repos transacted by the ADI will be unwound in less than six months.

Other amendments

APRA has provided further clarification in the reporting instructions on:

- the definition of intra-group with regard to foreign ADIs;
- when ADIs are to input their own run-off rates for early funding redemptions and when the default run-off rates apply (ARF 210.1A and ARF 210.1B);
- the reporting of deposits provided for the purpose of facilitating or securing settlement obligations and deposits related to industry support schemes (*Reporting Form ARF 210.2 Minimum Liquidity Holdings Ratio*);
- the reporting of offshore equity securities and commodities (ARF 210.3.1);
- the definition of commercial real estate mortgages (ARF 210.3.1);
- the treatment of other lending secured by residential mortgages (ARF 210.3.1);
- the treatment of notice period deposits, where the notice period is greater than 60 days and there is no penalty or fee for providing notice and the reporting of intra-group deposits with notice periods (ARF 210.3.2); and
- the reporting of net funding outflows, initial and variation margin, and withdrawal notifications and buyback requests (ARF 210.5).