



## Reporting Standard ARS 120.1

### Securitisation — Regulatory Capital

#### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to an authorised deposit-taking institution's securitisation exposures.

It includes reporting form *ARF 120.1 Securitisation — Regulatory Capital* and should be read in conjunction with *Prudential Standard APS 120 Securitisation*.

#### Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

#### Purpose

2. Information collected in reporting form *ARF 120.1 Securitisation — Regulatory Capital* (ARF 120.1) is used by APRA for the purpose of prudential supervision, including assessing compliance with *Prudential Standard APS 120 Securitisation* (APS 120). It may also be used by the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

#### Application and commencement

3. This Reporting Standard applies to all authorised deposit-taking institutions (ADIs), with the exception of:
  - (a) branches of foreign banks; and
  - (b) providers of purchased payment facilities.

This Reporting Standard may also apply to the non-operating holding company (NOHC) of an ADI (refer to paragraph 6).

4. This Reporting Standard applies for reporting periods ending on or after 1 January 2018.

## Information required

5. An ADI to which this Reporting Standard applies must provide APRA with the information required by the version of ARF 120.1 designated for an ADI at Level 1 for each reporting period.
6. If an ADI to which this Reporting Standard applies is part of a Level 2 group, the ADI must also provide APRA with the information required by the version of ARF 120.1 designated for an ADI at Level 2 for each reporting period, unless the ADI is a subsidiary of an authorised NOHC. If the ADI is a subsidiary of an authorised NOHC, the ADI's immediate parent NOHC must provide APRA with the information required by that form for each reporting period. In doing so, the immediate parent NOHC must comply with this Reporting Standard (other than paragraphs 5 and 11) as if it were the relevant ADI.

## Forms and method of submission

7. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or by a method notified by APRA, in writing, prior to submission.

*Note:* The 'Direct to APRA' application software (also known as 'D2A') may be obtained from APRA.

## Reporting periods and due dates

8. Subject to paragraph 9 and 10, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard within 28 calendar days after the end of each quarter based on the ADI's financial year (within the meaning of the *Corporations Act 2001*).
9. APRA may, by notice in writing, change the reporting periods or specified reporting periods for a particular ADI to require it to provide the information required by this Reporting Standard more frequently, or less frequently, having regard to:
  - (a) the particular circumstances of the ADI;
  - (b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
  - (c) the requirements of the RBA or the ABS.
10. APRA may, by notice in writing, extend the due date by which an ADI must provide the information required by this Reporting Standard, in which case the new due date will be the date specified on the notice of extension.

## Quality control

11. All information provided by an ADI under this Reporting Standard (except for the information required under paragraph 6) must be the product of processes and controls that have been reviewed and tested by the external auditor of the ADI. *Guidance Statement GS 012 Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions*, issued by the Auditing and Assurance Standards Board,

provides guidance on the scope and nature of the review and testing required from external auditors.<sup>1</sup> This review and testing must be done on an annual basis or more frequently if necessary to enable the external auditor to form an opinion on the accuracy and reliability of the information.

12. All information provided by an ADI under this Reporting Standard must be subject to processes and controls developed by the ADI for the internal review and authorisation of that information. These systems, processes and controls are to assure the completeness and reliability of the information provided.

### **Authorisation**

13. When an officer of an ADI submits information under this Reporting Standard using the D2A software, or other method notified by APRA, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.

### **Minor alterations to forms and instructions**

14. APRA may make minor variations to:
  - (a) a form that is part of this Reporting Standard to correct technical, programming or logical errors, inconsistencies or anomalies; or
  - (b) the instructions to a form, to clarify their application to the formwithout changing any substantive requirement in the form or instructions.
15. If APRA makes such a variation it will notify, in writing, each ADI that is required to report under this Reporting Standard.

### **Interpretation**

16. In this Reporting Standard:

**ADI** means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

**APRA** means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*.

**Authorised NOHC** has the meaning given in the *Banking Act 1959*.

**Bank** means a locally incorporated ADI that is authorised under section 66 of the *Banking Act 1959* to use the word 'bank' in its name.

**Branch of a foreign bank** means a foreign ADI as defined in the *Banking Act 1959*.

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<sup>1</sup> As it exists at the time of the commencement of this Reporting Standard.

**CET1 deduction** refers to securitisation exposures that are required to be deducted from Common Equity Tier 1 (CET1) capital in accordance with the requirements under *Prudential Standard APS 120 Securitisation*.

**Credit rating grade** means grades of credit ratings to which external credit assessment institution (ECAI) ratings are mapped. The mapping of both short-term and long-term rating grades is contained in Attachment C of *Prudential Standard APS 120 Securitisation*.

**Due diligence requirements** means the required due diligence an ADI must perform on its securitisation exposures as per paragraphs 58 and 59 of *Prudential Standard APS 120 Securitisation*.

**External Ratings-based approach (ERBA)** means the method by which an ADI calculates regulatory capital for credit risk for its securitisation exposures, where a securitisation exposure is externally rated or for which an inferred rating is available (refer to paragraphs 4 to 16 of Attachment C of *Prudential Standard APS 120 Securitisation*).

**Immediate parent NOHC** means an authorised NOHC, or a subsidiary of an authorised NOHC, that is an immediate parent NOHC within the meaning of *Prudential Standard APS 001 Definitions*.

**Level 1** has the meaning given to that expression in *Prudential Standard APS 001 Definitions*.

**Level 2** has the meaning given to that expression in *Prudential Standard APS 001 Definitions*.

**Non-senior securitisation exposure** has the meaning given to that expression in paragraph 11(n) of *Prudential Standard APS 120 Securitisation*.

**Other CET1 regulatory adjustments** means:

- (a) any 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) any 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 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;<sup>2</sup>

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<sup>2</sup> An originating ADI is not required to deduct from CET1 capital the difference between the book value and the amount received where the ADI has included the underlying exposures in the pool in the calculation of regulatory capital under *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112) or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113).

- (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;
- (e) any negative mark-to-market value of a basis swap where an originating ADI becomes, or is likely to become, a net payer over the life of the swap; and
- (f) any other CET1 capital specific deductions required under *Prudential Standard APS 120 Securitisation*.

**Provider of purchased payment facilities** means an ADI that is subject to a condition on its authority under section 9 of the *Banking Act 1959* confining the banking business that the ADI is authorised to carry on to providing purchased payment facilities.

**Reporting period** means a period mentioned in paragraph 8 or, if applicable, paragraphs 9 and 10.

**Resecuritisation exposure** has the meaning given to that expression in paragraph 11(q) of *Prudential Standard APS 120 Securitisation*.

**Risk-weight cap** means the method by which an originating ADI calculates regulatory capital for credit risk for its senior securitisation exposures by determining a risk-weight cap equal to the weighted average risk weight of the underlying exposures in the pool (refer to paragraphs 62 to 64 of *Prudential Standard APS 120 Securitisation*).

**Securitisation exposure** has the meaning given to that expression in paragraph 11(s) of *Prudential Standard APS 120 Securitisation*.

**Securitisation start-up costs** refers to where an ADI contributes to the start-up costs of a securitisation and those costs have been capitalised (rather than written off in the ADI's profit and loss), and so must be deducted from the ADI's CET1 capital as per paragraph 27 of *Prudential Standard APS 120 Securitisation*.

**Senior securitisation exposure** has the meaning given to that expression in paragraph 11(x) of *Prudential Standard APS 120 Securitisation*.

**Subsidiary** has the meaning given in the *Corporations Act 2001*.

**Supervisory Formula Approach (SFA)** means the method by which an ADI calculates regulatory capital for credit risk for its securitisation exposures, (refer to paragraphs 17 to 34 of Attachment C of *Prudential Standard APS 120 Securitisation*).

17. APRA may determine, in writing, that an individual ADI of one class of ADI is to be treated, for the purposes of this Reporting Standard, as though it was an ADI of another class of ADI.
18. Unless the contrary intention appears, references to Acts and Prudential Standards are references to those instruments as in force from time to time.

## ARF\_120\_1: Securitisation — Regulatory Capital

<b>Australian Business Number</b>	<b>Institution Name</b>
<b>Reporting Period</b>	<b>Scale Factor</b>
	Millions to one decimal place for banks Whole dollars no decimal place for other ADIs
<b>Reporting Consolidation</b>	
Level 1 / Level 2	

### 1. Securitisation exposures subject to the External Ratings-based Approach (ERBA)

1.1. Securitisation exposures with short-term credit rating grades

- 1.1.1. STG1
- 1.1.2. STG2
- 1.1.3. STG3
- 1.1.4. STG4
- 1.1.5. Total

Exposures (1)	Risk weights % (2)	RWA (3)	CET1 deduction (4)
	15%		
	50%		
	100%		

1.2. Senior securitisation exposures with long-term credit rating grades resulting in risk weights:

- 1.2.1. =15%-20%
- 1.2.2. >20%-50%
- 1.2.3. >50%-100%

Exposures (1)	RWA (2)	CET1 deduction (3)

1.2.4. >100-140%

1.2.5. >140%

1.2.6. Total


1.3. Non-senior securitisation exposures with long-term credit rating grades resulting in risk weights:

1.3.1. =15%-20%

1.3.2. >20%-50%

1.3.3. >50%-100%

1.3.4. >100-140%

1.3.5. >140%

1.3.6. Total

Exposures (1)	RWA (2)	CET1 deduction (3)
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**2. Securitisation exposures subject to the Supervisory Formula Approach (SFA)**

2.1. With risk weights:

2.1.1. =15%-20%

2.1.2. >20%-50%

2.1.3. >50%-100%

2.1.4. >100%-250%

2.1.5. >250%-425%

2.1.6. >425%-650%

2.1.7. >650%-<1250%

2.1.8. ≥1250%

Exposures (1)	RWA (2)	CET1 deduction (3)
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2.1.9. Total

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**3. Senior securitisation exposures subject to the risk-weight cap**

3.1. With risk weights:

- 3.1.1. =15%-20%
- 3.1.2. >20%-50%
- 3.1.3. >50%-100%
- 3.1.4. >100%-250%
- 3.1.5. >250%-425%
- 3.1.6. >425%-650%
- 3.1.7. >650%-<1250%
- 3.1.8. Total

Exposures (1)	RWA (2)

**4. Regulatory adjustments**

- 4.1. Senior securitisation exposures where ERBA, SFA or the risk-weight cap cannot be used
- 4.2. Securitisation exposures that do not meet due diligence requirements
- 4.3. Resecuritisation exposures
- 4.4. Other non-senior securitisation exposures
- 4.5. Securitisation start-up costs
- 4.6. Other CET1 regulatory adjustments relating to securitisation
- 4.7. Total

CET1 deduction (1)

# Reporting Form ARF 120.1

## Securitisation — Regulatory Capital

### Instructions

This form collects the credit risk-weighted assets (RWA) and adjustments to regulatory capital relating to the securitisation exposures of an authorised deposit-taking institution (ADI). In completing this form, ADIs should refer to *Prudential Standard APS 120 Securitisation* (APS 120). Information reported on this form is required primarily for prudential purposes.

### Reporting entity

ARF 120.1 must be completed at *Level 1* and *Level 2* by all ADIs, with the exception of:

- (a) branches of foreign banks; and
- (b) providers of purchased payment facilities.

If an ADI is a *subsidiary* of an *authorised NOHC*, the report at *Level 2* is to be provided by the ADI's *immediate parent NOHC*.

### 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 assets (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 that it retains or acquires and such exposures are to be reported in this form (ARF 120.1). The RWA relating to such securitisation exposures must also be reported in reporting 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 undertakes a funding-only securitisation or synthetic securitisation, such assets are to be reported as on-balance sheet in APRA's regulatory reporting returns. In addition, these assets must also be reported as a part of the ADI's total securitised assets within reporting form *ARF 120.2 Securitisation – Supplementary Items*.

## Reporting basis and units of measurement

Report all items on ARF 120.1 in accordance with Australian Accounting Standards unless otherwise specified.

Items on ARF 120.1 are to be completed as at the last day of the stated **reporting period** (i.e. the relevant quarter) and submitted to APRA within 28 calendar days of the end of the relevant **reporting period**.

All items are to be reported in Australian dollars (AUD) and in accordance with the units set out below:

Class of ADI	Units
Bank	Millions of dollars rounded to one decimal place.
All other ADIs	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*.

## Specific instructions

The following instructions are applicable at **Level 1** and (where relevant) **Level 2**. For any on-balance sheet **securitisation exposure**, the exposure value is to be reported net of specific provisions. For any off-balance sheet **securitisation exposure**, a credit conversion factor (CCF) is to be applied to the exposure amount (including the undrawn amount of a facility, if any) to determine the credit equivalent amount.

Unless otherwise stated, RWA for a **securitisation exposure** must be calculated by multiplying the **securitisation exposure** amount by the appropriate risk weight (refer to Attachment C to APS 120). The appropriate risk weights, based on the method used for calculating the capital charge, are detailed in Attachment C of APS 120.

Unless otherwise stated, regulatory adjustments to capital relating to an ADI's **securitisation exposures** are to be made to CET1 capital. Regulatory adjustments to capital may be calculated net of any specific provisions raised against the relevant **securitisation exposure**.

ADIs are not to include any *securitisation exposures* held in the trading book, as these are to be reported on reporting form *ARF 116.0 Market Risk*.

All derived fields in the form are shaded and specified in the instructions below. Terms highlighted in ***bold italics*** indicate that the definition is provided in paragraph 16 of this Reporting Standard.

Items 1 to 3 inclusive collect information about the *securitisation exposures* of an ADI that can be risk-weighted. Do not report any *resecuritisation exposure* or *securitisation exposures* which do not meet *due diligence requirements* in items 1 to 3.

**Reporting basis:** report item 1 to item 3 inclusive as at the end of the reporting period.

<b>Item 1.1</b>	<p>Report <i>securitisation exposures</i> subject to the <b><i>External Ratings-based Approach (ERBA)</i></b> with a short-term <b><i>credit rating grade</i></b> in item 1.1.</p> <p>For items 1.1.1 to 1.1.3, report the total corresponding <b><i>securitisation exposures</i></b> in column 1. Risk weights are pre-defined in column 2 in accordance with the weightings detailed in Table 1 of Attachment C of APS 120. RWA in column 3 are derived fields calculated by multiplying <b><i>securitisation exposures</i></b> (column 1) by the relevant risk weight (column 2).</p> <p>For item 1.1.4, report all <b><i>securitisation exposures</i></b> with a short-term <b><i>credit rating grade</i></b> of 4 in column 1 and column 4 <b><i>CET1 deduction</i></b>.</p> <p>Item 1.1.5 derives the totals of column 1, column 3 and column 4.</p>
<b>Item 1.2</b>	<p>Report <b><i>senior securitisation exposures</i></b> subject to the <b><i>ERBA</i></b> with a long-term <b><i>credit rating grade</i></b> in item 1.2. Risk weight buckets are pre-defined.</p> <p>For items 1.2.1 to 1.2.4, report the total corresponding <b><i>senior securitisation exposures</i></b> in column 1. Report the aggregate RWA in column 2 against the corresponding risk weight bucket.</p> <p>For item 1.2.5, report all <b><i>senior securitisation exposures</i></b> with a long-term <b><i>credit rating grade</i></b> and calculated risk weight of greater than 140 per cent in column 1 and column 3 <b><i>CET1 deduction</i></b>.</p> <p>Item 1.2.6 derives the totals of column 1, column 2 and column 3.</p>
<b>Item 1.3</b>	<p>Report <b><i>non-senior securitisation exposures</i></b> that can be risk-weighted under the <b><i>ERBA</i></b> with a long-term <b><i>credit rating grade</i></b> in item 1.3. Risk weight buckets are pre-defined.</p> <p>For items 1.3.1 to 1.3.4, report the total corresponding <b><i>non-senior securitisation exposures</i></b> in column 1. Report the aggregate RWA in column 2 against the corresponding risk weight bucket.</p> <p>For item 1.3.5, report all <b><i>non-senior securitisation exposures</i></b> with a long-term <b><i>credit rating grade</i></b> and calculated risk weight of greater than 140 per cent in column 1 and column 3 <b><i>CET1 deduction</i></b>.</p>

	Item 1.3.6 derives the totals of column 1, column 2 and column 3.
<b>Item 2</b>	<p>Report <i>securitisation exposures</i> subject to the <i>Supervisory Formula Approach (SFA)</i> in item 2. Risk weight buckets are pre-defined.</p> <p>For items 2.1.1 to 2.1.7, report the total corresponding <i>securitisation exposures</i> in column 1. Report the aggregate RWA in column 2 against the corresponding risk weight bucket.</p> <p>For item 2.1.8, report all <i>securitisation exposures</i> with a calculated risk weight of 1250 per cent or greater in column 1 and column 3 <i>CET1 deduction</i>.</p> <p>Item 2.1.9 derives the totals of column 1, column 2 and column 3.</p>
<b>Item 3</b>	<p>Report <i>senior securitisation exposures</i> subject to the <i>risk-weight cap</i> in item 3. Risk weight buckets are pre-defined.</p> <p>For items 3.1.1 to 3.1.7, report the total corresponding <i>senior securitisation exposures</i> in column 1. Report the aggregate RWA in column 2 against the corresponding risk weight bucket.</p> <p>Item 3.1.8 derives the totals of column 1 and column 2.</p>

Item 4 collects information about all other *securitisation exposures* of an ADI.

**Reporting basis:** report item 4 as at the end of the reporting period.

<b>Item 4</b>	<p>For item 4.1, report all other <i>senior securitisation exposures</i> where the <i>ERBA</i>, <i>SFA</i> or <i>risk-weight cap</i> approaches cannot be used to determine regulatory capital and are therefore required to be deducted from CET1 capital.</p> <p>For item 4.2, report all <i>securitisation exposures</i> which do not meet <i>due diligence requirements</i>.</p> <p>For item 4.3, report all <i>resecuritisation exposures</i>, excluding those that do not meet <i>due diligence requirements</i> and are reported under item 4.2 above.</p> <p>For item 4.4, report all other <i>non-senior securitisation exposures</i> that are required to be deducted from CET1 capital, excluding those that do not meet <i>due diligence requirements</i> reported under item 4.2 above.</p> <p>For item 4.5, report all <i>securitisation start-up costs</i>.</p> <p>For item 4.6, report all <i>other CET1 regulatory adjustments</i> relating to securitisation, excluding any <i>securitisation start-up costs</i> reported under item 4.6 above.</p> <p>Item 4.7 is a derived total of items 4.1 to 4.6.</p>
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## Related guidance for reporting in ARF 110.0 Capital Adequacy

For capital adequacy purposes, the following items on ARF 120.1 relating to RWA and regulatory adjustments are to be reported under the corresponding items in ARF 110.0 as set out in the table below:

Item in ARF 120.1	Corresponding item in ARF 110.0
Aggregate of the following line items: <ul style="list-style-type: none"> <li>• item 1.1.5 Total column 3 RWA;</li> <li>• item 1.2.6 Total column 2 RWA;</li> <li>• item 1.3.6 Total column 2 RWA;</li> <li>• item 2.1.9 Total column 2 RWA; and</li> <li>• item 3.1.8 Total column 2 RWA.</li> </ul>	Section B, item 1.2. Securitisation
Item 4.5 <i>Securitisation start-up costs</i>	Section A, item 2.6.5 <i>Securitisation start-up costs</i>
Aggregate of the following line items: <ul style="list-style-type: none"> <li>• item 1.1.5 Total column 4 <b><i>CET1 deduction</i></b>;</li> <li>• item 1.2.6 Total column 3 <b><i>CET1 deduction</i></b>;</li> <li>• item 1.3.6 Total column 3 <b><i>CET1 deduction</i></b>;</li> <li>• item 2.1.9 Total column 3 <b><i>CET1 deduction</i></b>;</li> <li>• item 4.1 <i>senior securitisation exposures</i> where <i>ERBA</i>, <i>SFA</i> or <i>risk weight cap</i> cannot be used;</li> <li>• item 4.2 <i>securitisation exposures</i> that do not meet <i>due diligence requirements</i>;</li> <li>• item 4.3 <i>resecuritisation exposures</i>;</li> <li>• item 4.4 other <i>non-senior securitisation exposures</i>; and</li> <li>• item 4.6 <i>other CET1 regulatory adjustments</i> relating to securitisation.</li> </ul>	Section A, item 2.10 Common Equity Tier 1 specific adjustments relating to securitisation (excluding <i>securitisation start-up costs</i> )