



Reporting Standard ARS 112.1

Standardised Credit Risk – On-balance Sheet Assets

Objective of this Reporting Standard

This Reporting Standard outlines the overall requirements for the provision of information to APRA relating to an authorised deposit-taking institution's on-balance sheet assets.

It includes reporting form *ARF 112.1A Standardised Credit Risk – On-balance Sheet Assets* and should be read in conjunction with *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk*.

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 112.1A Standardised Credit Risk - On-balance Sheet Assets (ARF 112.1A)* is used by APRA for the purpose of prudential supervision including assessing compliance with *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)*. It may also be used by the Reserve Bank of Australia and the Australian Bureau of Statistics.

Application and commencement

3. This Reporting Standard applies to an authorised deposit-taking institution (ADI) that satisfies the following criteria:
 - (a) it is applying the standardised approach to credit risk to all or part of its on-balance sheet assets for capital adequacy purposes (refer to APS 112 or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*, as appropriate); and
 - (b) it is included in one of the classes of ADI to which this Reporting Standard applies, as set out in the following table.

Class of ADI	Applicable
Bank – Advanced or Applicant Advanced	Yes
Bank – Standardised	Yes
Branch of a Foreign Bank	No
Building Society	Yes
Credit Union	Yes
Specialist Credit Card Institution (SCCI) ¹	Yes
Provider of Purchased Payment Facilities	No
Other ADI	Yes

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

- This Reporting Standard applies for reporting periods commencing on or after 1 January 2013.

Information required

- An ADI to which this Reporting Standard applies must provide APRA with the information required by the version of ARF 112.1A designated for an ADI at Level 1 for each reporting period.
- 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 112.1A 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 12) as if it were the relevant ADI.

Forms and method of submission

- The information required by this Reporting Standard must be given to APRA in electronic form, using one of the electronic submission mechanisms provided by the 'Direct to APRA' (also known as 'D2A') application.

Note: the Direct to APRA application software may be obtained from APRA.

Reporting periods and due dates

- Subject to paragraph 9, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard in respect of each quarter based on the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.
- 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

¹ A SCCI operating through a branch in Australia (i.e. is incorporated in an overseas jurisdiction) is not required to comply with this Reporting Standard.

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 Reserve Bank of Australia or the Australian Bureau of Statistics.
10. The information required by this Reporting Standard must be provided to APRA in accordance with the following table. The right hand column of the table sets out the number of business days after the end of the reporting period to which the information relates, within which information must be submitted to APRA by an ADI in each of the classes set out in the same row in the left hand column.

Class of ADI	Number of business days
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 ²	20

In certain cases an ADI may be both a ‘bank – advanced or applicant advanced’ and a ‘bank – standardised’. The instructions associated with ARF 112.1A set out the relevant reporting requirements and timeframes in those circumstances.

11. APRA may grant an ADI an extension of a due date, in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.

Quality control

12. The 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. *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. 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.

² The definitions of ‘credit union’ and ‘other ADI’ in paragraph 16 of this Reporting Standard provide that Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions.

13. 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. It is the responsibility of the Board and senior management of the ADI to ensure that an appropriate set of policies and procedures for the authorisation of information submitted to APRA is in place.

Authorisation

14. When an ADI submits information under this Reporting Standard using the D2A software, it will be necessary for an officer of the ADI to digitally sign, authorise and encrypt the relevant information. For this purpose, APRA's certificate authority will issue 'digital certificates', for use with the software, to officers of the ADI who have authority from the ADI to transmit the information to APRA.

Transitional

15. An ADI must report under the old Reporting Standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the Reporting Standard revoked in the determination making this Reporting Standard (being the Reporting Standard which this Reporting Standard replaces).

transitional reporting period means a reporting period under the old Reporting Standard:

- (a) which ended before the date of revocation of the old Reporting Standard; and
- (b) in relation to which the ADI was required, under the old Reporting Standard, to report by a date on or after the date of revocation of the old Reporting Standard.

Note: For the avoidance of doubt, if an ADI was required to report under an old Reporting Standard, and the reporting documents were due before the date of revocation of the old Reporting Standard, the ADI is still required to provide any overdue reporting documents in accordance with the old 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*.

Australian-owned bank means a locally incorporated ADI that assumes or uses the word 'bank' in relation to its banking business and is not a foreign subsidiary bank.

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

bank – advanced or applicant advanced means an Australian-owned bank or a foreign subsidiary bank that has APRA's approval or is seeking APRA's approval to use an

internal ratings-based approach to credit risk and/or an advanced measurement approach to operational risk for capital adequacy purposes.

bank – standardised means an Australian-owned bank or a foreign subsidiary bank that uses the standardised approaches to credit risk and operational risk for capital adequacy purposes in respect of the whole of its operations.

branch of a foreign bank means a ‘foreign ADI’ as defined in the *Banking Act 1959*, but does not include an SCCI that is a foreign ADI.

building society means a locally incorporated ADI that assumes or uses the expression ‘building society’ in relation to its banking business.

business days means ordinary business days, exclusive of Saturdays, Sundays and public holidays.

class of ADI means each of the following:

- (i) bank – advanced or applicant advanced;
- (ii) bank – standardised;
- (iii) branch of a foreign bank;
- (iv) building society;
- (v) credit union;
- (vi) other ADI;
- (vii) provider of purchased payment facilities; and
- (viii) an SCCI.

credit union means a locally incorporated ADI that assumes or uses the expression ‘credit union’ in relation to its banking business and, for the purposes this reporting standard, includes Cairns Penny Savings and Loans Limited.

foreign subsidiary bank means a locally incorporated ADI in which a bank that is not locally incorporated has a stake of more than 15 per cent.

GS 012 means the auditing and assurance standard entitled *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions* so made by the Auditing and Assurance Standards Board.

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 (APS 001)*.

Level 1 has the meaning in APS 001.

Level 2 has the meaning in APS 001.

locally incorporated means incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or Territory law.

other ADI means an ADI that is not an Australian-owned bank, a branch of a foreign bank, a building society, a credit union, a foreign subsidiary bank, a provider of purchased payment facilities or a specialist credit card institution, but for the purposes of this Reporting Standard, does not include Cairns Penny Savings and Loans Limited.

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, paragraph 9.

specialist credit card institution 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 the activities of credit card acquiring and credit card issuing in any credit card scheme that was designated as a payment system under section 11 of the *Payment Systems (Regulation) Act 1998*.

stake means a stake determined under the *Financial Sector Shareholdings Act 1998*, as if the only associates that were taken into account under paragraph (b) of subclause 10(1) of the Schedule to that Act were those set out in paragraphs (h), (j) and (l) of subclause 4(1).

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

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 were an ADI of another class of ADI.

ARF_112_1A: Standardised credit risk - On-balance sheet assets

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

Exposures before CRM (1)	Exposures after CRM (2)	Risk- weights % (3)	RWA (4)
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1. Class I – Cash items

1.1 Notes and coins	CS01873	CS17073	CS01874	CS01875
1.2 Australian dollar balances with the Reserve Bank of Australia	CS01876	CS17075	CS01877	CS01878
1.3 Gold bullion held in the ADI's own vault or on an allocated basis by another party to the extent that it is backed by gold bullion liabilities	CS01882	CS17076	CS01883	CS01884
1.4 Cash items in the process of collection	CS01888	CS17077	CS01889	CS01890

2. Class II – Claims on Australian and foreign governments and central banks

2.1 Australian dollar claims on the Australian Government	CS17079	CS17080	CS17085	CS17087
2.2 Claims on overseas central governments and state or regional governments, State or Territory Governments in Australia (including State or Territory central borrowing authorities), central banks (including the Reserve Bank of Australia) and foreign currency claims on the Australian Government				
2.2.1 Credit rating grade 1				
2.2.2 Credit rating grade 2				
2.2.3 Credit rating grade 3				
2.2.4 Credit rating grade 4				
2.2.5 Credit rating grade 5				
2.2.6 Credit rating grade 6				
2.2.7 Unrated				
2.2.8 Issue-specific short-term rated				
2.2.9 Total				
2.3 Claims on local governments and non-commercial public sector entities in Australia and overseas				
2.3.1 Credit rating grade 1	CS17345	CS17346	CS17347	CS17348
2.3.2 Credit rating grade 2	CS17349	CS17350	CS17351	CS17352
2.3.3 Credit rating grade 3	CS17353	CS17354	CS17355	CS17356
2.3.4 Credit rating grade 4	CS17357	CS17358	CS17359	CS17360
2.3.5 Credit rating grade 5	CS17361	CS17362	CS17363	CS17364
2.3.6 Credit rating grade 6	CS17365	CS17366	CS17367	CS17368
2.3.7 Unrated	CS17369	CS17370	CS17371	CS17372
2.3.8 Total	CS17373	CS17374		CS17375

3. Class III – Claims on international banking agencies, regional development banks, ADIs & overseas banks

3.1 Claims on international banking agencies and multilateral regional development banks				
3.1.1 Credit rating grade 1			20	
3.1.2 Credit rating grade 2			50	
3.1.3 Credit rating grade 3			50	
3.1.4 Credit rating grade 4			100	
3.1.5 Credit rating grade 5			100	
3.1.6 Credit rating grade 6			150	
3.1.7 Unrated			50	
3.1.8 Concessional risk rate for specified highly rated institutions and banks			0	
3.1.9 Issue-specific short-term rated				
3.1.10 Total				
3.2 Claims (other than equity) on ADIs & overseas banks, being claims with an original maturity of three months or less				
3.2.1 Credit rating grade 1			20	
3.2.2 Credit rating grade 2			20	
3.2.3 Credit rating grade 3			20	
3.2.4 Credit rating grade 4			50	
3.2.5 Credit rating grade 5			50	
3.2.6 Credit rating grade 6			150	
3.2.7 Unrated			20	
3.2.8 Exposures to unrated ADIs or overseas banks subject to a risk-weight floor equal to that applicable to exposures to their central governments				
3.2.9 Issue-specific short-term rated				
3.2.10 Total				
3.3 Claims (other than equity) on ADIs & overseas banks, being claims with an original maturity of more than three months				
3.3.1 Credit rating grade 1			20	
3.3.2 Credit rating grade 2			50	
3.3.3 Credit rating grade 3			50	
3.3.4 Credit rating grade 4			100	
3.3.5 Credit rating grade 5			100	
3.3.6 Credit rating grade 6			150	
3.3.7 Unrated			50	
3.3.8 Exposures to unrated ADIs or overseas banks subject to a risk-weight floor equal to that applicable to exposures to their central governments				
3.3.9 Issue-specific short-term rated				
3.3.10 Total				

4. Class IV – Claims secured against eligible residential mortgages

4.1 Standard eligible mortgage - no mortgage insurance				
4.1.1 LVR 0%-60%			35	
4.1.2 LVR 60.01% - 80%			35	
4.1.3 LVR 80.01% - 90%			50	
4.1.4 LVR 90.01% - 100%			75	
4.1.5 LVR > 100.01%			100	
4.2 Standard eligible mortgage - mortgage insured with an acceptable LMI				
4.2.1 LVR 0%-60%			35	
4.2.2 LVR 60.01% - 80%			35	
4.2.3 LVR 80.01% - 90%			35	
4.2.4 LVR 90.01% - 100%			50	
4.2.5 LVR > 100.01%			75	
4.3 Non-standard eligible mortgage - no mortgage insurance				
4.3.1 LVR 0%-60%			50	
4.3.2 LVR 60.01% - 80%			75	
4.3.3 LVR 80.01% - 90%			100	
4.3.4 LVR 90.01% - 100%			100	
4.3.5 LVR > 100.01%			100	
4.4 Non-standard eligible mortgage - mortgage insured with an acceptable LMI				
4.4.1 LVR 0%-60%			35	
4.4.2 LVR 60.01% - 80%			50	
4.4.3 LVR 80.01% - 90%			75	
4.4.4 LVR 90.01% - 100%			75	
4.4.5 LVR > 100.01%			100	
4.5 Total loans and all other claims secured against residential mortgages				

5. Class V – Unsettled and failed transactions

5.1 Delivery-versus-payment transactions				
5.1.1 5 to 15 days			100	
5.1.2 16 to 30 days			625	
5.1.3 31 to 45 days			937.5	
5.1.4 46 days or more			1250	
5.2 Non-delivery-versus-payment transactions				
5.2.1 0 to 4 days				
5.2.2 5 days or more				
5.3 Total				

6. Class VI – Past due claims

6.1 Unsecured portion of any claim (other than a loan or claim secured against eligible residential mortgages) that is past due for more than 90 days and/or impaired where specific provisions are:

6.1.1 Less than 20 per cent of the outstanding amount of the past due claim or impaired asset			150	
6.1.2 No less than 20 per cent of the outstanding amount of the past due claim or impaired asset			100	
6.2 Loans and claims secured against eligible residential mortgages that are past due for more than 90 days and/or impaired, where the claim is:				
6.2.1 Not mortgage insured with an acceptable LMI			100	
6.2.2 Mortgage insured with an acceptable LMI, and the total of past due/impaired loans and claims covered by each single insurer does not exceed the ADI's large exposure limit				
6.2.3 Mortgage insured with an acceptable LMI, and the total of past due/impaired loans and claims covered by each single insurer exceeds the ADI's large exposure limit			100	
6.3 Total				

7. Class VII – Other assets and claims

7.1 Claims (other than equity) on Australian and international corporate counterparties (including insurance and securities companies) and commercial public sector entities

7.1.1 Credit rating grade 1			20	
7.1.2 Credit rating grade 2			50	
7.1.3 Credit rating grade 3			100	
7.1.4 Credit rating grade 4			100	
7.1.5 Credit rating grade 5			150	
7.1.6 Credit rating grade 6			150	
7.1.7 Unrated			100	
7.1.8 Issue-specific short-term rated				
7.1.9 Total				
7.2 All claims (other than equity) on private sector counterparties (other than ADIs, overseas banks and corporate counterparties)			100	
7.3 Investments in premises, plant and equipment and all other fixed assets			100	
7.4 Claims on all fixed assets under operating leases			100	
7.5 Equity exposures that are not deducted from capital and are listed on a recognised exchange			300	
7.6 Equity exposures that are not deducted from capital and are not listed on a recognised exchange			400	
7.7 Margin lending against listed instruments on recognised exchanges			20	
7.8 Margin lending against unlisted instruments				
7.9 All other assets and claims not specified elsewhere			100	

8. Total on-balance sheet credit risk-weighted assets

Reporting Form ARF 112.1A

Standardised Credit Risk – On-balance Sheet Assets

Instruction Guide

This instruction guide is designed to assist in the completion of the reporting form *Standardised Credit Risk - On-balance Sheet Assets*. This form captures the risk-weighted assets (**RWA**) relating to an authorised deposit-taking institution's (**ADI's**) on-balance sheet assets under the standardised approach to credit risk. In completing this form, ADIs should refer to *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112)*.

General directions and notes

Reporting entity

This form is to be completed at Level 1 and Level 2¹ 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 on-balance sheet assets for capital adequacy purposes (refer to APS 112 or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*, as appropriate); and
- (b) it is included in one of the classes of ADI to which this form applies, as set out in the following table.

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

¹ Level 1 and Level 2 are defined in accordance with *Prudential Standard APS 001 Definitions*.

² 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").

³ 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.⁴

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 *Prudential Standard APS 120 Securitisation (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**⁵ that it retains or acquires and such exposures are to be reported in reporting form *ARF 120.0 Standardised – Securitisation* or the series of reporting forms *ARF 120.1A to ARF 120.1C IRB – Securitisation* (as appropriate). 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 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 (APS 113)*, 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 reporting form *ARF 120.2 Securitisation – Supplementary Items*.

Reporting period and timeframes for lodgement

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

⁴ Refer to paragraph 6 of *Reporting Standard ARS 112.1 Standardised Credit Risk – On-balance Sheet Assets*.

⁵ Securitisation exposures are defined in accordance with APS 120.

Class of ADI	Number of business days
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 ⁶	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.

In either case the ADI must report under ARF 112.1A (the **form**) as follows:

⁶ Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions.

Description of ADI	Reporting requirement	Timeframes for lodgement
ADI is operating under the APS 112 standardised approach to credit risk, but has applied to adopt IRB approach for <u>all</u> its operations	Report under the form (for purposes of calculating credit risk component of regulatory capital for all of its operations)	‘Bank – Standardised’ timeframe (within 20 business days)
ADI is operating under the APS 112 standardised approach, but has applied to adopt the 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 credit risk component of regulatory capital for all of its operations)	‘Bank – Standardised’ timeframe (within 20 business days)
	Separately report under the form in respect of assets that will remain under the standardised approach (i.e. partial use) after IRB approval given (for purposes of assessing prospective credit risk component of regulatory capital calculation 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 the standardised approach	Report under the form in respect of operations that remain under standardised approach (for purposes of calculating partial use credit risk component of regulatory capital)	‘Bank – Advanced or Applicant Advanced’ timeframe (within 30 business days)

These ADIs will also have certain reporting obligations under the ARF 113 series of reporting forms.

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 following table.

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
Building Society	Whole dollars with no decimal place
Credit Union	Whole dollars with no decimal place
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*.

Scope

The risk-weighting process used for measuring the on-balance sheet credit RWA of an ADI covers all or part of the ADI's on-balance sheet assets that are subject to the standardised approach, except the following specifically excluded items:

- (a) those assets or investments that are required to be deducted from Tier 1 and/or Tier 2 capital under *APS 111 Capital Adequacy: Measurement of Capital (APS 111)*; and
- (b) securitisation exposures, which are subject to the requirements of APS 120.

Definitions

In this instruction guide and its corresponding reporting form (ARF 112.1A), the following expressions have the defined meanings as set out below:

State and Territory central borrowing authorities in Australia

These include the following corporations established by State and Territory governments to provide finance for government authorities and to manage their surplus funds:

- (a) New South Wales Treasury Corporation (NSW TCorp);
- (b) Treasury Corporation of Victoria (TCV);
- (c) Queensland Treasury Corporation (QTC);
- (d) South Australian Government Financing Authority (SAFA);
- (e) Western Australian Treasury Corporation (WATC);
- (f) Tasmanian Public Finance Corporation (Tas Corp);
- (g) Northern Territory Treasury Corporation (NT TCorp); and
- (h) ACT Treasury.

International banking agencies and multilateral regional development banks

These include, for example, the International Monetary Fund, the International Bank for Reconstruction and Development, the Bank for International Settlements and the Asian Development Bank.

Overseas banks

This category includes a financial institution in another country that:

- (a) has the power to accept deposits in the regular course of business;
- (b) is supervised by the supervisor of banks or by state-based regulatory agencies; and
- (c) is subject to the same prudential requirements as banks (including capital adequacy).

ADIs

ADIs have an authority under subsection 9(3) of the *Banking Act 1959* to carry on banking business in Australia (refer to APRA's website for a complete list of ADIs). ADIs include:

- (a) Australian-owned banks;
- (b) foreign subsidiary banks;
- (c) branches of foreign banks;
- (d) credit unions, credit societies and credit co-operatives;
- (e) building societies;
- (f) Specialist Credit Card Institutions (SCCIs);
- (g) providers of purchased payment facilities; and
- (h) other ADIs.

Specific instructions (for selected items)

Guidance on columns 1 to 4

Column 1. Exposures before CRM

Report on-balance sheet items at current book value (i.e. current outstanding amount including accrued interest or revaluations, and net of any specific provision or associated depreciation).

Column 2. Exposures after CRM

Report the adjusted amount for each category of on-balance sheet asset after taking into account the credit risk mitigation (**CRM**) techniques used by the ADI (refer to Attachments G, H and I to APS 112). In cases where CRM techniques cannot be used to reduce the credit risk associated with an asset, the exposure amount after CRM to be reported in this column will equate to the exposures before CRM amount reported in column 1.

Column 3. Risk-weights %

Risk-weights are generally pre-defined in the form in accordance with the weightings detailed in Attachment A to APS 112. Where risk-weights have not been pre-defined in the form, the ADI does not need to report a risk-weight as more than one weighting may have been applied in relation to that asset type (see the column 4 *RWA* section below for further detail).

Column 4. RWA

Generally, the RWA is a derived field in the form, calculated by multiplying column 2 *Exposures after CRM* by column 3 *Risk-weights %*. In some cases, however, the RWA must be entered manually. The RWA amount for some asset types may consist of several discrete asset exposures, each potentially attracting different risk-weights. The ADI must, by reference to Attachment A to APS 112, determine the appropriate risk-weight(s) to be applied to the exposure(s) to calculate the RWA for that asset type and report the total for the asset type as a single RWA amount.

1. Class I – Cash items

1.1 Notes and coins

Include all notes and coins irrespective of currency of issue. Notes and coins in transit between any branches or offices of the reporting entity should be reported.

1.2 Australian dollar balances with the Reserve Bank of Australia

Include balances denominated in Australian dollars held in the Exchange Settlement Account with the Reserve Bank of Australia (**RBA**) and all other Australian dollar claims on the RBA. **Report all other claims on the RBA under item 2.2 of Class II.**

1.3 Gold bullion held in the ADI's own vault or on an allocated basis by another party to the extent that it is backed by gold bullion liabilities

Include:

- (a) gold bullion held in the ADI's own vaults or on an allocated basis by another party to the extent that it is backed by gold bullion liabilities (gold bullion liabilities include gold borrowings, gold futures and forward sales of gold); and
- (b) all claims collateralised by gold to the extent that the underlying claim being collateralised is denominated in gold.

Exclude:

- (a) gold held in safe custody for other institutions; and
- (b) gold held on an unallocated basis by another party, although backed by gold bullion liabilities, as this is weighted as a claim on the counterparty unless a lower risk-weight is approved by APRA.

1.4 Cash items in the process of collection

Include:

- (a) the amount of cheques, draft and other items drawn on other ADIs or overseas banks that are payable immediately upon presentation and that are in the process of collection; and
- (b) overnight settlement balances relating to Clearing House and Austraclear transactions.

Exclude import and export trade bills held by the ADI that are in the process of collection. These should be risk-weighted according to the exposure class/type of the counterparty.

2. Class II – Claims on Australian and foreign governments and central banks

Include all claims held in the banking book on, or claims to the extent that they are guaranteed by or secured against securities issued by, specified entities under this category. All claims held in the trading book (e.g. securities issued by these entities) are to be treated in accordance with *Prudential Standard APS 116 Capital Adequacy: Market Risk (APS 116)*.

3. Class III – Claims on international banking agencies, regional development banks, ADIs & overseas banks

Include all claims held in the banking book on, or claims to the extent that they are guaranteed by, or secured against securities issued by, specified entities under this category. All claims held in the trading book (e.g. securities issued by these entities) are to be treated in accordance with APS 116.

For items 3.2 to 3.3 *Claims (other than equity) on ADIs & overseas banks*, exclude investments in equity and other capital instruments of other ADIs or overseas banks (including their subsidiaries) that are not consolidated for capital adequacy purposes but are deducted from capital in accordance with APS 111.

4. Class IV – Claims secured against eligible residential mortgages

Refer to Attachment D to APS 112 for the definition of eligible residential mortgage.

5. Class V – Unsettled and failed transactions

5.1 Delivery-versus-payment transactions

Include the positive current exposure amount for delivery-versus-payment (**DvP**) transactions that remain unsettled after their due delivery dates (refer to Attachment E to APS 112), in the relevant rows based on the number of days the transactions remain unsettled after their due delivery dates (i.e. 5 to 15 days, 16 to 30 days, 31 to 45 days, 46 days or more).

Exclude all repurchase and reverse-repurchase agreements, as well as securities lending and borrowing transactions.

5.2 Non-delivery-versus-payment transactions

5.2.1 Non-delivery-versus payment transactions 0-4 days

There are two options for treatment of non-DvP transactions that remain unsettled for up to, and including, four business days after their due delivery dates (refer to Attachment E to APS 112):

- (a) such transactions are to be treated as exposures and are to be risk-weighted in accordance with the standardised approach; or
- (b) where the exposures are not material, the ADI may choose to apply a 100 per cent risk-weight to all exposures, in which case, all such exposures are to be reported under this item.

Exclude from this item, the value transferred and the positive current exposure of non-DvP transactions that remain unsettled for five business days or more after their due delivery dates, which are to be **risk-weighted at 1250 per cent**, in accordance with Attachment **E** to APS 112.

5.2.2 Non-delivery-versus payment transactions 5 days or more

Include in this item, the value transferred and the positive current exposure of non-DvP transactions that remain unsettled for five business days or more after their due delivery dates, which are to be risk-weighted at 1250 per cent, in accordance with Attachment E to APS 112.

6. Class VI – Past due claims

Refer to *Prudential Standard APS 220 Credit Quality* for the definition of ‘90 days past due’ and ‘impaired’.

For the purpose of defining the secured portion of past due claims, qualifying collateral and guarantees will be the same as those recognised for CRM purposes (refer to Attachments G, H and I to APS 112).

6.2 Loans and claims secured against eligible residential mortgages that are past due for more than 90 days and/or impaired, where the claim is:

6.2.2 *Mortgage insured with an acceptable LMI, and the total of past due/impaired loans and claims covered by each single insurer does not exceed the ADI's large exposure limit*

Where the claim is mortgage insured with an acceptable lenders mortgage insurer (LMI), report the total amount of past due/impaired loans and claims covered by each single LMI that does not exceed the ADI's large exposure limit. For these exposures, the ADI may use the original risk-weights applicable under Attachment A to APS 112.

6.2.3 *Mortgage insured with an acceptable LMI, and the total of past due/impaired loans and claims covered by each single insurer exceeds the ADI's large exposure limit*

Where the claim is mortgage insured with an acceptable LMI, report the total amount of past due/impaired loans and claims covered by each single LMI that exceeds the ADI's large exposure limit. For these exposures, a 100 per cent risk-weight must be applied (refer to Attachment D to APS 112).

7. Class VII – Other assets & claims

7.1 Claims (other than equity) on Australian and international corporate counterparties (including insurance and securities companies) and commercial public sector entities

Attachment A to APS 112 provides for an ADI to obtain approval in writing from APRA to risk-weight all claims (other than equity) held in the banking book on Australian and international corporate counterparties (including insurance and securities companies) and commercial public sector entities at 100 per cent. If an ADI has obtained approval in writing to use a 100 per cent risk-weight for these claims, it must do so in a consistent manner and not use any external ratings for any of these claims (refer to Attachment A to APS 112). Where this is the case, the ADI must report the total *Exposures before CRM* and *Exposures after CRM* under item 7.1.7 *Unrated*.

7.2 All claims (other than equity) on private sector counterparties (other than ADIs, overseas banks and corporate counterparties)

For example, include:

- (a) personal loans;
- (b) leasing finance and bill acceptances drawn by private sector counterparties;
- (c) credit cards;
- (d) overdrafts;
- (e) small business facilities; and

- (f) all other property loans (including loans secured against commercial property).