



Reporting Standard ARS 112.2

Standardised Credit Risk – Off-balance Sheet Exposures

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 off-balance sheet exposures.

It incorporates reporting form *ARF 112.2A Standardised Credit Risk - Off-balance Sheet Exposures* 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 112.2A Standardised Credit Risk - Off-balance Sheet Exposures (ARF 112.2A)* 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 off-balance sheet exposures 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	Yes
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 to 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 112.2A 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 112.2A 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 An 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	20
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 112.2A 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 of 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_2A: Standardised credit risk - Off-balance sheet exposures

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

Section A: Non-market-related off-balance sheet exposures

	Notional principal amount (1)	Credit conversion factor % (2)	Credit equivalent amount (3)	RWA (4)
1. Nature of transaction				
1.1 Direct credit substitutes				
1.1.1 Guarantees		100		
1.1.2 Credit derivatives - sold protection in the banking book		100		
1.1.3 Standby letters of credit		100		
1.1.4 Bill endorsements		100		
1.1.5 Other		100		
1.2 Performance-related contingencies		50		
1.3 Trade-related contingencies		20		
1.4 Lending of securities or posting of securities as collateral		100		
1.5 Assets sold with recourse		100		
1.6 Forward asset purchases		100		
1.7 Partly paid shares and securities		100		
1.8 Placements of forward deposits		100		
1.9 Note issuance and underwriting facilities		50		
1.10 Credit derivatives used for acquiring credit risk exposure				
1.11 Other commitments				
1.11.1 Commitments with certain drawdown		100		
of which: Loans approved but not yet advanced				
1.11.1.1 Loans supported by eligible residential mortgages		100		
1.11.1.2 Other loans		100		
1.11.2 Commitments with an original maturity of one year or less		20		
1.11.2.1 of which: Balances available for redraw under redraw facilities of term loans		20		
1.11.3 Commitments with an original maturity of over one year		50		
1.11.3.1 of which: Balances available for redraw under redraw facilities of term loans		50		
1.11.4 Commitments that can be unconditionally cancelled at any time without notice		0		
1.11.5 Irrevocable standby commitments provided under APRA approved industry support arrangements		0		
1.11.6 Total				
1.12 All other non-market-related off-balance sheet transactions				
1.13 Total non-market-related off-balance sheet risk-weighted credit exposures				

Section B: Market-related off-balance sheet exposures

	Notional principal amount (1)	Credit conversion factor % (2)	Potential future exposure (3)	Current exposure (4)	Credit equivalent amount (5)	RWA (6)
2.1 Interest rate contracts						
2.1.1 Residual maturity 1 year or less		0				
2.1.2 Residual maturity > 1 year to 5 years		0.5				
2.1.3 Residual maturity > 5 years		1.5				
2.1.4 Contracts with residual maturity > 1 year that are subject to a CCF floor						
2.1.5 Contracts with multiple exchanges of principal		0.5				
2.1.6 Counterparty credit risk						
2.1.7 Total						
2.2 Foreign exchange and gold contracts						
2.2.1 Residual maturity 1 year or less		1				
2.2.2 Residual maturity > 1 year to 5 years		5				
2.2.3 Residual maturity > 5 years		7.5				
2.2.4 Contracts with multiple exchanges of principal						
2.2.5 Counterparty credit risk						
2.2.6 Total						
2.3 Equity contracts						
2.3.1 Residual maturity 1 year or less		6				
2.3.2 Residual maturity > 1 year to 5 years		8				
2.3.3 Residual maturity > 5 years		10				
2.3.4 Contracts with multiple exchanges of principal						
2.3.5 Counterparty credit risk						
2.3.6 Total						
2.4 Precious metal contracts (other than gold)						
2.4.1 Residual maturity 1 year or less		7				
2.4.2 Residual maturity > 1 year to 5 years		7				
2.4.3 Residual maturity > 5 years		8				
2.4.4 Contracts with multiple exchanges of principal						
2.4.5 Counterparty credit risk						
2.4.6 Total						
2.5 Other commodity contracts (other than precious metals)						
2.5.1 Residual maturity 1 year or less		10				
2.5.2 Residual maturity > 1 year to 5 years		12				
2.5.3 Residual maturity > 5 years		15				
2.5.4 Contracts with multiple exchanges of principal						
2.5.5 Counterparty credit risk						
2.5.6 Total						
2.6 Other market-related contracts						
2.6.1 Residual maturity 1 year or less		10				
2.6.2 Residual maturity > 1 year to 5 years		12				
2.6.3 Residual maturity > 5 years		15				
2.6.4 Contracts with multiple exchanges of principal						
2.6.5 Counterparty credit risk						
2.6.6 Total						

	Trade exposure (4)	Risk weight (5)	RWA (6)
2.7 Central counterparty trade exposure			
2.7.1 Exposures eligible for a 0% risk weight		0	
2.7.2 Exposures eligible for a 2% risk weight		0.02	
2.7.3 Exposures eligible for a 4% risk weight		0.04	
2.7.4 Exposures eligible for a bilateral risk weight			
2.7.5 Total central counterparty exposures			

2.8 CVA capital treatment						
2.8.0 Approach for calculating CVA risk capital charge						
	Rating grade weighting (1)	CVA capital formula component 1 (2)	CVA capital formula component 2 (3)	CVA capital formula component 3 (4)	Derived quantity 1 (5)	Derived quantity 2 (6)
2.8.1 CVA capital charge components, credit rating grade = 1	0.007					
2.8.2 CVA capital charge components, credit rating grade = 2	0.008					
2.8.3 CVA capital charge components, credit rating grade = 3	0.01					
2.8.4 CVA capital charge components, credit rating grade = 4 or unrated	0.02					
2.8.5 CVA capital charge components, credit rating grade = 5	0.03					
2.8.6 CVA capital charge components, credit rating grade = 6	0.1					
2.8.7 Total CVA capital charge components						
2.8.8 Total CVA capital charge (standardised formula)						
2.8.9 Total CVA RWA (simplified approach)						
2.8.10 Total CVA RWA						

2.9 Qualifying central counterparty default fund guarantees				
	Name of central counterparty (1)	Prefunded default fund contribution (2)	Trade exposure (3)	RWA (4)
2.9.1 Qualifying central counterparty 1				
2.9.2 Qualifying central counterparty 2				
2.9.3 Qualifying central counterparty 3				
2.9.4 Qualifying central counterparty 4				
2.9.5 Qualifying central counterparty 5				
2.9.6 Other qualifying central counterparties				
2.9.7 Total				
2.9.8 Counterparty name - Remarks				

2.10 Non-qualifying central counterparty default fund guarantees				
	Name of central counterparty (1)	Prefunded default fund contribution (2)	Unfunded default fund contribution (3)	RWA (4)
2.10.1 Non-qualifying central counterparty 1				
2.10.2 Non-qualifying central counterparty 2				
2.10.3 Non-qualifying central counterparty 3				
2.10.4 Non-qualifying central counterparty 4				
2.10.5 Non-qualifying central counterparty 5				
2.10.6 Other non-qualifying central counterparties				
2.10.7 Total				

	Credit equivalent amount (5)	RWA (6)
2.11 Total market-related off-balance sheet risk-weighted credit exposures		

Section C: Total off-balance sheet risk-weighted credit exposures (non-market-related and market-related)

3. Total off-balance sheet risk-weighted credit exposures		
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Reporting Form ARF 112.2A

Standardised Credit Risk – Off-balance Sheet Exposures

Instruction Guide

This instruction guide is designed to assist in the completion of the reporting form *Standardised Credit Risk - Off-balance Sheet Exposures*. This form captures the risk-weighted assets (**RWA**) relating to an authorised deposit-taking institution's (**ADI's**) off-balance sheet exposures 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 the following criteria:

- 1.1 it is applying the standardised approach to credit risk to all or part of the ADI's off-balance sheet exposures for capital adequacy purposes (refer to APS 112 or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk*); and
- 1.2 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 ³	Yes
Building Society	Yes
Credit Union	Yes
Specialist Credit Card Institution (SCCI) ⁴	Yes
Provider of Purchased Payment Facilities	No

¹ Level 1 and Level 2 are defined in *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 branch of a foreign bank is only required to partially complete this form, as detailed in the *Reporting entity* section.

⁴ An SCCI operating through a branch in Australia is only required to partially complete this form, as detailed in the *Reporting entity* section.

Other ADI	Yes
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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 NOHC⁵.

Branches of foreign banks and SCCIs operating through branches in Australia (i.e. are incorporated in an overseas jurisdiction) are only required to complete column 1 *Notional principal amount* in all sections of this reporting form.

All ADIs to which this form applies (as set out in the table above), other than branches of foreign banks and SCCIs operating through branches in Australia, are required to report the components of their CVA risk capital charge through this form.

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**⁶ 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*.
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*, such assets are to be reported as on-balance sheet assets in APRA's regulatory reporting returns. In addition, these assets must also be

⁵ Refer to paragraph 6 of *Reporting Standard ARS 112.2 Standardised Credit Risk – Off-balance Sheet Exposures*.

⁶ Securitisation exposures are defined in accordance with APS 120.

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

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

Class of ADI	Number of business days
Bank – Advanced or Applicant Advanced	30
Bank – Standardised	20
Branch of a Foreign Bank	20
Building Society	15
Credit Union	15
SCCI	15
Provider of Purchased Payment Facilities	Not applicable
Other ADI ⁷	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':

1. 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
2. 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.

⁷ Cairns Penny Savings and Loans Limited is to be treated in accordance with the reporting period requirements applicable to credit unions.

Such an ADI must report under ARF 112.2A (the **form**) as follows:

Description of ADI	Reporting requirement	Timeframes for lodgement
ADI is operating under APS 112 standardised approach, 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 APS 112 standardised approach, but has applied to adopt 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 will 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	Millions of dollars rounded to one decimal place
Building Society	Whole dollars with no decimal place
Credit Union	Whole dollars with no decimal place
Specialist Credit Card Institution (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 off-balance sheet credit exposures of an ADI covers *all or part of* the ADI's off-balance sheet exposures, including both market-related and non-market related transactions that are subject to the standardised approach to credit risk, except the following specifically excluded items:

1. securitisation exposures, which are subject to the requirements of APS 120; and
2. items subject to capital requirements under *Prudential Standard APS 116 Capital Adequacy: Market Risk*. However, the trading book exposures that expose the ADI to counterparty credit risk are to be included in this form.

Definitions

In this instruction guide and its corresponding reporting form (ARF 112.2A), the following expressions have the defined meanings as set out below:

Off-balance sheet exposures

Off-balance sheet exposures are exposures that need to be converted to a credit equivalent amount (CEA) before they can be risk-weighted. Items that were treated as off-balance sheet items for the purposes of this form prior to the adoption of the Australian equivalents of the International Financial Reporting Standards (AIFRS) will continue to be treated as off-balance sheet items in the post-AIFRS context.

Netting

Netting refers to the process under a netting agreement of combining all relevant outstanding transactions between two counterparties and reducing them to a single net sum for a party to either pay or receive (refer to Attachment J to APS 112).

Specific instructions (for selected items)

Guidance on columns 1 to 4 (Section A) and 1 to 6 (Section B)

Column 1. Notional principal amount

The notional principal amount is the face value or gross amount of a given off-balance sheet transaction and not the fair value. Absolute values should be reported.

Column 2. Credit conversion factor

A credit conversion factor (**CCF**) is the percentage value used to convert an off-balance sheet exposure into an on-balance sheet equivalent (i.e. the CEA). CCFs are generally pre-defined in the form and correspond to the CCFs detailed in Attachment B to APS 112 for non-market-related and market-related off-balance sheet exposures. Where CCFs have not been pre-defined in the form, the ADI does not need to report a CCF as more than one CCF may have been used in relation to that exposure type (see the section below for column 3 *Credit equivalent amount*).

Column 3. Potential future exposure (Section B only)

The potential future exposure amount is calculated by multiplying the notional principal amount of a market-related contract (regardless of whether the contract has a zero, positive or negative mark-to-market value) by the relevant CCF, as detailed in Attachment B to APS 112. It represents an ‘add-on’ component to the current exposure amount and is used in the current exposure method to calculate the CEA of market-related off-balance sheet credit exposures.

Generally, the potential future exposure amount is a derived field in the form. In some cases, however, the amount must be entered by the ADI. The potential future exposure amount for some off-balance sheet exposure types may consist of several discrete exposures, each potentially attracting different CCFs. The ADI must, by reference to Attachment B to APS 112, determine the appropriate CCF(s) to be applied to the exposure(s) to calculate the potential future exposure amount for that off-balance sheet exposure type and report the total as a single potential future exposure amount.

Column 4. Current exposure (Section B only)

The current exposure amount for each type of market-related off-balance sheet exposure is the sum of the positive mark-to-market value (or replacement cost) of each individual contract within each classification.

Column 3. Credit equivalent amount (Column 5 in Section B)

A CEA is the on-balance sheet equivalent of an off-balance sheet exposure.

Non-market-related off-balance sheet transactions

In relation to a non-market-related off-balance sheet transaction, CEA is calculated by multiplying the notional principal amount of a particular transaction by the relevant CCF.

Generally, the CEA is a derived field in the form. In some cases, however, the CEA must be entered by the ADI. The CEA for some off-balance sheet exposure types may consist of several discrete exposures, each potentially attracting different CCFs. The ADI must, by reference to Attachment B to APS 112, determine the appropriate CCF(s) to be applied to the exposure(s) to calculate the CEA for that off-balance sheet exposure type and report the total as a single CEA.

Credit derivative transactions in the banking book are classified as non-market-related off-balance sheet transactions.

Market-related off-balance sheet transactions

These include all market-related transactions held in the banking and trading books that give rise to off-balance sheet credit risk. The CEA of these transactions, whether held in the banking or trading book, must be determined by using the current exposure method. Refer to Attachment B to APS 112 for details of how to calculate CEAs for various types of transactions under the current exposure method.

Credit derivative transactions in the trading book are classified as market-related off-balance sheet transactions.

Column 4. RWA (Column 6 in Section B)

The RWA amount of a given off-balance sheet transaction that gives rise to credit exposure is calculated by multiplying the CEA of a transaction by the risk-weight applicable to the counterparty or type of assets (refer to Attachment A to APS 112). Where a transaction is secured by eligible collateral or there is an eligible guarantee, credit derivative or netting arrangement in place, the ADI may use the credit risk mitigation (**CRM**) techniques, detailed in Attachments G, H, I and J to APS 112, to reduce the capital requirement of that exposure.

Generally, the RWA is a derived field in the form. In some cases, however, the amount must be entered by the ADI. The RWA amount for some off-balance sheet exposure types may consist of several discrete 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 off-balance sheet exposure type and report the total as a single RWA amount.

Section A: Non-market-related off-balance sheet credit exposures

Refer to Attachment B to APS 112 and *Prudential Practice Guide APG 112 Standardised Approach to Credit Risk (APG 112)* for further details of the definitions of the following non-market related transactions.

1. Direct credit substitutes

Include:

1. potential credit exposures arising from the issue of guarantees and credit derivatives;
2. confirmation of letters of credit;
3. issue of standby letters of credit serving as financial guarantees for loans, securities and any other financial liabilities;
4. bills endorsed under bill endorsement lines; and

5. any other direct credit substitutes.
2. Performance-related contingencies

Include:

1. issue of performance bonds;
2. bid bonds;
3. warranties;
4. indemnities; and
5. standby letters of credit in relation to a non-monetary obligation of a counterparty under a particular transaction.

3. Trade-related contingencies

Include:

1. documentary letters of credit issued;
2. acceptances on trade bills;
3. shipping guarantees issued; and
4. any other trade-related contingencies.

4. Lending of securities or posting of securities as collateral

Include:

1. repurchase/reverse repurchase agreements; and
2. securities lending/borrowing transactions.

5. Assets sold with recourse

Include any asset sales (to the extent that such assets are not included on-balance sheet) by an ADI where the holder of the asset is entitled to 'put' the asset back to the ADI within an agreed period or under certain prescribed circumstances, e.g. deterioration in the value or credit quality of the asset concerned.

These transactions are risk-weighted according to the type of assets or the issuer of securities (as appropriate) and not according to the counterparty with whom the transaction is made, where the credit risk associated with the underlying asset which has been sold (temporarily with recourse) or purchased, remains with the ADI.

6. Forward asset purchases

Include:

1. commitments to purchase at a specified future date and on pre-arranged terms; and
2. a loan, security or other asset from another party, including written put options on specified assets with the character of a credit enhancement.

Exclude written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk.

7. Partly paid shares and securities

Include:

1. any amounts owing on the uncalled portion of partly paid shares; and
2. securities held by an ADI that represent commitments with certain drawdown by the issuer at a future date.

8. Placements of forward deposits

Include any amounts relating to placements of forward deposits. Placements of forward deposits include any agreement between an ADI and another party whereby the ADI will place a deposit at an agreed rate of interest with that party at a predetermined future date.

9. Note issuance and underwriting facilities

Include any note issuance and underwriting facilities. These involve arrangements whereby a borrower may drawdown funds up to a prescribed limit over a predefined period by making repeated note issues to the market and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by an ADI being committed as an underwriter of the facility.

10. Credit derivatives used for acquiring credit risk exposure

Include any other credit derivatives used by the ADI for acquiring credit risk exposure that are not already included in item 1.1.2 *Credit derivatives – sold protection in the banking book*.

11. Other commitments

The guidance in this section is applicable to the following items:

1. *1.11.1 Commitments with certain drawdown;*
2. *1.11.2 Commitments with an original maturity of one year or less;*
3. *1.11.3 Commitments with an original maturity of over one year;*

4. *1.11.4 Commitments that can be unconditionally cancelled at any time without notice; and*
5. *1.11.5 Irrevocable standby commitments provided under APRA approved industry support arrangements.*

Where the non-market-related off-balance sheet transaction is an undrawn or partially undrawn facility, the ADI is to include the maximum unused portion of the commitment that could be drawn during the remaining period to maturity for the calculation of the CEA. Any drawn portion of a commitment forms part of an ADI's on-balance sheet credit exposure.

With regard to irrevocable commitments to provide off-balance sheet facilities, the original maturity will be measured from the commencement of the commitment up until the time the associated facility expires. For example, an irrevocable commitment, with an original maturity of six months, to provide finance with a nine-month term, is deemed to have an original maturity of 15 months.

Irrevocable commitments to provide off-balance sheet facilities are to be assigned the lower of the two applicable CCFs. For example, an irrevocable commitment with an original maturity of six months to provide a guarantee in support of a counterparty for a period of nine months attracts the 50 per cent CCF applicable to the commitment, as opposed to the 100 per cent CCF applicable to the guarantee.

Undrawn balances of revolving facilities (e.g. credit cards, overdrafts) are to be reported in item *1.11.4 Commitments that can be unconditionally cancelled at any time without notice.*

All commitments are to be included in the capital calculation regardless of whether or not they contain 'material adverse change' clauses or any other provisions that are intended to relieve an ADI of its obligations under certain conditions.

12. All other non-market-related off-balance sheet transactions

Include any other non-market related off-balance sheet transactions that give rise to credit risk but are not specifically identified in Attachment B to APS 112. For any such transaction, an ADI must consult APRA on the appropriate CCF to be used for calculating the CEA of that particular transaction for capital adequacy purposes (refer to Attachment B to APS 112).

13. Total non-market-related off-balance sheet risk-weighted credit exposures

Derived field calculated as the sum of the credit equivalent amount (column 3) and the RWA (column 4) for all of the different transaction types in section A of this form.

Section B: Market-related off-balance sheet credit exposures

The CEA of an off-balance sheet market-related transaction, whether held in the banking or trading book, must be determined using the current exposure method, in accordance with the requirements of Attachment B to APS 112.

An ADI may net off-balance sheet claims and obligations arising from market-related contracts across both the banking and trading books, arising from contracts with a single counterparty, where the relevant obligations are covered by eligible bilateral netting arrangements (refer to Attachment J to APS 112).

2.1 to 2.6 Bilateral exposures

Enter values for bilateral (i.e. non-centrally cleared) positions in sections 2.1 to 2.6.

Refer to APG 112 for definitions of the following types of market-related off-balance sheet transactions:

1. interest rate contracts;
2. foreign exchange and gold contracts;
3. equity contracts;
4. precious metal contracts (other than gold);
5. other commodity contracts (other than precious metals); and
6. other market-related contracts.

2.1.4 Contracts with residual maturity > 1 year that are subject to a CCF floor

For contracts that are structured to settle outstanding exposures following specified payment dates and where the terms are reset such that the mark-to-market value of the contract is zero on these specified dates, the residual maturity should be set equal to the time until the next reset date. In the case of interest rate contracts with these features with a remaining maturity of more than one year, the CCF to be applied is subject to a floor of 0.5 per cent even if there are reset dates of a shorter maturity. Such interest rate contracts are to be reported in this item.

2.1.5, 2.2.4, 2.3.4, 2.4.4, 2.5.4 & 2.6.4 Contracts with multiple exchanges of principal

For contracts with multiple exchanges of principal, the CCFs are to be multiplied by the number of remaining payments (i.e. exchanges of principal) still to be made under the contract.

2.1.6, 2.2.5, 2.3.5, 2.4.5, 2.5.5 & 2.6.5 Counterparty credit risk

An ADI must use the potential future exposure add-on factors in the calculation of the counterparty credit risk charge for single name credit default swaps and single name total-rate-of-return swaps in the trading book, as detailed in Attachment B to APS 112.

2.7 Central counterparty exposures

2.7.1, 2.7.2 , 2.7.3 , 2.7.4 Column 4 – Trade Exposure

Report the trade exposures for exchange traded and centrally cleared OTC derivatives eligible for a 0% risk weight (2.7.1), a 2% risk weight (2.7.2), 4% risk weight (2.7.3), and bilateral risk weight (2.7.4), according to Attachment C to APS 112. An ADI must include exposures to both qualifying and non-qualifying central counterparties here.

2.7.1, 2.7.2 , 2.7.3 Column 6 - RWA

Derived field, calculated as column 4 × column 5 .

2.7.4 Column 6 - RWA

Report the total RWA in respect of total trade exposure subject to bilateral risk weight with central counterparties, according to Attachment C in APS 112.

2.7.5 Column 6 – Total central counterparty exposure

Derived field, calculated as column sum of rows 2.7.1 to 2.7.4.

2.8 CVA Risk Capital Requirement

2.8.0 Approach for calculating the CVA risk capital charge

An ADI which has permission from APRA to calculate its CVA risk capital charge using the simplified approach should select ‘simplified approach’, otherwise it should select ‘standardised formula’. An ADI using the simplified approach must report zeroes in rows 2.8.1 to 2.8.6.

2.8.1 to 2.8.6 CVA risk capital charge

Rows 2.8.1 to 2.8.6 correspond to long term credit rating grades according to Attachment F to APS 112:

Column 2 – CVA capital formula component 1

(i) An ADI without eligible CVA hedges according to Attachment C of APS 112:

For each rating grade report the values $M_i D_i CEA_i^{\text{total}}$, summed over all counterparties (summed over all i’s) with that credit rating grade:

$$\sum_i M_i D_i CEA_i^{\text{total}}$$

(ii) An ADI with eligible CVA hedges according to Attachment C of APS 112:

For each rating grade report the values $M_i D_i CEA_i^{\text{total}} - M_i^{\text{hedge}} D_i^{\text{hedge}} B_i$ summed over all counterparties (i.e. summed over all i’s) with that rating grade:

$$\sum_i M_i D_i CEA_i^{\text{total}} - M_i^{\text{hedge}} D_i^{\text{hedge}} B_i$$

Where $M_i, D_i, CEA_i^{\text{total}}, M_i^{\text{hedge}}, D_i^{\text{hedge}}, B_i$ are as defined in paragraph 9 of Attachment C to APS 112. The CVA charge imposed on a clearing member ADI for transacting with a central counterparty on behalf of its clients must also be included.

Note that for multiple netting sets, the amount $M \times D \times CEA^{\text{total}}$ is to be summed over all netting sets.

Column 3 – CVA capital formula component 2

To be completed by an ADI with eligible CDS index hedges; otherwise left blank. For each rating grade, report the sum of the following calculation summed over all index exposures (i.e. summed over all 'ind's) mapped to that credit rating grade:

$$\sum_{\text{ind}} M_{\text{ind}} D_{\text{ind}} B_{\text{ind}}$$

Where $M_{\text{ind}}, D_{\text{ind}}$ and B_{ind} are as defined in paragraph 9 of Attachment C to APS 112.

Column 4 – CVA capital formula component 3

(i) An ADI without eligible CVA hedges according to Attachment C to APS 112:

For each rating grade report the squares of the values $M_i D_i CEA_i^{\text{total}}$ summed over all counterparties (summed over all i's) with that credit rating grade:

$$\sum_i \left[M_i D_i CEA_i^{\text{total}} \right]^2$$

(ii) An ADI with eligible CVA hedges according to Attachment C to APS 112:

For each rating grade report the squares of the values $M_i D_i CEA_i^{\text{total}} - M_i^{\text{hedge}} D_i^{\text{hedge}} B_i$, summed over all counterparties (summed over all i's) with that credit rating grade:

$$\sum_i \left[M_i D_i CEA_i^{\text{total}} - M_i^{\text{hedge}} D_i^{\text{hedge}} B_i \right]^2$$

Where $M_i, D_i, CEA_i^{\text{total}}, M_i^{\text{hedge}}, D_i^{\text{hedge}}, B_i$ are as defined in paragraph 9 of Attachment C to APS 112.

Column 5 - Derived quantity 1

Derived field calculated from columns 1, 2, and 3 as

$$\text{column 1} \times [0.5 \text{ column 2} - \text{column 3}]$$

Column 6 - Derived quantity 2

Derived field calculated from columns 1, and 4 as

$$0.75 \times \text{column 1}^2 \times \text{column 4}$$

2.8.7 – Columns 5 and 6 - Total CVA capital charge components

Derived fields calculated as the sum of values in column 5 and column 6 from rows 2.8.1 to 2.8.6.

2.8.8 Column 6 - Total CVA capital charge (standardised formula)

Derived field calculated from row 2.8.7 as $2.33\sqrt{\text{column 5}^2 + \text{column 6}}$

2.8.9 Column 6 - Total CVA RWA (simplified approach)

Derived field calculated from sum of total RWA for each type of market-related off-balance sheet transactions from tables 2.1 to 2.6 (bilateral exposures).

2.8.10 Column 6 - Total CVA RWA

Derived field calculated from 2.8.8 (Column 6) and 2.8.9 (Column 6) depending on whether ‘standardised formula’ or ‘simplified approach’ is selected in 2.8.0.

If ‘standardised formula’ then calculated as $12.5 \times [2.8.8 \text{ (Column 6)}]$

If ‘simplified approach’ then calculated as 2.8.9 (Column 6)

2.9 Qualifying central counterparty default fund guarantees

This table must be filled if an ADI is a clearing member to a qualifying central counterparty.

Rows 2.9.1 to 2.9.5 correspond to the five largest qualifying central counterparty exposures, ranked by capital requirement. Report information for the largest counterparty exposure in 2.9.1.

Column 1 – Name of central counterparty

Enter the name of the central counterparty.

Column 2 – Prefunded default fund contribution

Report the value of prefunded default fund contribution with this central counterparty.

Column 3 – Trade exposure

Report the trade exposure with this central counterparty.

Column 4 – RWA

Derived field calculated from columns 2 and 3 as

$\min(2\% \times (\text{column 3}) + 1250\% \times (\text{column 2}), 20\% \times (\text{column 3}) - 2\% \times (\text{column 3}))$

2.9.6 Other qualifying central counterparties

Report the total amounts in 2.9.6 of all remaining exposures with other qualifying central counterparties.

Column 2 – Prefunded default fund contribution

Report the total prefunded default fund contribution to all remaining central counterparties.

Column 3 – Total trade exposure

Report the total trade exposure to all remaining central counterparties.

Column 4 – RWA

Report the total RWA in respect of the default fund guarantee across all remaining central counterparties according to paragraph 28 in Attachment C to APS 112.

2.9.7 Column 4 - Total

Derived field, calculated as the column sum of rows 2.9.1 to 2.9.6.

2.10 Non-qualifying central counterparty default fund guarantees

This table must be filled if an ADI is a clearing member to a non-qualifying central counterparty.

Rows 2.10.1, to 2.10.5 correspond to the five largest non-qualifying central counterparty exposures, ranked by capital requirement. Report information for the largest counterparty exposure in 2.10.1.

Column 1 – Name of central counterparty

Enter the name of the central counterparty.

Column 2 – Prefunded default fund contribution

Report the value of prefunded default fund contribution with this central counterparty.

Column 3 – Unfunded default fund contribution

Report the value of unfunded default fund contribution with this central counterparty.

Column 4 – RWA

Derived field, calculated from columns 2 and 3 as

$$1250\% \times (\text{column 2}) + (\text{column 3})$$

2.10.6 Other non-qualifying central counterparties

Report the total amounts of all remaining exposures with other non-qualifying central counterparties.

Column 2 – Prefunded default fund contribution

Report the total prefunded default fund contribution to all remaining central counterparties.

Column 3 – Unfunded default fund contribution

Report the total unfunded default fund contribution to all remaining central counterparties.

Column 4 – RWA

Derived field, calculated from columns 2 and 3 as

$$1250\% \times (\text{column 2}) + (\text{column 3})$$

2.10.7 Column 4 - Total

Derived field, calculated as the column sum of rows 2.10.1 to 2.10.6.

2.11 Total market-related off-balance sheet risk-weighted credit exposures

Derived field calculated as the sum of the credit equivalent amount (Column 5) for all bilateral exposures (2.1 to 2.6) and the sum of the RWA (Column 6) for all of the different transaction types in section B of this form.

Section C: Total off-balance sheet risk-weighted credit exposures (non-market-related and market-related)

Total off-balance sheet risk-weighted credit exposures

Derived field calculated as the sum of the credit equivalent amount (Column 5) and the RWA (Column 6) for all of the different transaction types in sections A and B of this form.