



Guidelines

Providing explanations of data – authorised deposit-taking institutions

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Purpose

This document assists APRA-reporting entities explain data to APRA. It describes the information APRA expects reporting entities to provide in their explanations and how to correct submitted data.

It is crucial that entities submit relevant, timely and accurate data to APRA. APRA's data collections ultimately contribute to a more stable, competitive and efficient financial system. In particular, they are a vital input into supervisory action plans. The data are also collected on behalf of the Reserve Bank of Australia and Australian Bureau of Statistics. About 80 per cent of data collected by APRA are shared with other agencies. The statistics APRA publishes, based on the data reporting by entities, inform many decision-makers in the Australian financial system, including policy-makers, other regulators, market analysts, researchers and senior management of financial institutions.

By following the guidance in this document, reporting entities can be confident that their explanations will be acceptable to APRA. This will reduce the follow up required by APRA and reporting entities and, ultimately, the reporting burden on entities.

Background

All APRA-reporting entities, including APRA-regulated and registered financial entities, submit data to APRA via D2A. APRA uses validation rules within D2A to validate these data. Entities are expected to correct any reporting errors identified by these rules.

There are two types of D2A validation rules: mandatory and confirmation rules. Mandatory rules identify data, within D2A, that contain mathematical errors and discrepancies or factual inconsistencies. Entities must correct all data that fail mandatory rules to submit data via D2A. Confirmation rules identify data, within D2A, that indicate reporting errors or require explanation. Entities are expected to correct or explain data identified by confirmation rules within D2A. Examples of mandatory and confirmation rules are provided in Appendix A.

In addition to D2A validation rules, APRA also validates data after they are submitted by entities. These post-submission data quality checks identify data inconsistencies that are not highlighted by the D2A validation rules. APRA advises entities of the data identified by these checks outside D2A. Entities are expected to correct (via D2A) or explain data identified by these checks.

These guidelines describe acceptable explanations for data identified by APRA, whether by confirmation rules within D2A or post-submission checks. If an entity's explanation is not acceptable, APRA will contact the entity for further clarification.

APRA expects entities to respond promptly to requests for explanations of data or corrections of data via D2A.

APRA will protect entities' explanations of data pursuant to section 56 of the *Australian Prudential Regulation Authority Act 1998*.

Should entities have questions about any data validation rules or checks, they should contact APRA via adi_rfc@apra.gov.au.

Acceptable explanations

For an entity's explanation of data that is not an error to be accepted by APRA, the explanation must be sufficient, accurate and complete. In particular, it must explain why the data is not an error.

APRA will consider explanations to be acceptable if they are clear and concise, and:

- explain how an event, such as market activity or a strategic decision, affected the data;
- include relevant values and dates. If the data reflects purchases or divestments, the explanation should include details of these transactions; and
- demonstrate that the data are consistent with the relevant reporting instructions or accounting standards.

Examples:

1. ARF 220 – Part 1B ‘residents’ amount should (generally) equal Part 1A ‘Australia’ amount.

Error text:

The total balance of impaired facilities reported for residents in Part 1B of \$<amount>m should generally equal the balance of impaired facilities reported for Australia in Part 1A (\$<amount>m). Please investigate this discrepancy, and provide an explanation for the difference, or revise and re-submit.

Acceptable explanation:

A loan has been made to a non-resident and has been reported as an impaired facility on the Australian books in Part 1A but has been allocated to the non-resident sector of Part 1B due to the borrower’s residency. Accordingly, there will be a different balance of impaired facilities for residents in the two sections.

2. The ARF_320_0 sum of all the foreign currency asset items shouldn’t be significantly less than total foreign currency assets.

Error text:

Please explain why the value for the sum of all the foreign currency denominated (AUD equivalent) asset items is significantly less than the value for total assets of which denominated in foreign currency (AUD equivalent).

Acceptable explanation:

The difference is due to an intra-group loan denominated in foreign currency. The intra-group loan is \$<amount>m, which equates to the difference between total assets, and the sum of the asset items denominated in foreign currency.

3. The ARF_323_0 ‘Other personal term loans’ should equal the sum of ‘other personal term loans of which: fixed interest rate loans’ and ‘other personal term loans of which: variable interest rate loans’.

Error text:

Please explain why the value for Section A, item 6.1.5, column 1, balance outstanding for other personal term loans, does not equal the sum of item 6.1.5.1, column 1, balance outstanding for other personal term loans of which: fixed interest rate loans, and item 6.1.5.2, column 1, balance outstanding for other personal term loans of which: variable interest rate loans.

Acceptable explanation:

The difference of \$<amount>m represents the value of overdrawn savings accounts that has not been included in item 6.1.5.2 as they are not formal loans and no interest is charged to them.

4. Interest income from cash and liquid assets under ARF_330_1_L must be reported when ARF_320_0 Statement of Financial Position reports total cash and liquid assets.

Error text:

Interest income from Cash and liquid assets in ARF_330_1_L Interest Income and Interest Expense must be reported when Total cash and liquid assets is reported in ARF_320_0 Statement of Financial Position. Please amend and resubmit your return via D2A.

Acceptable explanation:

Total interest income year to date amounts to a very small figure and therefore due to rounding constraints does not form part of the 330_1_L return submitted.

Unacceptable explanations

APRA will not accept an entity's explanation of data that is insufficient, inaccurate or incomplete. In particular, responses that do not contain any explanation of the data, or explanations that only comment on the value of the rule or check will not be accepted by APRA.

Examples of explanations that would not be accepted by APRA include:

- Incomplete explanations, such as;
 - verified/confirmed/amounts are correct;
 - supported by system reports; or
 - no comment/nil.
- Comments on the value of the rules or checks.
- Explanations that only contain unnecessary or irrelevant information, such as who is to blame for the error or how the error progressed through the internal controls.
- Explanations that require further research. The explanation should explain the data without undue reference to other explanations provided elsewhere.

A rule may not identify an error – it may identify an unexpected or unanticipated result. If an entity has a question about a rule or suggestion to improve it, the entity should contact APRA for clarification before the data is due to be submitted.

Revising submitted data

A rule or check may identify inconsistencies between different periods' data. These inconsistencies may arise because the current period's data is correct but data submitted for the previous period was incorrect. In these cases, the entity must correct the previous period's data and resubmit them to APRA via D2A.

If the entity identifies errors in more than one period, it should contact APRA at adi_rfc@apra.gov.au to agree remedial action.

Appendix A

Mandatory rules

Mandatory rules identify mathematical discrepancies or factual inconsistencies in data within D2A.

Examples of mandatory rules include:

- ARF_320_0 – the value for 'Housing Owner-occupied (Gross of provisions – Total)' must be greater than or equal to the value for 'Revolving credit secured by residential mortgage – owner occupied (Gross of provisions – Total)'.
- ARF_323_0 – Value for Section B, item 12, net assets, must equal the value for Section C, item 4, Total shareholders' equity.
- ARF_110_0_x – Section B, Risk profile, Credit risk, Scaling factor (1 or 1.06) must be entered as either 1 or 1.06 (otherwise it must be left blank).
- ARF_112_1A – Class IV – Total loans and all other claims secured against eligible residential mortgages, Exposures before CRM must be greater than or equal to Exposures after CRM.
- ARF_115_0x – the currency description for 'Threshold for collection of internal loss data' must be the 3 character ISO code.
- ARF_118_0 – Section A: Statement of derivative activity, Table 1: 'Trading book, Interest rate contracts, Fair value' must be greater than or equal to zero.

Entities must correct all data that fail mandatory rules to submit data via D2A. Entities cannot provide explanations for data that fail mandatory rules.

If an entity is not able to resolve a mandatory rule, it should contact APRA via adi_rfc@apra.gov.au.

Confirmation rules

Confirmation rules identify data, within D2A, that indicate reporting errors or unexpected or unanticipated results that require explanation.

Examples of confirmation rules include:

- ARF_110_0_x – entities are asked to explain why 'Innovative Tier 1 capital' is greater than 15% of 'Net Tier 1 capital'.
- ARF_320_0 – entities are asked to explain why the sum of all the foreign currency asset items is significantly less than the total for foreign currency assets.
- ARF_320_0 – entities are asked to explain why 'Total cash and liquid assets' has changed significantly from the previous period.
- ARF_323_0 – entities are asked to explain zero amounts reported for specific and general provisions for total gross loans and advances.
- ARF_323_0 – entities are asked to explain why 'Due from financial institutions, Other ADIs' does not equal the same item in ARF_210_0.
- ARF_330_0_x – entities are required to report their 'Total operating expense from continuing operations' as a positive number.
- ARF_330_0_C – 'Retained profits at the end of the reporting period' should match 'Retained profits' on ARF_322_0 Statement of Financial Position.

Entities are expected to correct or confirm and explain data identified by confirmation rules within D2A.



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