



16 August 2017

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS AND REGISTERED FINANCIAL CORPORATIONS

RESPONSE TO SUBMISSIONS – AGRICULTURAL LENDING DATA COLLECTION

On 28 March 2017, the Australian Prudential Regulation Authority (APRA) released for consultation a proposed agricultural lending data collection, to be administered on behalf of the Department of Agriculture and Water Resources (DAWR)¹.

The proposal was to require authorised deposit-taking institutions (ADIs) and registered financial corporations (RFCs) of a certain size to submit annual data under a new *Reporting Standard ARS 750.0 DAWR Agricultural Lending (ARS 750.0)*, to commence for the year ending 30 June 2017. Further, entities were asked to submit data on a voluntary basis for the year ending 30 June 2016.

APRA received a total of twelve submissions from reporting entities, industry associations and other interested parties. The submissions were broadly supportive of the proposals, but some did raise concerns relating to the implementation timeline, use of 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) codes, confidentiality and specific concepts. The DAWR and APRA's response to the issues raised in submissions is set out in the Attachment to this letter.

Together with this letter, APRA has today released a revised ARS 750.0 that incorporates the amendments set out in this letter. These revisions seek to balance the reporting burden on ADIs and RFCs with the DAWR's need for the data for policy-making purposes.

The reporting standard commences for the year ending 30 June 2017. The first reporting forms are due to be lodged on 30 November 2017, and are to be completed on a 'best endeavours' basis. Entities that have not yet provided voluntary information are also asked to submit on a voluntary basis for the year ending 30 June 2016 by this date. In subsequent years, the reporting form will be due to be lodged within three months after the end of the reporting period. The final revised ARS 750.0 is available at:

<http://www.apra.gov.au/CrossIndustry/Consultations/Pages/ALD-collection-response-August-2017.aspx>

APRA and the DAWR intend to consult on the publication of aggregate statistics on agricultural lending in late 2017.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Katrina Ellis'.

Katrina Ellis
General Manager
Data Analytics

¹ <http://www.apra.gov.au/CrossIndustry/Consultations/Pages/ALD-collection-formal-consultation-Mar17.aspx>



ATTACHMENT - RESPONSE TO SUBMISSIONS

Implementation

A number of submissions noted overlap with other proposed amendments to the reporting framework, particularly the Economic and Financial Statistics (EFS) modernisation proposals.

The commencement of ARS 750.0 for the June 2017 reporting period is driven by the policy need for the data. However, to provide reporting entities with some additional time to implement the requirements, the due date of the first submission for the year ending 30 June 2017 has been extended from 30 September 2017 to 30 November 2017.

Further, recognising that some submissions noted the need for manual collation of data, and that current systems may require upgrading to accommodate the new reporting standard, for the first year of the collection entities will only be required to report on a 'best endeavours' basis, as outlined in the reporting standard.

Application

Three submissions recommended measures to reduce the reporting burden for smaller ADIs, by exempting or simplifying reporting for entities with agricultural lending below certain thresholds.

The DAWR confirmed that this approach would provide insufficient coverage for the policy-making purposes for which the agricultural lending data collection is required.

Reporting period

One submission requested that the data collection reporting period be amended from year ending 30 June to year ending 30 September to align with the financial year end of most major banks.

The DAWR has confirmed that agricultural lending data is required for periods ending 30 June to align with other data from available sources.

Industry classification using ANZSIC codes

The proposed ARS 750.0 included collecting certain data categorised into 15 industry classifications, using 2006 ANZSIC classes. Five submissions objected to the use of 2006 ANZSIC classes, noting that industry generally still uses the 1993 classifications and that updating systems to use 2006 classifications would involve significant complexity and cost. Two submissions recommended reporting at a higher ANZSIC classification than class level to reduce reporting burden.

ARS 750.0 has been amended to align to both 1993 and 2006 ANZSIC classifications. This is expected to ease reporting burden. However, the DAWR confirms that the granularity provided by class level classification is required for policy-making purposes.

Clarification of concepts

On 4 May 2017, to assist reporting entities with the preparation of voluntary submissions of the June 2016 data, APRA issued clarification regarding particular definitions raised in the consultation responses. These clarifications are reflected in the final ARS 750.0; in particular:

- a group of related parties should be considered a business entity for the purposes of ARS 750.0;
- where only a portion of a loan or lease is for the purpose of agricultural activity, the loan or lease should be reported when a majority, whether or not drawn down, is for agricultural purposes;
- where a reporting entity, or a receiver or administrator appointed by the reporting entity, takes possession of a mortgaged property, this should be considered as an instance of a foreclosure for the purposes of ARS 750.0;
- where a loan or lease is directed to agricultural activity across multiple states and territories, attribute the loan or lease to the state/territory in which a majority of the activity is undertaken, based on the revenue ultimately derived from the agricultural activity; and
- a new instance of farm debt mediation refers only to the first mediation meeting that takes place between the lender and borrower.

Audit requirements

One submission sought clarification of the audit requirements for ARS 750.0.

ARS 750.0 clarifies that from the June 2018 reporting period onward, ARS 750.0 is subject to limited assurance under *Prudential Standard APS 310 Audit and Related Matters* for ADIs. There are no external audit requirements for ARS 750.0 for RFCs. To ensure completeness and reliability, information provided must be subject to processes and controls developed by the ADI or RFC for the internal review and authorisation of that information.

Data sharing with the DAWR

One submission raised concerns about sharing entity-level data with the DAWR.

Information collected under ARS 750.0 is protected under section 56 of the *Australian Prudential Regulation Authority Act 1998* (APRA Act). As the DAWR is a specified agency in the *Australian Prudential Regulation Authority Regulations 1998* for the purposes of paragraph 56(5)(a) of the APRA Act, APRA is able to share protected information with the DAWR to enable the DAWR to perform its functions. The secrecy provisions of the APRA Act apply to officers of the DAWR who acquire protected information.

Publication of statistics on agricultural lending

Two submissions commented on the publication of statistics on agricultural lending, particularly in relation to confidentiality, and one submission raised concern about the potential misinterpretation of the statistics.

APRA and the DAWR do not intend to publish entity-level data, and will consult in late 2017 on a proposal to publish aggregate statistics. Aggregate statistics would be published with confidentiality protection measures in place to ensure that information pertaining to an individual institution cannot be identified.

Design of the collection

One submission suggested that the proposed agricultural lending data collection is not detailed enough and will not determine the quality of debt across the sector, and raised concerns regarding use of the data to inform assistance measures.

The DAWR confirms that the information collected under ARS 750.0 is suitable for its intended policy-making purposes, and will be used in conjunction with other available data and information sources. The collection has been designed to meet the policy need for agricultural lending data without imposing undue cost on reporting entities.