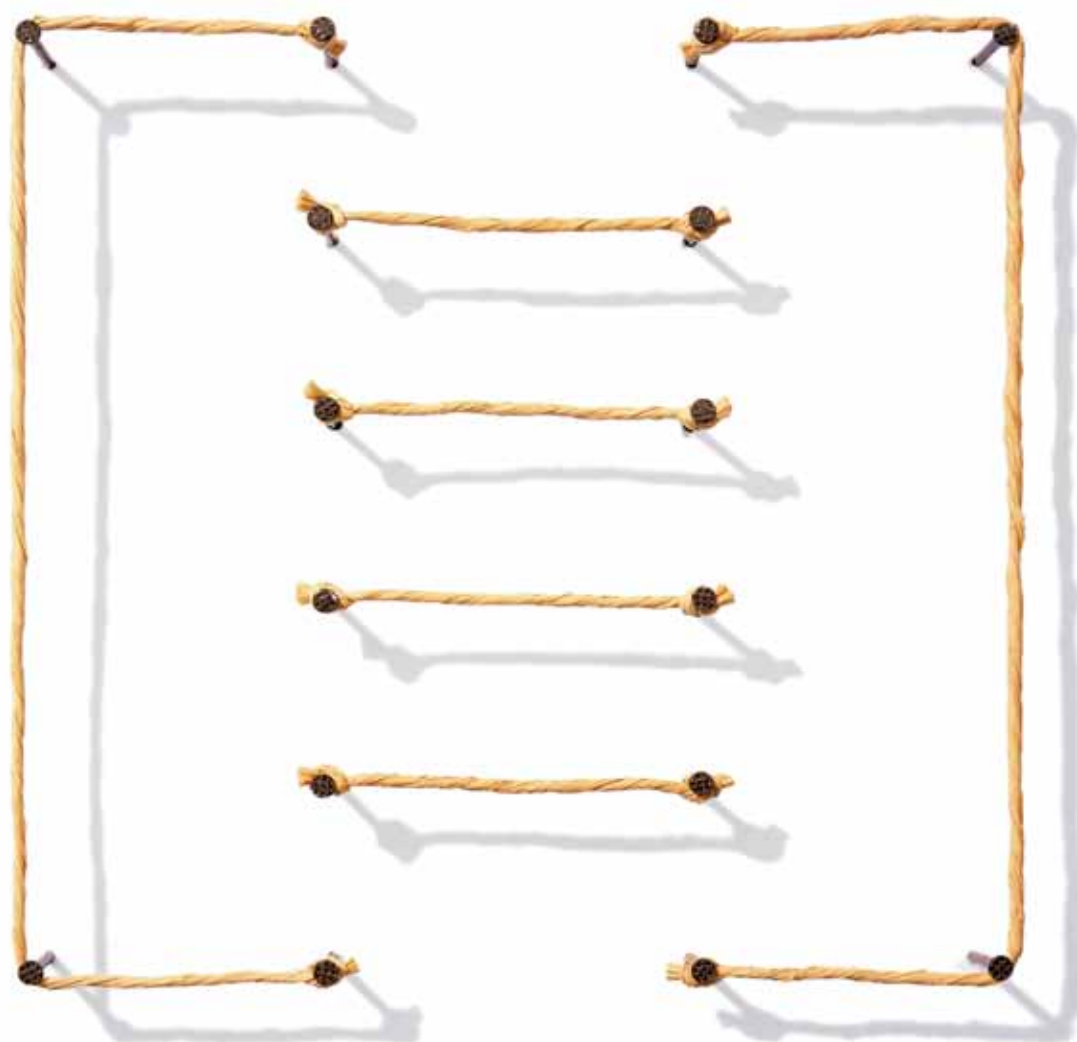


Guidelines

Providing explanations of data – registered financial corporations

1 April 2010



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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. An explanation is required for the significant movement in the cash and liquid assets amount in RRF_320_0 Statement of Financial Position.

Error text:

'Cash and liquid assets: Deposits at Call: Banks' (BSAO10008) has changed by -\$XXXm between Dec-2009 (\$Y,YYYm) and Jan-2010 (\$Z,ZZZm). Could you please provide some insight behind this movement?

Acceptable explanations:

The decrease of \$XXXm is due to the payment of a dividend of \$YYYm. The Cash and liquid assets item will continue to reduce as the debenture book is run off.

The movements identified are due to cash and overnight loan balances with banks as at end-January. In December we generally see larger cash balances as it is usually a quiet trading month.

2. In RRF_320_0, specific and collective provisions should be reported where total gross loans and advances are reported.

Error text:

If 'Total gross loans and advances' (\$X,XXX k) has been reported then 'Total gross loans and advances: Specific and Collective provision' (\$0k) should also be reported. Please resubmit the correct figures via D2A. Please notify APRA via email when this has been completed to avoid any unnecessary communication. If you do not hold any provisions against the loans reported please respond via email with a brief description as to why no provisions are held.

Acceptable explanations:

A provision for these loans is held at group level and no furthering provision is required in the subsidiary. The reported figure of nil is correct.

No provisions are held for these loans in line with the International Financial Reporting Standards.

3. An explanation is required for the significant movement in the deposits and placements due to financial institutions in the RRF_320_0 Statement of Financial Position.

Error text:

'Deposits and placements due to: Financial corporations: Other financial institutions' (BSL12706) has changed by -\$XXXm between Nov-2009 (\$YY,YYYm) and Dec-2009 (\$ZZ,ZZZm). Could you please provide some insight behind this movement?

Acceptable explanation:

The large movement is due to decreases in interest-bearing deposits (-\$XXXm), non-interest bearing deposits (-\$YYYm), and clearing accounts (-\$ZZZm).

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:

- RRF 394_0 – If ‘New commitments for revolving credit loans: balancing item’ has been reported then a reason must be provided.
- RRF 320_0 – ‘Gross of provisions-Revolving credit of which margin lending’ must be less than or equal to ‘Gross of provisions-Revolving credit’.
- RRF 391_0 – ‘Cancellations of, and reductions in, previously approved credit limits’ should be reported as a positive number.

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:

- RRF 320_0 – entities are asked to explain why the value of ‘Promissory notes/commercial paper’ has changed significantly from the figure reported in the previous period.
- RRF 320_0 – entities are asked to explain why ‘Commercial lending to residents, Private trading corporations, Gross of provisions’ has changed significantly from the figure reported in the previous period.
- RRF 320_1 – entities are asked to explain why ‘Short term debt securities (Bills of Exchange – Bank Accepted – Closing Stock)’ has increased or decreased by more than 20 per cent from the previous reporting period.

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



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