



Reporting Standard ARS 110.1

Leverage ratio

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to the Australian Prudential Regulation Authority relating to an authorised deposit-taking institution's leverage ratio.

It includes *Reporting Form ARF 110.1 Leverage Ratio* and associated specific instructions and should be read in conjunction with *Prudential Standard APS 110 Capital Adequacy*.

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

Purpose

2. Information collected under this Reporting Standard is used by the Australian Prudential Regulation Authority (APRA) for the purpose of prudential supervision. It may also be used by the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

Application

3. This Reporting Standard applies to all authorised deposit-taking institutions (ADIs) and immediate parent non-operating holding companies (NOHCs), with the exception of:
 - (a) foreign ADIs; and
 - (b) providers of purchased payment facilities (PPFs).

Commencement

4. This Reporting Standard applies for reporting periods ending on or after 1 January 2022.

Information required

5. If an ADI to which this Reporting Standard applies is part of a Level 2 group, the ADI must provide APRA with the information required by *Reporting Form ARF 110.1 Leverage ratio* (ARF 110.1) 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 ARF 110.1 for each reporting period.
6. If an ADI to which this Reporting Standard applies is not part of a Level 2 group, the ADI must provide APRA with the information required by ARF 110.1 at Level 1 for each reporting period.

Method of submission

7. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or by a method (i.e. a web-based solution) notified by APRA prior to submission.

Note: the Direct to APRA application software (also known as D2A) may be obtained from APRA.

Reporting periods and due dates

8. Subject to paragraph 10, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard for each quarter based on the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.
9. Subject to paragraphs 10 and 11, the information required by this Reporting Standard must be provided to APRA within 28 calendar days of the end of the reporting period to which the information relates.
10. APRA may change the reporting periods for a particular ADI, to require it to provide the information 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 RBA and the ABS.
11. APRA may grant an ADI an extension of a due date, in which case the new due date will be the date specified in the notice of extension.

Note: for the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an ADI is nonetheless required to submit the information required no later than the due date.

Quality control

12. All information provided by an ADI under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the external auditor of the ADI as set out in *Prudential Standard APS 310 Audit and Related Matters*. Relevant standards and guidance statements issued by the Auditing and Assurance Standards Board provide information 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 provided by an ADI under this Reporting Standard.
13. All information provided by an ADI under this Reporting Standard must be subject to systems, processes and controls developed by the ADI for the internal review and authorisation of that information. These systems, processes and controls are to assure the completeness and reliability of the information provided.

Authorisation

14. When an officer of an ADI submits information under this Reporting Standard and uses the D2A application, or other method notified by APRA, it will be necessary for the officer to digitally sign the relevant information using a digital certificate or other digital identity credential acceptable to APRA.

Minor alterations to forms and instructions

15. APRA may make minor variations to:
 - (a) a form that is part of this Reporting Standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or
 - (b) the instructions to a form, to clarify their application to the form, without changing any substantive requirement in the form or instructions.
16. If APRA makes such a variation it must notify each ADI that is required to report under this Reporting Standard.

Interpretation

17. In this Reporting Standard:

AASB has the meaning given in section 9 of the *Corporations Act 2001*.

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*.

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

cash variation margin means cash collateral that is collected or paid to reflect the current mark-to-market exposure resulting from changes in the market value of a derivative.

central counterparty (CCP) has the meaning given in paragraph 11(a) of *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112).

collateral is an asset or group of assets that a borrower or guarantor has pledged as security.

credit conversion factor (CCF) means the percentage value used to convert an off-balance sheet exposure into an on-balance sheet equivalent (i.e. the credit equivalent amount).

derivative exposures means a derivative as defined in paragraph 9(g) of *Prudential Standard CPS 226 Margining and risk mitigation for non-centrally cleared derivatives*.

due date means the relevant due date under paragraph 9 or, if applicable, paragraph 11 of this Reporting Standard.

foreign ADI has the meaning given in section 5 of the *Banking Act 1959*.

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).

IRB ADI means an *ADI* which has been approved by APRA to use the Internal Ratings-based Approach to credit risk.

Level 1 has the meaning given in APS 001.

Level 2 has the meaning given in APS 001.

leverage ratio has the meaning given in Attachment D to *Prudential Standard APS 110 Capital Adequacy* (APS 110).

leverage ratio derivative exposures means *derivative exposures* calculated for *standardised ADIs* in accordance with paragraph 13 of Attachment D to APS 110, and for *IRB ADIs* in accordance with paragraphs 21 to 42 of Attachment D to APS 110.

leverage ratio exposure measure has the meaning given in Attachment D to APS 110.

leverage ratio non-market-related off-balance sheet exposures means *non-market-related off-balance sheet exposures* calculated for *standardised ADIs* in accordance with paragraphs 10 to 12 of Attachment D to APS 110 and, for *IRB ADIs*, in accordance with paragraphs 18 and 19 of Attachment D to APS 110.

leverage ratio on-balance sheet exposures means on-balance sheet exposures calculated for ***standardised ADIs*** in accordance with paragraphs 2, 3, 5 and 8 of Attachment D to APS 110 and, for ***IRB ADIs***, in accordance with paragraphs 2, 3, 5, 8 and 14 to 17 of Attachment D to APS 110.

leverage ratio potential future exposure (PFE) means the amount calculated to reflect the potential for the credit exposure of a market-related contract to exceed the current credit exposure over time, calculated in accordance with paragraphs 26 and 27 of Attachment D to APS 110.

leverage ratio replacement cost means the replacement cost calculated according to paragraph 25 of Attachment D to APS 110.

leverage ratio securities-financing transaction (SFT) exposures means ***SFT*** exposures calculated for standardised ADIs in accordance with paragraph 13 of Attachment D to APS 110, and for IRB ADIs in accordance with paragraphs 44 to 51 of Attachment D to APS 110.

non-market-related off-balance sheet exposures means exposures that must be converted to a credit equivalent amount in accordance with Attachment B to APS 112 and paragraph 43 of *Prudential Standard APS 120 Securitisation* (APS 120).

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.

qualifying central counterparty (QCCP) has the meaning given in paragraph 11(u) of APS 112.

reporting period means a period mentioned in paragraph 8 or, if applicable, paragraph 10.

Securities financing transaction (SFT) has the meaning given in paragraph 11(y) of APS 112.

standardised ADI means an ***ADI*** which has not been approved by APRA to use the internal ratings-based approach to credit risk.

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

Tier 1 Capital has the meaning given in *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital*.

trade exposures has the meaning given in paragraph 8(ee) of *Prudential Standard APS 180 Capital Adequacy: Counterparty Credit Risk*.

written credit derivatives means credit derivatives through which a bank effectively provides credit protection and is not limited solely to credit default swaps and total return swaps.

18. In this Reporting Standard, unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard or Australian Accounting or Auditing Standard is a reference to that instrument as in force from time to time.
19. Where this Reporting Standard provides for APRA to exercise a power or discretion, this power or discretion is to be exercised in writing.

- 2.4.2. Netted amounts of cash payables and cash receivables of gross SFTs
- 2.4.3. Counterparty credit risk exposure for SFTs
- 2.4.4. Agent transaction exposures

3. Leverage ratio

IRB (1)	Standardised (2)

- 4. Mean leverage ratio during reporting period**
- 5. Highest leverage ratio during reporting period**
- 6. Lowest leverage ratio during reporting period**

IRB (1)

Reporting Form ARF 110.1

Leverage Ratio

Instructions

This instruction guide is designed to assist in the completion of *Reporting Form ARF 110.1 Capital Adequacy: Leverage Ratio* (ARF 110.1). In completing this form, ADIs should refer to APS 110.

Unit of measurement

This form must be completed in Australian dollars (AUD), with all amounts reported as whole dollars with no decimal place.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

Securitisation deconsolidation principle

Where an ADI (or a member of its Level 2 group) participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120, the underlying assets (i.e. the pool) for the securitisation may be excluded from the calculation of the ADI's leverage ratio exposure measure.

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 undertakes a funding-only or synthetic securitisation, the underlying assets for the securitisation must be included in the ADI's leverage ratio exposure measure.

Specific instructions

IRB ADIs are required to complete the first column of ARF110.1 only. **Standardised ADIs** are required to complete the second column of ARF 110.1 only.

Items 1 to 3 inclusive, must be reported as at the end of the reporting period.

Item 1	Report the ADI's Tier 1 Capital as reported in line item 4 of <i>Reporting Form ARF 110.0.2 Capital Adequacy</i> (or <i>Reporting Form ARF 110.0.1 Capital Adequacy</i> for those ADIs which are not part of a Level 2 group).
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Item 2	Item 2 is a derived item calculated as the sum of the <i>leverage ratio exposure measure</i> items reported in items 2.1, 2.2, 2.3 and 2.4.
Item 2.1	Item 2.1 is a derived item calculated as item 2.1.1 less item 2.1.2.
Item 2.1.1	Report the aggregate value of all <i>leverage ratio on-balance sheet exposures</i> .
Item 2.1.2	Report the aggregate value of all balance sheet asset amounts deducted from <i>Tier 1 Capital</i> in accordance with Attachment D to APS 110.
Item 2.2	Item 2.2 is a derived item calculated as item 2.2.1 less item 2.2.2.
Item 2.2.1	Report the aggregate value of all <i>non-market-related off-balance sheet exposures</i> , on a gross notional basis.
Item 2.2.2	Report the reduction in the gross amount of <i>non-market-related off-balance sheet exposures</i> due to the application of the relevant <i>credit conversion factors (CCFs)</i> as set out in Attachment D to APS 110.
Item 2.3	Column 1 of item 2.3 is a derived item calculated as the sum of items 2.3.1, 2.3.2, 2.3.3 and 2.3.6 less the sum of items 2.3.4, 2.3.5 and 2.3.7. For column 2, <i>standardised ADIs</i> must report the aggregate value of their <i>leverage ratio derivative exposures</i> .
Item 2.3.1	Report the <i>leverage ratio replacement cost</i> associated with all <i>derivatives exposures</i> , including any exposures arising from direct transactions between a client and a <i>central counterparty (CCP)</i> where the <i>ADI</i> guarantees the performance of its clients' transactions to the <i>CCP</i> .
Item 2.3.2	Report the add-on amount for the <i>leverage ratio potential future exposure (PFE)</i> of all <i>derivative exposures</i> . This amount should be reported with the 1.4 alpha factor applied.
Item 2.3.3	Report the grossed-up amount of any <i>collateral</i> provided in relation to <i>derivative exposures</i> where the provision of that <i>collateral</i> has reduced the value of the balance sheet assets under Australian Accounting Standards.
Item 2.3.4	Report the deduction of receivable assets in the amount of <i>cash variation margin</i> provided in derivatives transactions, where the posting of <i>cash variation margin</i> has resulted in the recognition of a receivable asset under Australian Accounting Standards.
Item 2.3.5	Report all <i>trade exposures</i> associated with the <i>CCP</i> leg of <i>derivatives exposures</i> resulting from client-cleared transactions for which the <i>ADI</i> acting as clearing member, based on the contractual arrangements with the client, is not obligated to reimburse the client in respect of any losses suffered due to changes in the value of its transactions in the event that a <i>qualifying central counterparty (QCCP)</i> defaults.

Item 2.3.6	Report the effective notional amount of <i>written credit derivatives</i> which may be reduced by the total amount of negative changes in fair value amounts that have been incorporated into the calculation of <i>Tier 1 Capital</i> with respect to <i>written credit derivatives</i> .
Item 2.3.7	Report the sum of: <ul style="list-style-type: none"> the amount by which the notional amount of a <i>written credit derivative</i> has been reduced by a purchased credit derivative on the same reference name; and the deduction of add-on amounts for <i>leverage ratio PFE</i> in relation to <i>written credit derivatives</i>.
Item 2.4	Column 1 of item 2.4 is a derived item calculated as the sum of items 2.4.1, 2.4.3 and 2.4.4 less item 2.4.2. For column 2, <i>standardised ADIs</i> must report the aggregate value of their <i>leverage ratio SFT exposures</i> .
Item 2.4.1	Report the gross amount of <i>securities financing transactions (SFTs)</i> without recognition of netting, other than novation with <i>QCCPs</i> , determined in accordance with Attachment D to APS 110. The reported amount must be adjusted for any sales accounting transactions.
Item 2.4.2	Report the cash payables and cash receivables of gross <i>SFTs</i> with netting, determined in accordance with Attachment D to APS 110.
Item 2.4.3	Report the amount of counterparty credit risk add-on for <i>SFTs</i> , determined in accordance with Attachment D to APS 110.
Item 2.4.4	Report the amount for which the bank acting as an agent in a <i>SFT</i> has provided an indemnity or guarantee determined in accordance with Attachment D to APS 110.

Item 3	Item 3 is a derived item, calculated by dividing the <i>ADI's Tier 1 Capital</i> reported in item 1 by the <i>leverage ratio exposure measure</i> reported in item 2, expressed as a percentage.
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Items 4, 5 and 6 are to be completed by *IRB ADIs* only.

Item 4	Report the mean end of day <i>leverage ratio</i> during the reporting period. Use business days only in calculating the mean.
Item 5	Report the highest end of day <i>leverage ratio</i> during the reporting period.
Item 6	Report the lowest end of day <i>leverage ratio</i> during the reporting period.