

21 April 2017

Manager  
Standard Data Collections  
Australian Prudential Regulatory Authority  
Sydney NSW 2000

via email: [statistics@apra.gov.au](mailto:statistics@apra.gov.au)

Dear Manager

### **APRA's proposed economic and financial statistics package - Phase 1**

Thank you for the opportunity to comment on APRA's proposed economic and financial statistics (EFS) package.

In line with APRA's email of 29 March 2017, this submission relates to Phase 1 forms. We note that responses on the Phase 2 and 3 forms are due by 16 May.

### **About COBA and the customer-owned banking sector**

COBA is the industry association for Australia's customer-owned banking institutions – mutual banks, credit unions, and building societies. Collectively, the sector we represent has \$104 billion in assets and more than 4 million customers. Customer-owned banking institutions are diverse in size and range from institutions with assets from \$10 million to institutions with more than \$10 billion in assets.

### **Ensuring smaller ADIs do not have an excessive reporting burden**

COBA supports moves to ensure that smaller ADIs are not subject to excessive reporting burdens.

It is important to recognise that reporting requirements place a larger relative burden on smaller ADIs due to the fixed costs of reporting.<sup>1</sup> In addition, in order to make data collection a worthwhile exercise these costs must be balanced against the value to users of smaller ADIs' reporting.

The consultation paper (page 57) recognises that there are cases where the reporting burden does not outweigh the benefits:

“Non-bank ADIs with less than \$200m in assets – representing some 45 per cent of non-bank ADIs - will not report within the EFS collection. The agencies are of the view that the implementation of these thresholds ensures that the burden on reporting institutions reflects their importance to the various finance provision and securities markets.”

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<sup>1</sup> Larger ADIs are able to spread the fixed costs of reporting compliance such as increased staffing and costly system changes over a larger relative asset base.

In the particular case of the proposed EFS collection, the primary purpose is to collect data for the RBA and ABS to assist in economic policymaking rather than purely for APRA's prudential supervision purposes.

This data does not lead to improved consumer outcomes or improved individual or system-wide financial stability, noting customer-owned institutions' relative systemic importance and APRA's collection of ADI-specific prudential statistics through its other forms.

### **Reducing parallel reporting requirements for smaller ADIs**

Several COBA members have expressed concern over APRA's proposed parallel run arrangements.

APRA proposes that: "A parallel run is required to allow agencies to make adjustments – including break-adjustments, back-casting and changes to seasonal adjustment patterns – where definitions or concepts have changed between the forms." (page 51)

While APRA's parallel run proposal seeks to minimise the concurrent running of multiple systems, COBA members are concerned that even these requirements will increase their reporting burden during this period.

The rationale for parallel reporting is to allow agencies to make adjustments to ensure consistency, noting that it "is particularly important for the long-running indicators published by the agencies, such as the National Accounts, financial aggregates and monthly indicators of housing and lending finance." (page 51)

While COBA recognises the need for these agencies to have continuity in these series, it is not clear that there is a net benefit of the extra burden on smaller ADIs to report against both forms given their relative size, particularly in the lending aggregates mentioned above.

It is not clear that any adjustment factors for smaller ADIs would be materially different from other ADIs. Even if they were, it is not clear that this would be at a significant enough level to justify parallel reporting.

COBA is seeking for APRA to reduce the parallel reporting requirements on smaller ADIs. COBA members note that:

"The cost for report preparation will include potentially a few days per reporting period and the resubmissions could be significant if necessary"

"It is likely that we will need to engage and train additional resources for this period to meet these obligations. "

COBA notes that making any parallel run arrangements more 'backward looking', i.e. having more periods in the backward reporting arrangement may not actually reduce burden on smaller ADIs but rather just compress the work required into a shorter period.

COBA requests that APRA exempt smaller ADIs from the parallel run requirement in order to reduce the reporting burden during this period.

Smaller ADIs could be defined as ADIs with less than \$15 billion in assets.

### **Information that may not be collected**

One COBA member noted it would be difficult to report the geographical location of certain properties where the property is not the residential address of the borrower or the underlying security of the loan. This is required for Item 2.1.3 of the *ARF720.1 ABS/RBA Loans and Finance Leases* form.

This member notes that this situation is likely to be extremely rare. However, they would be unable to report against this particular measure for their existing stock without examining their entire loan book.

Thank you for the opportunity to contribute to this consultation.

Please contact Mark Nguyen at [mnguyen@coba.asn.au](mailto:mnguyen@coba.asn.au) or 02 8035 8443 if you wish to discuss any aspect of this submission.

Yours sincerely



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