

Rabobank Australia Ltd
ABN 50 001 621 129 AFSL 234 700

Postal Address GPO Box 4577
Sydney NSW 2001
Office Address Darling Park Tower 3
Level 16, 201 Sussex Street
Sydney NSW 2000
Telephone +61 2 8115 2544
Facsimile
Internet www.rabobank.com.au

Manager, Standard Data Collections
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

By email: statistics@apra.gov.au

Date 20 March 2017

Subject **Economic and Financial Statistics**

Dear Sir/Madam

Rabobank welcomes the opportunity to make this submission commenting on the Economic and Financial Statistics Discussion Paper.

Rabobank is supportive of the overall desire to modernise and improve the quality of data, to ensure that it is fit for purpose and aligned to the requirements of the agencies. However there are strong concerns whether the proposed timeline is achievable. There are also other concerns around the length of the parallel run plan, the impost arising from the data quality standards and the Cost of Funds requirements.

Proposed implementation date

Rabobank recommends that the implementation of the new collection not commence until 2 years after the finalisation of the EFS Collection standards which is 1 July 2019 on the current timetable.

This recommendation has been reached after considering the high level project scope and work effort required to deliver this project to the level of quality required by regulators.

By design, banks are large complex businesses with formalised governance frameworks. Any changes to products, people, systems or procedures are required to go through rigorous review and approval processes. These multiple checks and balances are to ensure that all the required elements are properly thought through. The consequence of this is that the change process can take much longer than would be normally be expected. Timeframes become even more extended if the scope of the works is extensive.

Scope of works

The project will require consideration and delivery on the following aspects:-

Planning and Initiation

- Analysis of the key changes and discussions with agencies to understand their requirements;
- Organisational impact assessment covering people, systems, processes and high level planning;
- Obtaining senior executive, Board and organisation wide buy-in on the changes;
- Once documented obtain approval for Project Initiation by Project Committees as required under the Bank's Governance arrangements;
- Recruitment of a cross-disciplinary Project team;
- Document the full business requirements once requirements are known;
- Obtain Project funding, prioritisation and obtain approval to proceed.

Design

- Plan and design the end-to-end system and business process changes to support collection of new data requirements. This is especially challenging for new elements such as loan sub-purpose and cost of funds. This is a non-trivial exercise due to the significant increase in the number of data points reported as the data elements required are more granular;
- Finalise the data collection strategy which will include changes to client on-boarding forms, updates to client-facing systems, new procedures and new decision trees to formalise new data classifications in the back-office systems.
- Revalidated the data dictionary and get assurance that the current data sourced is properly aligned;
- Implement changes to the classification of expanded industry and sector codes;
- Plan for delivery against shorter reporting timelines with the move to calendar days and some quarterly returns moved to monthly;
- Accommodate additional levels of governance as the regulatory reporting deviates further away from Statutory and Financial reporting;

Execution

- Mobilise project team of people from IT, Business Analysts, Finance, Production Support, Operations and Customer facing business representatives;
- Implement the required system build incorporating the standard systems methodologies and testing plans including Systems Integration Testing and User Acceptance Testing;
- Production of reference documentation and user manuals;
- Reporting and validation of reported forms with the Business;
- Manage the resourcing and technical issues during the a parallel run;

- Updates to Production support service level agreements
- Updates to the controls framework to ensure appropriate risk-based monitoring
- Obtain Project Board approval to go-live.

Given the range and breadth of the required elements to be delivered, the high-level scope of the project indicates that the project would be large in scale. The expectation of the required quality level of the project have been established by the agencies as high. With these requirements set, the critical path timeline to be able to deliver a successful project considerably far exceeds the proposed timeline. Hence Rabobank recommends that the implementation of the new collection not commence until at least 1st July 2019.

Parallel Run Proposal

The EFS proposal requires some forms to be submitted in a parallel run for a period of 12 months. This extended parallel period presents substantial technical challenges due to need to have separate data sets and separate reporting forms. There are also significant people resource challenges due to the substantially increased workload over this parallel run period. Rabobank recommends that the parallel run period be substantially reduced or removed.

Data Quality requirements

Rabobank is concerned at the high level of confidence sought that will require costly controls with greater depth of audit procedures than required for financial statements. The agencies expect ADIs to have systems, processes and controls that provide them with at least 99 per cent confidence that the data reported are within the data accuracy requirements specified. The requirement includes internal and external assurances that consider the end-to-end data lifecycle, from capture all the way through to submission. Extra costs will be incurred due to the need to set-up additional level of governance to ensure compliance with complex reporting requirements and have an appropriate control framework over non prudential/accounting data. To achieve a 99% level, appointed auditors will have to substantially increase their audit scope and sample size for the test of controls and test of details performed. These expectations and additional requirements will require significant resources to implement and maintain. Rabobank recommends that the costs of the Data Quality requirements be reduced by rationalising the assurance requirements to bring them more into line with the existing financial, statutory and APS 310 requirements.

Cost of Funds

Rabobank is concerned by the perceived usefulness of the Cost of Funds data. Given that the funding profile, risk appetites, credit ratings and variety of transfer pricing models are fundamentally different across the major banks, the regionals, the smaller ADIs and the foreign ADIs, it is difficult to understand how this data could be effectively compared. Other concerns are around the auditability of this data. As the four major banks are currently producing this data as part of a regular survey it is recommended that they continue to do this as part of the EFS collection but all other ADIs and foreign ADIs being exempted from this requirement.

Conclusions

For the EFS consultation Rabobank has the below recommendations:-

- Rabobank recommends that the implementation of the new collection not commence until 2 years after the finalisation of the EFS Collection standards which is 1 July 2019 on the current timetable.
- Rabobank recommends that the parallel run period be substantially reduced or removed.
- Rabobank recommends that the costs of the Data Quality requirements be reduced by rationalising the assurance requirements to bring them more into line with the existing financial, statutory and APS 310 requirements.
- Rabobank recommends that Cost of Funds data collection requirement is applied only to the 4 major banks on the understanding that such information is already provided by the 4 major banks.

Yours sincerely



Adam Maynard
Head of Capital Management, External and
Regulatory Reporting