



18 October 2017

Manager  
Data Collection Design  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

By email: [DataAnalytics@apra.gov.au](mailto:DataAnalytics@apra.gov.au)

Dear Sir/Madam

### **Consultation on RPG 702.0 ABS/RBA Data Quality for the EFS Collection**

#### **Submission by HSBC Bank Australia Limited and The Hongkong and Shanghai Banking Corporation, Sydney Branch (collectively referred to as 'HSBC Australia')**

HSBC Australia has reviewed both the Response Paper and the draft RPG 702.0 ABS/RBA Data Quality for the Economic and Financial Statistics (EFS) Collection and submits this letter in response to the Australian Prudential Regulation Authority's (APRA) invitation for comments.

We note that HSBC Australia has been an active participant in the industry working group forums hosted by Australian Financial Markets Association (AFMA) and support its submission.

Consistent with AFMA, HSBC Australia welcomes the revised approach adopted in the draft Reporting Practice Guide as part of the agencies' response to the consultation on the Economic and Financial Statistics collection. In particular, the adoption of qualitative guidance to replace the previously proposed quantitative standard provides a more workable framework within which to manage the assurance of data quality.

While we fully support the regulatory industry submissions made by AFMA, we take this opportunity to highlight/clarify some of our key concerns as follows:


- Resubmission approach – it is unclear whether errors falling *outside* agency expectations for data quality will automatically require resubmission of data. Our understanding is that resubmission will not be required, rather the expectation is that the thresholds are intended to trigger a reassessment of the data governance and control environment, as well as notification to APRA. We suggest that formal clarification is provided.

- Data quality benchmarks – the benchmarks proposed under Attachment A, Tables 1 and 2, are set at a very low level and are below levels currently considered as material by external auditors in either their statutory audit of financial statements or their APS 310 audit. To implement a control framework to meet these requirements will significantly increase the compliance burden for ADIs like HSBC Australia. We suggest that the absolute dollar floor benchmarks for “within agency expectations” are either increased or set as a % of total assets.
- Data quality auditor materiality considerations - in the absence of any guidance to the contrary, it is likely that auditors will assign a very strong weight to the benchmarks in their determination of materiality. As noted above, the benchmarks are typically significantly lower than the materiality levels currently used. Consequently, in the event that auditors determine materiality at a lower level, there will be additional resource and cost implications for ADIs including HSBC Australia. We suggest that further clarification/ guidance is provided about the relationship between the proposed benchmarks and materiality to be used for audit purposes.
- Reporting thresholds – we welcome the upward revision of reporting thresholds so that ADIs with less than \$25 billion in deposits no longer need to submit cost/value of funds and margin data in the new reduced versions of the Stocks, Flows and Interest Rate Forms. However, we note:
  1. With the ongoing growth in deposits, it is probable that by the time of implementation more ADIs, including HSBC Bank Australia Limited, will potentially be above this threshold.
  2. Using a threshold of \$25 billion will impose a significant compliance burden on ADIs, who have an insignificant impact (either individually or collectively) on market interest rates and therefore overall industry data quality.

We suggest it would be appropriate to align the threshold with that of Major Bank levy, which recognised that the major banks provided 80% of the bank deposit market. We also suggest the threshold should be indexed at an appropriate system rate to prevent an unnecessary additional compliance burden being imposed on ADIs simply growing at system levels.

We thank APRA for the opportunity to lodge this submission and would welcome further discussion on these issues. Should you have any questions please contact us via email on [regulatoryaffairs.au@hsbc.com.au](mailto:regulatoryaffairs.au@hsbc.com.au).

Yours faithfully



Emma Hider  
Chief Financial Officer  
**HSBC Bank Australia Limited**