



1 May 2019

TO: ALL REGISTERED FINANCIAL CORPORATIONS (RFCs)

ECONOMIC AND FINANCIAL STATISTICS – PROPOSED CHANGES TO REPORTING CONSOLIDATION FOR SECURITISATION SPECIAL PURPOSE VEHICLES (SPVs)

The Australian Prudential Regulation Authority (APRA) has today released for consultation proposed changes to reporting requirements for RFCs that are not a related party of an authorised deposit-taking institution (ADI). APRA is proposing changes to the Economic and Financial Statistics (EFS) data collection, relating to the consolidation of securitisation SPVs.

Background

Non-ADI lenders make up an important segment of the Australian financial system. Recently, there has been an increase in the volume of lending originated by such lenders, notably through securitisation.

In March 2018, amendments to the *Financial Sector (Collection of Data) Act 2001* broadened the scope of entities that must report information to APRA. These amendments were made to allow APRA and the Council of Financial Regulators to better monitor the financial stability impacts of non-ADI lenders and to determine appropriate actions if needed to address a potential increase of risk in this sector.

APRA collects data on the domestic operations of RFCs on behalf of the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA). These data are used extensively for policy analysis, and as inputs to Australia's monetary and credit aggregates and the national accounts. APRA also uses these data to monitor the financial stability impacts of non-ADI lenders. To assist in improving the collection of RFC data, APRA is proposing changes to the treatment of SPVs in the EFS data collection.

Current treatment of securitisation SPVs

In January 2017, the ABS, the RBA and APRA (collectively 'the agencies') commenced consultation on the modernised EFS data collection.¹ The consultation package included 21 reporting standards. These included a common set of definitions in *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection (ARS 701.0)*, accompanied by *Reporting Practice Guide RPG 701.0 ABS/RBA Reporting Concepts for the EFS Collection (RPG 701.0)*.

The EFS data collection relates to the 'domestic books' of reporting entities. This is defined in ARS 701.0 for RFCs as an unconsolidated report of transactions and positions with resident and non-resident counterparties, recorded on the Australian books of RFCs. RFCs over certain reporting thresholds, based on the size of domestic book assets held, are required to report under the various reporting standards.

Reporting under the EFS is dependent on the size of the entity. The EFS reporting standards have thresholds, for example, based on the size of on-balance sheet assets. Larger entities

¹ <https://www.apra.gov.au/modernised-economic-and-financial-statistics-efs>

are required to report more detailed information while smaller entities report less detailed information, or do not report at all. SPVs are often individually smaller than the size thresholds in reporting standards despite being above the threshold if the related entities were to report as a group. This creates gaps in the agencies' published statistics and policy analysis.

To address this limitation, a number of RFCs have been granted exemptions from the deconsolidation requirement.

Proposed changes

The agencies are proposing changes to ARS 701.0 and consequential changes to RPG 701.0. These changes will require an RFC that is not a related party of an ADI to consolidate the positions and transactions of all securitisation SPVs in a single set of reporting for EFS. These changes will not apply to an RFC that is a related party to an ADI.

The assets and liabilities of securitisation SPVs will therefore be consolidated on to the domestic books of the RFC. Assets originated into, or transferred to, an SPV will be included in the RFC's reporting.

The requirement for an external auditor's report as set out in *Standard RRS 710 Audit requirements for Registered Financial Corporations – EFS collection* will apply to the reporting RFC, and not the individual SPVs.

The proposed changes are intended to take effect from the reporting period ending 31 July 2019. At this point, the existing individual reporting exemptions noted above will be revoked or amended as necessary.

Consultation period

Feedback is sought from RFCs and other interested parties on the proposed changes.

The proposed changes that form part of this consultation are marked up in documents available on the APRA website at <https://www.apra.gov.au/modernised-economic-and-financial-statistics-efs>.

Submissions on the proposed changes should be sent to DataAnalytics@apra.gov.au by 1 June 2019 and addressed to:

Senior Manager
Regulatory Reporting, Data Analytics
Australian Prudential Regulation Authority

Yours sincerely,

Alison Bliss
General Manager
Data Analytics

Important disclosure notice – publication of submissions

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any financial sector entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.