



13 June 2019

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS

RESPONSE TO SUBMISSIONS ON PROPOSED CHANGES TO REPORTING AND PRUDENTIAL STANDARDS RESULTING FROM *MODERNISED ECONOMIC AND FINANCIAL STATISTICS* DATA COLLECTION IMPLEMENTATION

Background

In January 2019, APRA consulted on consequential amendments to a number of authorised deposit-taking institution (ADI) prudential and reporting standards resulting from the implementation of the modernised Economic and Financial Statistics (EFS) data collection and introduction of the new *Accounting Standard AASB 9 Financial Instruments* (AASB 9)¹. The affected standards included:

- *Prudential Standard APS 121 Covered Bonds*;
- *APS 310 Audit and Related Matters*;
- *Reporting Standard ARS 322.0 Statement of Financial Position (Consolidated)* (ARS 322.0); and
- *Reporting Standard ARS 323.0 Statement of Financial Position (Licensed ADI)* (ARS 323.0).

Submissions received

APRA received five submissions from reporting entities and one submission from an accounting firm. Three respondents noted issues related to the change in reporting due date calculations from business to calendar days. One respondent raised concerns around the timing of the changes close to the commencement of the EFS data collection. Three respondents requested clarification of the effective date of changes to *Prudential Standard APS 310 Audit and Related Matters* (APS 310) and specific assurance requirements for Reporting Standard ARS 210 Liquidity (ARS 210). One respondent also raised concerns with the increased reporting precision.

Changes to due dates and timeline of changes to ADI reporting framework

Comments received

Three respondents raised concerns with the proposed change in reporting due dates for ARS 322.0 and ARS 323.0. Respondents highlighted issues with implementing a 28-calendar day due date compared to the current business day calculation. Respondents noted they could potentially have less time for the necessary review and approval of group-level results for ARS 322.0, which could lead to increased resubmissions. Respondents also noted that the change could lead to misalignment of ARS 322.0 timelines with those of statutory reporting and the consolidated income statement collected on ARS 330.0. One other issue raised included a

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

potential increase in operational risk, as more returns are moved to a 28-calendar day due date.

One respondent also raised concerns with the proposed implementation date of 1 April 2019 and suggested providing ADIs with additional lead time to implement the changes.

Response

APRA's proposal to remove multiple due dates is designed to streamline the data collection process for APRA and ADIs alike and aligns the timing of submissions with those of the EFS data collection. APRA acknowledges that the change in due dates can reduce the time available for ADIs to submit data and conduct review and approval of group-level results. Given that respondents have indicated that the changes are practically feasible, and the harmonisation is expected to streamline the data collection process, APRA will proceed with the reporting due date changes to ARS 322.0 and ARS 323.0.

Consistent with the stated goal of streamlining the data collection process, APRA expects to consult more broadly on the harmonisation of reporting due dates for the ADI data collection during the first half of 2020 and will incorporate the feedback received by ADIs in this consultation into its proposals.

APRA has considered the feedback received on the implementation date, noting the benefits of providing additional lead time to ADIs to implement the changes, and has modified the commencement date of the new ARS 322.0 and ARS 323.0 from 1 April 2019 to 1 July 2019.

Increased reporting precision

Comments received

One respondent noted that the proposed change to reporting data in whole dollars increases reporting complexity, particularly when reconciling data between external regulatory and financial reporting, and requested that APRA continue to allow ADIs to report in millions of Australian dollars.

Response

APRA acknowledges that the increased precision could increase reporting burden due to the additional level of accuracy required for data to pass validation checks. To address this, APRA will review its existing validation rules to ensure that appropriate tolerances for rounding are added.

The proposal to move to reporting in whole dollars is also consistent with APRA's aim to streamline data collection for both ADIs and APRA, by standardising reporting across ADIs where possible and appropriate. The increased accuracy will only alter the submitted results marginally and will have no noticeable impact on data quality checks performed by APRA.

APRA notes that ARF 322.0 and ARF 323.0 are both subject to APS 310 requirements. As stated, the change to reporting in whole dollars is designed to streamline data collection and is not aimed at increasing the level of audit precision required. APRA's expectations for audit tolerance levels for ARF 322.0 and ARF 323.0 are unchanged.

APS 310

Comments received

Two respondents sought clarification on when *ARF 210.1A Liquidity Coverage Ratio – all currencies* (ARF 210.1A), *ARF 210.1B Liquidity Coverage Ratio – AUD only* (ARF 210.1B), and *ARF 210.6 Net Stable Funding Ratio* (ARF 210.6) will be subject to APS 310 requirements

APRA also received one submission with comments on the ability of auditors to provide assurance of forward-looking information. The submission noted that total net cash outflows in the Liquidity Coverage Ratio (LCR) represent a projection and as such, audit opinions would be restricted to an evaluation of compliance with the LCR methodology specified in *APS 210 Liquidity*. The submission also noted that the Net Stable Funding Ratio calculation includes data from non-accounting sources and that audit opinions would be limited to limited assurance for this item on ARF 210.6.

Response

APRA notes that audit opinions may necessarily be restricted to limited assurance, or an evaluation of compliance with LCR methodology in the case of forward-looking data.

ARF 210.1A, ARF 210.1B, and ARF 210.6 will be subject to APS 310 requirements for Australian-incorporated LCR ADIs effective from the ADI's next fiscal year occurring after 30 June 2019. In other words, if the ADI's fiscal year ends on 30 June 2019, the new requirements will be effective from 1 July 2019. If the ADI's fiscal year ends on 30 September or 31 December 2019, the new requirements will be effective from 1 October 2019 and 1 January 2020 respectively.

Finalised reporting and prudential standards

The final revised reporting and prudential standards are available on the APRA website at <https://www.apra.gov.au/modernised-economic-and-financial-statistics-efs>.

Yours sincerely,

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