Interest Rate Risk in the Banking Book collections

IRRBB Parallel Run 1:
ADI Briefing Session

3 June 2025

Housekeeping

A reminder to please be on mute unless you are speaking to minimise unexpected interruptions

Use the ‘raise hand’ functionality to speak.

Please add questions or comments to the chat. It will help ensure that we can address everyone’s questions.

Acknowledgement of Country

Wanakiji Jukurrpa (Bush Tomato Dreaming) © Debbie Brown/Copyright Agency, 2024

Agenda

1	Welcome	Fiona Scott, Project Manager
2	Timelines	
3	Parallel run expectation	
4	Final IRRBB Reporting Standards and Practice Guide	
5	APRA Connect Information and Support	
6	Questions raised by Industry	Alastair Harris, Head of Market Risk & Models George Zhang, Risk Specialist, Market Risk & Models
7	APRA Connect Demonstration	Greg Matsin, Data Collection and Assurance Manager, Data
8	Questions?	Fiona Scott, Project Manager

Timeline

Standards Finalised

July 8 2024 – New reporting standards ARS117.0, ARS 117.1 and prudential standards APS 117 published following consult on APRA Website

Parallel Run 1

Period ending 30 June parallel run – due + 40 business days from period end

Best endeavours compliance with standards

Go Live

Period ending 31 December – due + 35 calendar days from period end

Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026

IRRBB Capital Model approval process

Feb-Sep IRRBB Model accreditation with APRA for approved banks

Parallel Run 2

Period ending 30 September 2025 parallel run – due + 40 business days from period end

Materially compliant with standards

Taxonomy and External Test available

August 26 – New data collection forms available in APRA Connect External Test Environment, along with taxonomy artefacts for ARS 117.0 and ARS 117.1

Parallel run expectations

APRA intends to collect data through the production environments for both D2A and APRA Connect for two quarters before the commencement of the revised ARS 117 collections for Q1 2026.

	1st parallel run 30 June 2025 reporting period	2nd parallel run 30 September 2025 reporting period	First go-live return 31 December 2025 reporting period
Due date	40 Business Days after the end of the reporting period	40 Business Days after the end of the reporting period	35 Calendar Days after the end of the reporting period
Completion	Best endeavours	Expected	Mandatory
* Must be submitted via APRA Connect portal (production environment)	Yes	Yes	Yes
Completeness of data sets and data quality	Low expectations	High expectations	Complete
Use of IRRBB model	Draft models	Approved only	Approved only
Subject to APS 310 requirements	No	No	Yes
Signed off by accountable executive	No	No	Yes

* May use APRA Connect External Test Environment ONLY for testing and familiarisation purposes. Data should be masked.

Final IRRBB Reporting Standards and Practice Guide

ARS 117.0 – available to all ADIs (except PPFs)

ARS 117.O Repricing Analysis

117.0 Calculation Example spreadsheet

ARS 117.1 – available to IRRBB model approved ADIs

ARS 117.1 Interest Rate Risk in the Banking Book

Reporting Practice Guide

RPG 117 Reporting Concepts, for the Interest Rate Risk in the Banking Book data collection, including Repricing Analysis.

Interest Rate Risk in the Banking Book Reporting (IRRBB) – Response to Reporting Standard Consultation (Published on Monday 8 July 2024)

APRA Connect Information and Support

Support Materials

- Accessing APRA Connect
- Support Material (includes APRA Connect Guide)
- Webinar recordings on using APRA Connect
- Frequently Asked Questions

Taxonomy artefacts

- APRA Connect Taxonomy Artefacts – download zip files that include excel templates, validation rules.
- Explanatory Material - Assistance in using the artefacts.

Entity Test Environment

- IRRBB collections are available in entity test now.
- APRA may replace the returns if a new version becomes available – previously uploaded data will be lost.
- Entities should **NOT** use production data in the **Entity Test Environment**.

Please send any further questions to dataanalytics@apra.gov.au).

Questions raised by Industry

Interest Rate Risk in the Banking Book

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
ARS117.0	Treatment of accounting adjustments e.g. fees, commissions, provisions, taxes etc.	Distinction between accounting balance sheet and repricing balance sheet (117.0 vs 720 / EFS). Accounting adjustments that are not sensitive to interest rate movements can be reported under “Other Assets/Liabilities”: “*Non-Interest-Rate Sensitive*” bucket.
ARS117.0	Reporting of the interest cash flow type	For a fixed rate product, interest cash flow is projected for the full life of the product. For a variable rate product, the next reset date. For non-SFIs, submitting interest cash flow is optional.
ARS 117.0	Inclusion / exclusion of securitisation SPVs in ARF 117.0	If a securitisation is for capital relief purpose, the securitisation should be treated as off-balance-sheet for both lv1 and lv2. The bank, as the originator, should exclude the SPV from lv1 and lv2 reporting. If a securitisation is for funding only or self-securitisation, the securitisation should remain on balance sheet, with securitised asset reported at lv1 and lv2 on a consolidation basis.
ARS117.0	Aggregation of exposure for minor currencies in ARF 117.0	No aggregation between minor currencies. ADIs are required to report 117.0 for each currency.
ARS117.0	Definition of residential mortgage in New Zealand banking subsidiaries	ADIs with banking subsidiaries in New Zealand are required to apply an RBNZ definition of residential mortgage loans.

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
ARS117.0	Maturity Band change: “>3yr up to 4yr” to “3yr to <4 yr”	The year end cash flows will be shifted out by 1 bucket. The risk calculation uses the mid-point of the bucket (a more conservative approach). This change applies to both sides of balance sheet, e.g. term funded assets will produce no asset liability mismatch (as before) as both asset/liability move at the same time. Any mismatch will still be captured by 117.0.
ARS117.0	Reporting for Cross Currency Swap	RPG117, Para 1.4 sets out an example of reporting for Cross Currency Swap using Interest Rate Swap (Basis Swap). Note the validation rule of “total Net Zero Principal cash flow” does not apply to basis swaps.
Data validation and comparison	The methodology to compare old and new 117.0	Check if validation rules will work as intended, e.g. go through warning messages to see if data issues are picked up correctly. Sample check parallel run returns, e.g. 3 yr net gap reconciled between the old and the new. We don’t expect to compare 117.0 to other submitted returns.
Taxonomy	An update of Taxonomy for new ARF 117.0	There is not expected to be any changes to the 117 taxonomy any time soon. APRA releases a new overall taxonomy file whenever there is a change to any of our collections. APRA Connect Taxonomy Artefacts | APRA

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
APRA Connect	The error file exported from APRA Connect (UAT) is password protected, which limits navigation. Is this expected?	An error file, when exported from APRA Connect, will always be password protected. This is to ensure that the file remains in the correct format for uploading into APRA Connect once responses have been added. The cells for entity responses should not be restricted by password protection.
ARS117.0	Why is Rule ID: **ARS_117_0_Table_1 00005** Business Definition: "Business Loans - Variable" cash flows **triggering warnings for products resetting at exactly 6 months?**	The validation rule will be updated to remove this requirement for the tenor bucket 6.
ARS117.0	What format should be used for the maturity profile of shareholders equity – such as should it add up to 0, and whether the direction is specified.	**The** total sum of the *assumed maturity profile for shareholders' equity* across all tenor buckets should be zero. ADI's should determine the sign of their notional values and input those values into the respective tenor buckets in Table 2 of ARF117.0. The notional value put in the overnight bucket should be the aggregate of all other tenor buckets and have the opposite sign.

APRA Connect Demonstration

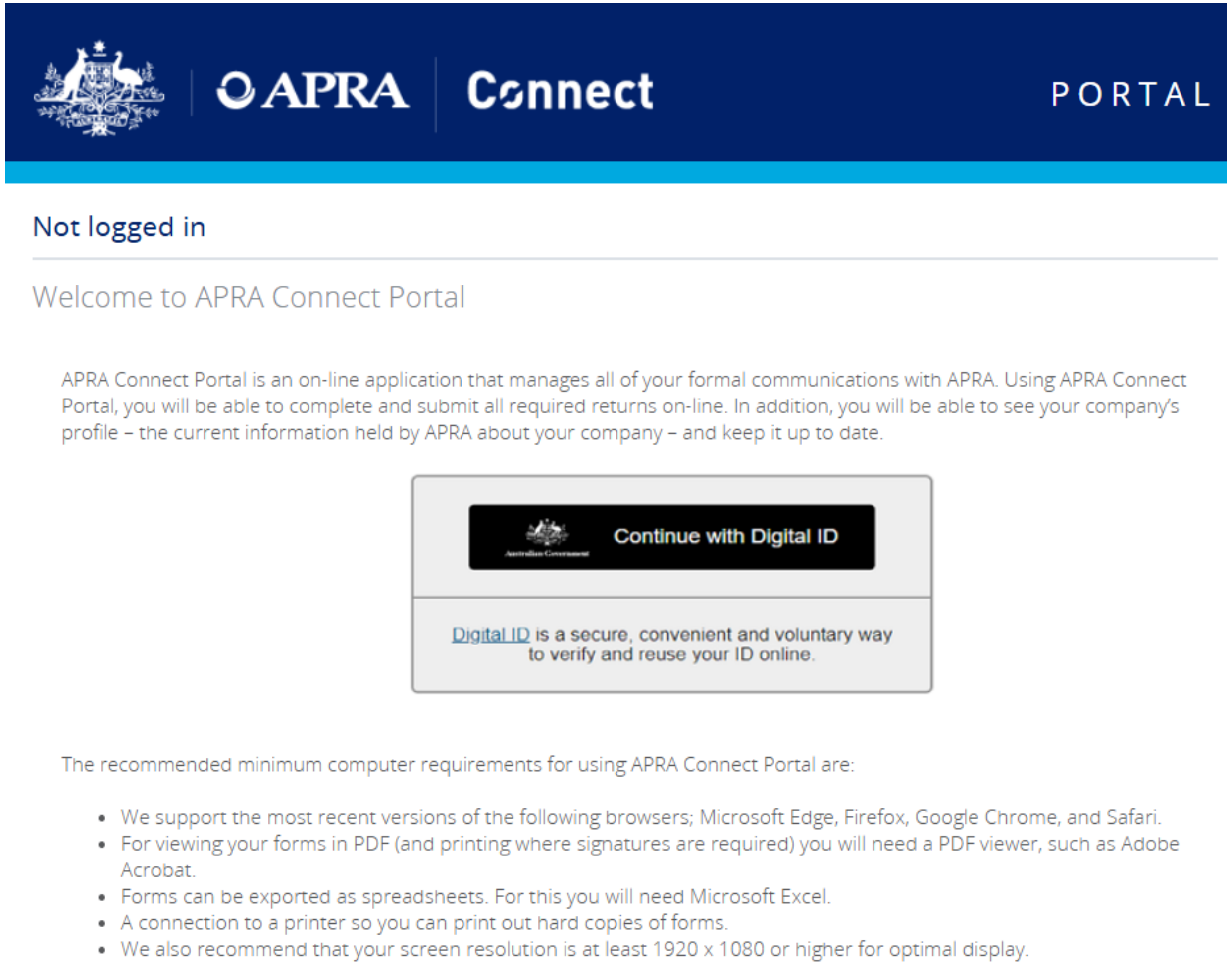
Interest Rate Risk in the Banking Book collections in APRA Connect

Accessing APRA Connect production environment

The APRA Connect portal is the production environment through which entities submit their live production data. Access the APRA Connect portal using the following URL; https://connect.apra.gov.au.

APRA Connect Guide

The APRA Connect Guide provides comprehensive information to assist users accessing, navigating and using APRA Connect. The guide should be used in conjunction with taxonomy artefacts when preparing and submitting data to APRA.



Questions?

Please send any further questions to dataanalytics@apra.gov.au.

Thank you