Interest Rate Risk in the Banking Book collections

IRRBB Parallel Run 2:
ADI Briefing Session

22 October 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 capture and address everyone’s questions.

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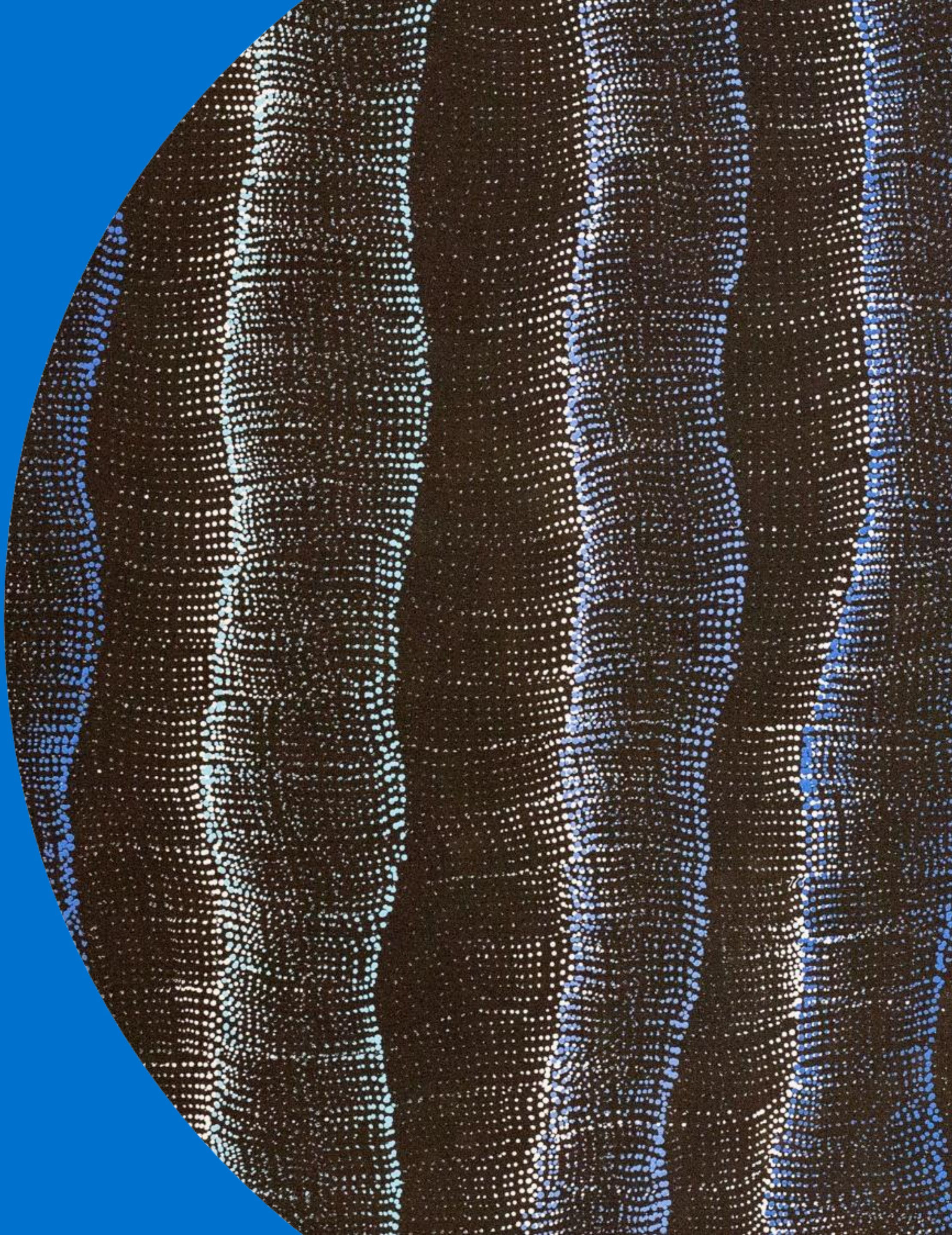
Acknowledgement of Country



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Key Outcomes from Parallel Run 1

Key Outcomes from Parallel Run 1

Strong Industry Engagement Marks First IRRBB Parallel Run a Success

Strong Industry Engagement and Participation

- Nearly all ADIs (138 out of 140) participated in the first IRRBB parallel run, demonstrating exceptional industry commitment and readiness for regulatory change.
- This high level of engagement has set a strong foundation for the next phase of implementation, reflecting the sector's proactive approach to regulatory compliance.

Effective Stakeholder Collaboration

- Ongoing collaboration between ADIs, industry bodies, and APRA has been central to resolving issues quickly, building trust, and improving reporting processes.
- Feedback and insights from industry participants have directly shaped the approach for Parallel Run 2, ensuring that the process is practical and responsive to real-world challenges.

Valuable Insights for Future Readiness

- The first parallel run provided a live environment to test systems, processes, and data quality, allowing ADIs to identify and address challenges early.
- Lessons learned are now being used to refine approaches for Parallel Run 2, including minor system changes such as additional validation rules and refined metrics calculations.
- These improvements are designed to ensure a smooth transition to full implementation and ongoing compliance with the uplifted IRRBB standards.

Minor Amendments to Reporting Standards ARS 117.0 and ARS 117.1

Removal of ISO 4217 Currency Code Requirement – currently being scheduled

- The requirement to use ISO 4217 currency codes for validation purposes in ARS 117 has been removed.
- This amendment will allow Authorised Deposit-taking Institutions (ADIs) to report exposures in currencies not included in the ISO standard, such as CNH.
- Until this change occurs, please report CNH in CNY category.

Introduction of New Validation Rule for Transaction Accounts

- A new validation rule is being introduced for **ARS 117.0 for "Deposit – Transaction Accounts."**
- This rule will alert entities when the repricing profile for these accounts exceeds one month, as transaction accounts are generally expected to be repriced on an overnight basis.

Policy on Extension Requests

- APRA is committed to a smooth transition to live reporting. With ample time provided for testing and parallel runs, extension requests will generally be considered only in exceptional circumstances.
- If you anticipate any challenges, please reach out to us as early as possible.

Parallel Run 2:
What ADIs Need to Know

Data Quality and Submission Requirements

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.

Links to 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 Supporting Material

Support Materials

- Accessing APRA Connect
- Support Material
- 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.

APRA Connect Environments

The APRA Connect portal is the production environment through which entities submit their live production data..

The Entity Test Environment is also available for entities to use for testing and familiarisation.

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

Questions from ADIs:
Parallel Run 2

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
Validation & Technical Issues	How to provide comments on validation issues if the system seemingly does not allow?	Comments should be provided at the final step prior to submission. This occurs after pressing the Validate and Submit button in the UI.
	Why do validation errors persist after switching to manual entry?	Validation errors from file uploads remain after the data are corrected in the User Interface. Entities can correct data in their upload files and process them again to remove the errors from the return.
	ARF117.1 Table 6 - 'IRRBB model changes' is currently a mandatory table and therefore needs to be populated before the return can be submitted. Would it be possible to make the table non-mandatory given that there may be no model changes during the quarter?	Entities are only required to open the table, validate and save - they don't need to enter anything. Users should: 1. Open the table in APRA Connect. 2. Click "Edit." 3. Then "Validate & Save" without adding rows. This allows submission without populating the table unnecessarily.

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
117.0 submission requirements	Key changes in ARF117.0 submission	a) Expected Repricing Analysis (table 2 of 117.0): An ADI is not required to submit Table 2 if the ADI does not conduct behavioural modelling. b) Interest Cash Flow Type is optional for non-SFIs. c) 117.0 table 3: ADIs need to calculate and submit interest rate sensitivities under 6 rate scenarios.
	Should the 117.0 returns reconcile to a statutory balance sheet, with any difference being reported within ARF117.0?	No. Note the distinction between a repricing balance sheet and an accounting balance sheet. Traded vs Non-traded.
	How should Commodities such as gold be reported?	FX/Commodities positions (e.g. physical gold or gold derivatives) should be reported in ARF116.

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
117.0 submission requirements	Treatment of general / individual provision such as credit impairment reserve on bad/ non-performing loans	Provisions can be reported under 'Other Assets/Liabilities' in the 'Non-Rate Sensitive' bucket. It does not contribute to the repricing gap calculation. No change to loan repricing.
	Gross Notional vs Net Notional after adjustments such as Premium/Discount, Fees, Fair Value adjustments	Only the gross notional amount of a bond / a loan should be reported.
	Repricing term for variable rate home loans	Variable rate home loans should be included in the "Overnight (O/N)" time bucket, unless an ADI can demonstrate otherwise statistically.
	Signage of Asset / Liabilities	Assets are generally expected to be positive and liabilities negative. Provide a reason for any valid exception.
	Are SFIs without IRRBB model approval required to complete APS 330 IRRBB disclosures?	Yes, SFIs are subject to the reporting requirements in APS 330.

Key Observations

In the upcoming slides, we will present some observations and highlight common errors regarding the Parallel Run 1 submissions for ARS 117.0.

Core Deposit Reporting

APRA is introducing a new validation rule for transaction accounts.
A warning message will appear if the entered balance exceeds one month or falls within the non–rate-sensitive bucket. When this warning is displayed, you must provide an explanation.

Additionally, an entity is only required to complete the deposit replicating portfolio if a behavioural analysis is conducted. The next slide reinforces this requirement.

Incorrect

	Total	O/N	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months	1 to < 2 years	2 to < 3 years	3 to < 4 years	4 to < 5 years	.....	Non Rate Sensitive
Deposit - Transaction Accounts	-5,000	-200	-300	-300	-300	-300	-300	-300	-1,000	-1,000				-1,000
Deposit - Savings Accounts	-3,000	-100	-100	-200	-200	-200	-200	-200	-900	-900				
Deposit Replicating Portfolio														

Two issues

1. Behaviouralised deposit cash flow should be reported in Deposit Replication Portfolio instead of Transaction / Savings Accounts

2. Transaction accounts are generally expected to be in O/N bucket, not Non-Rate Sensitive bucket.

Correct

	Total	O/N	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months	1 to < 2 years	2 to < 3 years	3 to < 4 years	4 to < 5 years	.....	Non Rate Sensitive
Deposit - Transaction Accounts	-5,000	-5,000												
Deposit - Savings Accounts	-3,000	-2,000	-1,000											
Deposit Replicating Portfolio - Table 1	0	6,000	-240	-300	-300	-600	-600	-720	-1,620	-1,620				
Deposit Replicating Portfolio - Table 2	0	6,000	-240	-240	-240	-240	-240	-600	-600	-1,200	-1,200	-1,200		

1. Transaction / Savings Accounts only capture contractual deposit cash flow in 117.0 table 1.

2. Deposit Replication Portfolio captures behaviouralised cash flow. (3 yr APRA prescribed vs 5 yr internal modelled assumptions)

Deposit Repricing Portfolio

Allocation methodology of ***core deposit*** *balance to the repricing time buckets*

Class of ADI	Table 1	Table 2
Bank – Advanced	Internal behavioural assumptions (as per the ***Approved IRRBB model***)	Internal behavioural assumptions
All other ***ADIs*** (except PPFs) who:		
• conduct behavioural analysis to determine core/non-core deposits	APRA prescribed	Internal behavioural assumptions
• *do not* conduct behavioural analysis to determine core/non-core deposits	None*	None*

****ADIs*** that do not conduct behavioural analysis to determine core/non-core deposits should not report a ***deposit replicating portfolio*** in Table 1 nor Table 2.

Advanced Banks:
Internal behavioural assumptions should be applied to both Table 1 and Table 2.

Other ADIs fall into two categories:

1. Entities that conduct behavioural analysis to determine the core/non-core split should use APRA prescribed assumptions for Table 1, and internal core deposit repricing assumptions for Table
2. Entities that do not conduct behavioural analysis are not required to complete the deposit replication portfolio in either Table 1 or Table 2.

Expected Repricing Cash Flow – 117.0 Table 2

It has been noted that some ADIs are only entering repricing items subject to behavioural assumptions.

- For example, in the table shown to the left, only personal loans have been reported, while all other items remain blank.
- This approach is incorrect. Table 2 should be completed for all repricing items, as is done for Table 1, with adjustments made only where expected cash flows differ from contractual cash flows. The entire balance sheet must be captured, not just the changes from Table 1.
- It is also important to note that Table 2 is optional for non-SFIs.

Incorrect Reporting

Asset	Overnight	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months
Notes & coins, Deposits with Central Ba							
Australian Government Securities							
Australian State Government or Territory							
Securities issued by foreign sovereigns							
Bank and Financial Institution Securities							
Corporate Securities							
Mortgage and Asset Backed Securities							
Money Market Securities							
Home Loan - Fixed Rate							
Home Loan - Variable Rate							
Business Loan - Fixed Rate							
Business Loan - Variable Rate							
Credit Cards							
Personal Loans	5,000	300	400	400	500	500	600
Asset And Lease Financing							
Inter-company Loans							
Other Loans and Advances							
Other Assets							
Total Assets	5,000	300	400	400	500	500	600

Correct Reporting

Asset	Overnight	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months
Notes & coins, Deposits with Central	5,000						
Australian Government Securities	1,000	200	400	5,000	6,000	2,000	5,000
Australian State Government or Territ	1,000	200	400	5,000	6,000	2,000	5,000
Securities issued by foreign sovereign	300	500	600	7,000			
Bank and Financial Institution Securities			3,000	6,000			
Corporate Securities			5,000	6,000			
Mortgage and Asset Backed Securitie							
Money Market Securities	1,000	5,000	2,000	1,000	600	500	600
Home Loan - Fixed Rate	25,000	10,000	4,000	2,000	1,200	1,000	1,200
Home Loan - Variable Rate	24,060						
Business Loan - Fixed Rate	25,000	10,000	4,000	2,000	1,200	1,000	1,200
Business Loan - Variable Rate	27,000						
Credit Cards							
Personal Loans	5,000	300	400	400	500	500	600
Asset And Lease Financing							
Inter-company Loans		5,000					
Other Loans and Advances							
Other Assets							
Total Assets	114,360	31,200	19,800	34,400	15,500	7,000	13,600

Direction of Swap Cash Flow

A key point to note is the correct reporting of cash flow direction for derivatives, particularly swaps. It is essential to ensure that the signage (positive or negative values) accurately reflects the nature of each cash flow.

Incorrect Example:
The upper table demonstrates an error where both a pay fixed swap and a receive fixed swap are reported with the same signage—negative values up to three months and positive values in the longer term. This approach is incorrect, as the direction of cash flows for pay and receive swaps should be opposite.

Correct Reporting:
The lower table provides two correct examples:

1. **Pay Fixed Swap (Floating Leg Resets Monthly):**
   - The pay fixed leg should be reported as a negative value in the 2-year time bucket.
   - The floating leg notional should be reported as a positive value in the 1-month bucket.
2. **Receive Fixed Swap (Floating Leg Resets Every 3 Months, Fixed Leg Matures in 3 Years):**
   - The receive fixed leg should be reported as a positive value in the 3-year bucket.
   - The floating leg notional should be reported as a negative value in the 3-month bucket.

It is important to ensure that the signage of each cash flow is consistent with the underlying transaction type, as this impacts the accuracy of risk reporting and analysis.

Incorrect Reporting	Total	Overnight	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months	1 to < 2 years	2 to < 3 years	3 to < 4 years	4 to < 5 years	5 to < 7 years
Derivatives and Other Commitments													
Interest rate - swaps (pay fixed)	0	-5,000,000	-5,000,000	-5,000,000	-5,000,000	1,000,000	2,000,000	4,000,000	4,000,000	4,000,000	2,000,000	3,000,000	
Interest rate - swaps (receive fixed)	0	-10,000,000	-10,000,000	-10,000,000	-10,000,000	2,000,000	4,000,000	8,000,000	8,000,000	8,000,000	4,000,000	6,000,000	

Correct Reporting	Total	Overnight	0 to <1 month (excluding O/N)	1 to < 2 months	2 to < 3 months	3 to < 6 months	6 to < 9 months	9 to < 12 months	1 to < 2 years	2 to < 3 years	3 to < 4 years	4 to < 5 years	5 to < 7 years
Derivatives and Other Commitments													
Interest rate - swaps (pay fixed)	0			5,000,000						-5,000,000			
Interest rate - swaps (receive fixed)	0	0	0		0	-10,000,000	0	0	0		10,000,000	0	

ARS 117.0 Questions?

Key Themes and Questions raised by Industry

Theme	Industry Question	Answer
117.1 submission requirements	How to report CNH (offshore CNY) exposures?	Until taxonomy is updated, report CNH exposures under CNY. APRA intends to allow separate reporting in future.
	For ARF117.1 Table 4, should ADIs report each business day within the 10-business days holding period or just report the start and end date of the period?	Please only report the start and end date of the period.

Cross validation from ARS 117.1 to ARS 110 for Total RWA

This change only impacts ADIs with IRRBB model approval.

- **When 117.1 goes live for submissions for periods ending on or after 31 December 2025,** the risk-weighted assets equivalent amount of the IRRBB capital requirement reported in ARS 110, will be validated against the IRRBB Capital Charge value submitted in ARS 117.1.

- Please ensure that at go live, **117.1 is submitted before 110**, as the order of submission is important for a smooth process.

- The finalised Reporting Standard ARS 110.0 Capital Adequacy and a letter to industry about these changes can be found on the APRA website.

- If you have any questions, please contact APRA via dataanalytics@apra.gov.au.

Next Steps and Closing

Need more help?

If you have any follow-up questions or need assistance during the second parallel run, please reach out to us at:

dataanalytics@apra.gov.au

Thank you