Attachment A: Proposed revisions

APS 110 Capital Adequacy

APRA proposes to update APS 110 to replace the term '*securitisation'* with *'securitised'*. This change is to clarify that it is not APRA's intention to imply retained securitisation exposures can be omitted from calculation of the leverage ratio, but instead it is the securitised exposure that can be omitted.

Attachment D – Leverage Ratio

2. Unless otherwise specified in this Attachment, an ADI must follow Australian Accounting Standards in calculating its exposure measure, subject to the following:

a) physical or financial collateral, guarantees or other credit risk mitigation techniques must not be taken into account by an ADI to reduce the exposure measure;
b) netting of assets and liabilities is not permitted; and
c) ~~securitisation~~ securitised exposures which meet the operational requirements for regulatory capital relief, as set out in APS 120, may be excluded from the exposure measure. All other securitisation exposures, including funding-only and synthetic securitisations, must be included in the exposure measure.

APS 112 Capital Adequacy: Standardised Approach to Credit Risk

APRA proposes to amend APS 112 to remove and/or replace references to the term 'Tier 1' with Common Equity Tier 1. This change follows the removal of Additional Tier 1 Capital and is part of a suite of changes to update references outlined in APRA's 4 December 2025 letter.[1]

APRA also proposes to amend APS 112 to clarify the prudential treatment of trail commission assets for Standardised ADIs. This update will clarify that ADIs are permitted to net trail commission assets under specific conditions.[2]

11. The following items are excluded from the scope of this Prudential Standard:

a) assets or investments that are required to be deducted from Common Equity Tier 1 Capital, ~~Tier 1 Capital,~~ or Total Capital under Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (APS 111);

19. An ADI must calculate the RWA of an on-balance sheet exposure by multiplying the current book value[Footnote] of the exposure (including accrued interest or revaluations, and net of any provisions for defaulted exposures, partial write-off or associated depreciation) by the relevant risk weight. Where an ADI has liquid assets [4] accounted for at amortised cost, the ADI may adjust its exposures for deductions from Common Equity Tier 1 Capital to reflect unrealised fair value losses at a portfolio level as allowed under paragraph 41 of Attachment D to APS 111.

Footnote: When determining the current book value of the exposure, an ADI is permitted to net the trail commission asset with its corresponding liability, provided the following conditions are met: (i) the trail commission asset must only reflect expected future trail commissions payable; (ii) the trail commission asset must be extinguished upon loan default, refinancing (or under any other conditions or events specified in the contract); and (iii) the trail commission asset cannot be less than the corresponding liability, and no net positive impact on Common Equity Tier 1 capital occurs.

40. Where an ADI is exposed to residual value risk, such as when it acts as the lessor in operating leases, it must measure the aggregate residual value and apply the risk weights in Table 15 to the residual value of its leased assets.

Table 15. Risk weights for residual value under lease exposure

[1] Finalising the removal of Additional Tier 1 capital | APRA
[2] Capital treatment of trail commission for authorised deposit-taking institutions using Standardised Approach to Credit Risk | APRA

	Risk weight (%) applying to the portion of aggregate residual value ≤ 10% of Common Equity Tier 1 capital	Risk weight (%) applying to the portion of aggregate residual value > 10% of Common Equity Tier 1 capital
Exposures to residual value	100	250

APG 112 Capital Adequacy: Standardised Approach to Credit Risk

APRA proposes to amend APG 112 to remove and/or replace references to the term 'Tier 1' with Common Equity Tier 1. This change follows the removal of Additional Tier 1 Capital and is part of a suite of changes to update references, aligning with changes to APS 112.

50. APS 112 (Attachment B, paragraphs 34-35) defines equity exposures on the basis of the economic substance of the instrument. For example, an instrument with the same structure as those permitted as Common Equity Tier 1 Capital for an ADI may be categorised as an equity exposure. In addition, where an instrument embodies an obligation on the part of the issuer, the presence of any of the following factors would typically indicate the exposure has the economic substance of an equity exposure:

Attachment C – Summary of risk weights

Risk weight (%)	(%)	APS 112 Ref.
Lease exposures		
Residual value ≤10% Common Equity Tier 1 Capital	100	Table 15
Residual value >10% Common Equity Tier 1 Capital	250	Table 15

APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk

APRA proposes to amend APS 113 to remove and/or replace references to the term 'Tier 1' with Common Equity Tier 1. This change follows the removal of Additional Tier 1 Capital and is part of a suite of changes to update references that were outlined in APRA's 4 December 2025 letter.[1]

11. The following items are excluded from the scope of this Prudential Standard:

a) non-standard retail residential mortgage exposures,[2] equity exposures, margin lending exposures, cash items, fixed assets, unsettled and failed transactions, and related-party exposures that are subject to the requirements of *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112);
b) assets or investments that are required to be deducted from **Common Equity Tier 1 Capital**, ~~Tier 1 Capital~~ or **Total Capital** under *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital* (APS 111);

Attachment A – IRB risk-weight functions

21. For leases that expose an ADI to residual value risk, the discounted lease payment stream must be risk weighted according to the PD and LGD the ADI assigns to the lessee, and the aggregate residual value of all lease exposures must be risk weighted according to Table 2.

Table 2. Risk weights for residual value under lease exposures

	Risk weight (%) applying to the portion of aggregate residual value ≤ 10% of Common Equity Tier 1 capital	**Risk weight (%) applying to the portion of aggregate residual value > 10% of Common Equity Tier 1 capital**
Exposures to residual value	100	250

APS 120 Securitisation

APRA proposes to amend APS 120 to increase the credit conversion factor from zero to 10 per cent. This change was part of the Basel III framework, which removed the zero per cent unconditionally cancellable credit conversion factor (CCF). However, it was inadvertently omitted from the package of consequential amendments to APS 120. This oversight was revealed in the Basel Committee's currently underway RCAP review of Australia's implementation of the leverage ratio. The proposed amendment would remedy this oversight and ensure compliance with this part of Basel III.

44. An ADI must measure the exposure amount of its off-balance sheet securitisation exposures as follows:

a) for off-balance sheet exposures subject to CRM, the treatment in paragraphs 45 to 50;
b) for derivatives transactions other than credit derivatives, the measurement approach that applies to the ADI under APS 112;
c) for undrawn servicer cash advances that meet the requirements of paragraph 3 of Attachment D, by applying a credit conversion factor (CCF) of ~~zero~~ 10 per cent; and
d) for all other exposures, by applying a CCF of 100 per cent.

APS 210 Liquidity[3]

APRA proposes to amend APS 210 to reflect the RBA's decision to remove repo-eligible securities from its eligibility list as soon as they enter their closed-book period. This change will allow MLH ADIs to continue recognising debt securities that have been removed from the repo-eligible list due to entering their closed-book period. This change is intended to provide clarity and flexibility to MLH ADIs.

Attachment B

3. All debt securities must be eligible for repurchase agreement with the RBA[FN] and must not be subordinated.

Footnote: Where the RBA deems a debt security ineligible for repurchase agreement because it has entered its books-closed period to maturity, ADIs may continue to treat that security as repo-eligible for the purpose of meeting the MLH requirement.

APG 220 Credit risk management

APRA proposes to amend APG 220 to clarify which concessions will trigger APRA's definition of a restructured exposure, and for the appropriate credit evaluation for borrowers experiencing financial difficulty, aligning with the existing intent of APS 220.

Restructured exposures

99. Under paragraph 13(c) of APS 220, an exposure is restructured where a borrower is in financial difficulty and an ADI grants a concession that it would not otherwise consider. ~~These concessions would typically not be commercially available to borrowers in good financial standing.~~ Under APS 220, the definition of 'restructur~~ing~~ed' applies to all types of credit exposures, including loans, debt securities and off-balance sheet items such as loan commitments and financial guarantees.

102. APRA's intent is to ensure that a measured and consistent approach is taken to borrowers experiencing financial difficulty or hardship. APRA considers that any concession offered to a borrower experiencing financial difficulty or hardship that would not otherwise be offered to a borrower in good financial standing, would meet the definition in paragraph 13(c). The following table provides examples of possible concessions offered by ADIs to borrowers experiencing financial difficulty or hardship and APRA's expectations of their classification for prudential purposes.

Table 2. Examples of concessions offered to borrowers and classification

[3] Clarification of eligible liquid assets for meeting liquidity requirements | APRA

Rescheduling the dates of principal or interest payments, other than minor changes to payment frequency within contractual terms.	Restructured
Granting new or additional periods of non-payment	Restructured
Changing an amortising loan to an interest only payment for a short period (e.g. 12 months)	Not restructured
Capitalising arrears	Restructured

104. Paragraph 98 of APS 220 requires restructuring of an exposure to be supported by a current, well-documented credit evaluation of the borrower's financial condition and prospects for repayment under the modified terms.

105. Given the nature of financial difficulty or hardship events in retail lending, it is appropriate for ADIs to take a proportionate and flexible approach to their credit evaluation for these cases, in consideration of borrower circumstances.

106. In these cases, APRA expects a prudent ADI would provide appropriate concessions that support and facilitate good borrower outcomes. For example, an ADI may take a proportionate approach to credit evaluation for an initial period (e.g. up to three months) where a retail borrower experiences financial difficulty or hardship for the first time due to an unforeseen event (e.g. unemployment, illness, reduced income) and has otherwise been in good financial standing. However, if the borrower continued to experience financial difficulty or hardship once the initial financial difficulty or hardship event was resolved (e.g. the borrower has resumed employment, but financial difficulty or hardship persists), APRA would expect the ADI to undertake a more fulsome credit evaluation.

GPS 114 Capital Adequacy: Asset Risk Charge

APRA proposes to amend GPS 114 to include a grace period to facilitate the inclusion of additional collateral for reinsurance recoveries after the second balance date of an event. This change is intended to provide more time to reduce burden and address an industry pain point.

75. The default factors for reinsurance recoverables from non-APRA-authorised reinsurers arising under reinsurance contracts incepting on or after 31 December 2008 are as specified in Table 4 below (in replacement of those specified in Table 2 in paragraph 68) to each reinsurance recoverable on and from the second annual balance date after the event giving rise to the reinsurance recoverable occurred.[8]

This treatment applies only to the extent that the reinsurance recoverables are not supported by collateral, a guarantee or a letter of credit as specified in Attachment B.[9] Where, at the latest annual balance date on or after the second annual balance date following an event, there is an increase in reinsurance recoverables, the increased amount may be treated as supported where the relevant collateral, guarantee or letter of credit is put in place within 20 business days after that annual balance date.

GRS 114.1 Assets by Counterparty Grade

APRA proposes to amend GRS 114.1 and GRS 114.1.G to include a grace period to facilitate the inclusion of additional collateral for reinsurance recoveries after the second balance date of an event, in line with the proposed changes to GPS 114.

Definitions

Reinsurance recoverables on outstanding and paid claims: from non-APRA-authorised reinsurers that are amounts outstanding on and from the second balance date - supported by security arrangements in Australia	This is the value of reinsurance recoverables on outstanding and paid claims: from non-APRA-authorised reinsurers that are amounts outstanding on and from the second balance date, where there is collateral, a guarantee or a letter of credit supporting the reinsurance recoverables. This item does not include amounts under reinsurance contracts that do not meet the reinsurance documentation test or governing law requirements under GPS 230. The categorisation is in accordance with the requirements for reinsurance recoverables from non-APRA-authorised reinsurers on and from the second annual balance date in GPS 114.
Reinsurance recoverables on outstanding and paid claims: from non-APRA-authorised reinsurers that are amounts outstanding on and from the second balance date – not supported by security arrangements in Australia	This is the value of reinsurance recoverables on outstanding and paid claims: from non-APRA-authorised reinsurers that are amounts outstanding on and from the second balance date, where there is no collateral, guarantee or letter of credit supporting the reinsurance recoverables. This item does not include amounts under reinsurance contracts that do not meet the reinsurance documentation test or governing law requirements under GPS 230. The categorisation is in accordance with the requirements for reinsurance recoverables from non-APRA-authorised reinsurers on and from the second annual balance date in GPS 114.

GPS 115 Capital Adequacy: Insurance Risk Charge

APRA proposes to amend GPS 115 to clarify that the insurance risk charge is not permitted to be less than zero. The current wording suggests that the insurance risk charge can be less than zero. This would be an anomalous outcome that is inconsistent with the policy intent of the provision.

Outstanding Claims Risk

9. For the purposes of the Standard Method, the risk charge for each class of business is calculated by multiplying the net outstanding claims liabilities for that class (as determined in accordance with GPS 340) by the relevant Outstanding Claims Risk Capital Factor in Attachment A. The risk charge for each class of business cannot be less than zero. The total risk charge for outstanding claims risk is the sum of the risk charges for each class of business.

Premiums Liability Risk

11. For the purposes of the Standard Method, the risk charge for each class of business is calculated by multiplying the sum of:

a) net premiums liabilities as determined in accordance with GPS 340; and
b) material net written premiums

by the relevant Premiums Liability Risk Capital Factor in Attachment A. The risk charge for each class of business cannot be less than zero. The total risk charge for Premiums Liability Risk is the sum of the risk charges for Premiums Liability Risk for each class of business.

LPS 230 Reinsurance Management

APRA proposes to amend LPS 230 to correct an internal paragraph cross-reference.

Attachment B – Referable Reinsurance Arrangements

5. At a minimum, the application for approval must include:

a) a draft contract wording or other draft proposed agreement and collateral or 'side' agreements, and any other documentation or information relevant to the transaction (including a written description of any verbal understandings and/or undertakings that are material to the operation of the arrangement);[6]
b) details of the proposed accounting treatment and the effect of the proposed arrangement on the statement of financial position[7], capital base and prescribed capital amount of the life company over the full period of the arrangement;
c) an explanation of how the proposed arrangement meets the criteria in paragraph ~~8~~7 of this Attachment and complies with the Act (for example sections 32 and 48 of the Act); and
d) a copy of any actuarial advice on the proposed arrangement.

HPS 114 Capital Adequacy: Asset Risk Charge

APRA proposes to amend HPS 114 to include a grace period, in line with the changes in GPS 114.

73. The default factors for reinsurance recoverables from non-APRA-authorised reinsurers arising under reinsurance contracts incepting on or after 31 December 2008 are as specified in Table 4 below (in replacement of those specified in Table 2 in paragraph 66) to each reinsurance recoverable on and from the second annual balance date after the event giving rise to the reinsurance recoverable occurred.[7] This treatment applies only to the extent that the reinsurance recoverables are not supported by collateral, a guarantee or a letter of credit as specified in Attachment B.[8] Where, at the latest annual balance date on or after the second annual balance date following an event, there is an increase in reinsurance recoverables, the increased amount may be treated as supported where the relevant collateral, guarantee or letter of credit is put in place within 20 business days after that balance date.

HPS 115 Capital Adequacy: Insurance Risk Charge

APRA proposes to amend HPS 115 to clarify that the insurance risk charge is not permitted to be less than zero. The current wording suggests that the insurance risk charge can be less than zero. This would be an anomalous outcome that is inconsistent with the policy intent of the provision.

Outstanding Claims Risk

11. The risk charge is calculated by multiplying the outstanding claims liabilities excluding claims settled but not yet paid by the **Outstanding claims risk size margin** defined in paragraph 13. The risk charge cannot be less than zero.

Premiums Liability Risk

14. The Premiums Liability Risk Charge relates to the risk that the value of the premiums liabilities will be greater than the value determined in accordance with HPS 340. The Premiums Liability Risk Charge is calculated as:

$$\mathrm{PLRC_{HIB}} + \mathrm{PLRC_{HRIB}}$$

Where:

(a) $\mathrm{PLRC_{HIB}}$ is the Premiums Liability Risk Charge of the health insurance business and is calculated as:

$$\mathrm{PL_{HIB}} \times \text{HIB Stress \%}$$

Where:

(i) $\mathrm{PL_{HIB}}$ is the health insurance business premiums liabilities determined in accordance with HPS 340.
(ii) HIB Stress % is defined in paragraph 14 (c)
(iii) $\mathrm{PLRC_{HIB}}$ cannot be less than zero.

(b) $\mathrm{PLRC_{HRIB}}$ is the Premiums Liability Risk Charge of the health-related insurance business and is calculated as:

$PL_{HRIB} \times$ HRIB Stress %

Where:

(i) PL_{HRIB} is the health-related insurance business premiums liabilities determined in accordance with HPS 340.

(ii) HRIB Stress % is as defined in paragraph 14 (d)

(iii) $PLRC_{HRIB}$ cannot be less than zero.

Changes to reporting standards

Please refer to the attached marked-up versions of the reporting standards to view the specific proposed changes.

Post-implementation updates to Superannuation Data Transformation (SDT) reporting standards

APRA has drafted changes to SDT reporting standards after feedback from industry. The changes are mostly to add specific items as part of the primary keys for select tables to prevent submission of duplicate rows of data.

APRA has also updated *Reporting Standard SRS 332.0 Expenses and Investment and Transaction Fees and Costs* (SRS 332.0) to remove the invalid option *ERF* from Table 3, column 2 and *Reporting Standard SRS 605.0 RSE Structure* (SRS 605.0) to add the option *Not applicable* to Table 1, column 5.

Reporting Standards *SRS 550.0 Asset Allocation, SRS 551.0 Liquidity, SRS 552.0 Securities Subject to Repurchase and Resale and Securities Lending and Borrowing,* and *SRS 553.0 Investment Exposure Concentrations and Valuations* (SRS 553.0) contain updates to their primary keys. APRA has also made minor edits to the SRS 553.0 instructions to correct typographical errors and provide clarity to entities for reporting.

Sunsetting reporting standards

APRA proposes remaking these reporting standards before they sunset with minor updates to the standard formatting and drafting used throughout Reporting Standards.

Sunsets 1 April 2027

- *Reporting Standard ARS 796.0 Points of Presence* (ARS 796.0)

Sunsets 1 October 2027

- *Reporting Standard ARS 731.1 International Banking Statistics - Location Data* (ARS 731.1)
- *Reporting Standard ARS 731.3A International Banking Statistics - Immediate and Ultimate Risk Exposures - Domestic Entity* (ARS 731.3A)
- *ARS 731.3B International Banking Statistics – Immediate and Ultimate Risk Exposures – Foreign Entity* (ARS 731.3B)
- *ARS 731.4 International Banking Statistics – Balance Sheet Items* (ARS 731.4).

No data items, instructions or reporting requirements for ARS 796.0 have been changed. In addition, APRA proposes incorporating corrections in the new versions of ARS 731.1, ARS 731.3A, ARS 731.3B, and ARS 731.4 previously discussed in the consultation Changes to banks' international exposures reporting requirements | APRA.

ARS 110.0: Stating calculation of IRRBB – Internal model approach capital requirement, Additional Tier 1 Capital instruction updates

APRA has updated *Reporting Standard ARS 110.0 Capital Adequacy* (ARS 110.0) Section B, Item 3.1 *Interest rate risk in the banking book – Internal model approach* to state this item is automatically calculated using the formula:

12.5 times Item 8: Total IRRBB Capital Charge from Table 2 of ARS 117.1 now that this change has been implemented.

APRA has also updated a mislabelled heading for Section A, item 1.1.2 and instructions that incorrectly specified how item 2.3 in Section A is calculated. The instructions now state that this item is calculated as the sum of the amounts reported in items 2.1.1 to 2.1.3.2 less the sum of amounts reported in items 2.2.1 to 2.2.4.

Interest Rate Risk in the Banking Book (IRRBB) currency list changes

APRA is updating *Reporting Standard ARS 117.0 Repricing Analysis* and *ARS 117.1 Interest Rate Risk in the Banking Book (IRRBB)* (ARS 117.1) to remove the requirement for ADIs to use the International Organization for Standardization's (ISO) currency code listing ISO-4217 for reporting currencies. This requirement allows ADIs to report currencies not included in ISO 4217, in line with other ADI reporting standards.

Post-implementation AASB 17 changes

After an industry query, APRA has updated *Reporting Standard GRS 114.0 Asset Risk Charge* to clarify the treatment of default stress asset risk charge on non-reinsurance recoveries receivable on outstanding claims liability. APRA has also updated the year options in Table 2, item 2 of *Reporting Standard GRS 440.0 Claims Development Tables* from listing specific years to years relative to the reporting period.

Changes to align with Prudential Standard updates

APRA has also made updates to *Reporting Standard ARS 112.0 Capital Adequacy: Standardised Approach to Credit Risk*, *Reporting Standard GRS 114.1 Assets by Counterparty Grade*, and *Reporting Standard GRS 114.1.G Assets by Counterparty Grade (Level 2 Insurance Group)* to align with changes to the corresponding prudential standards discussed above.

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 APRA-regulated 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.