

Financial Sector (Collection of Data) Determinations Nos. 37 to 40 of 2005 – reporting standards applying to authorised deposit-taking institutions

EXPLANATORY STATEMENT

Issued by the authority of the Australian Prudential Regulation Authority ('APRA')

Financial Sector (Collection of Data) Act 2001 ('FSCOD Act'), s13(1)(a) and s 15

Acts Interpretation Act 1901, s 33(3)

Subsection 13(1) of the FSCOD Act provides that APRA may, by writing, determine reporting standards that are required to be complied with by financial sector entities. Section 15 of the FSCOD Act gives APRA power to make a formal declaration of the date when reporting standards begin to apply. (Although s 15(2) provides for such declarations to be published in the *Gazette*, s 56(1) of the *Legislative Instruments Act 2003* provides that this requirement is fulfilled by registration on the Federal Register of Legislative Instruments.) Subsection 33(3) of the Acts Interpretation Act gives APRA power to revoke reporting standards so made.

Financial Sector (Collection of Data) Determinations Nos.37 to 39 of 2005 determine reporting standards which will apply to authorised deposit-taking institutions or ADIs (within the meaning of the *Banking Act 1959*). Determination No. 40 of 2005 revokes certain old reporting standards, which the new ones replace.

The old reporting standards were all amended by Financial Sector (Collection of Data) Determination No. 5 of 2004, and it is intended to consolidate those amendments in the new reporting standards. This will simplify compliance with the *Legislative Instruments Act 2003*.

The new reporting standards will have effect in respect of reporting periods ending on or after 30 June 2005. They will formally begin to apply (under s 15 of the FSCOD Act) on the later of 1 July 2005 and the date of registration on the Federal Register of Legislative Instruments. Each old reporting standard will be revoked on the date the new standard replacing it comes into effect.

Financial Sector (Collection of Data) Determination No. 37 of 2005: ARS 320.0 (2005) Statement of Financial Position (Domestic Books)

Data supplied under this reporting standard will be used by APRA in analysing an ADI's risk profile, growth and diversification in balance sheet structure and business. Each classification in the return will be used for specific analysis in APRA's analysis framework and will also be tracked over reporting periods. It will also be used to determine monetary aggregates on a monthly basis by the RBA and for the production of the Australian Financial Accounts by the ABS.

Financial Sector (Collection of Data) Determination No. 5 of 2004 varied the original ARS 320.0 (which had come into effect on 1 July 2003) to substitute a new reporting form, which collects more detailed information about the fixed and other assets of banks and other ADIs than the pre-2004 form. ARS 320.0 (2005) incorporates this new form.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 38 of 2005: ARS 322.0 (2005) Statement of Financial Position (Consolidated)

This standard, like the one it replaces, will be used as an integral component in APRA's off-site analysis framework, and will be used to enhance APRA's understanding of the profile of the consolidated ADI group, the risk profile, growth and diversification in balance sheet profile, including diversification in investments, strategic alliances and the interaction and contribution of group entities.

Financial Sector (Collection of Data) Determination No. 5 of 2004 varied the original ARS 322.0 (which had come into effect 1 July 2002) to substitute a new reporting form to enable the collection of more detailed information than the pre-2004 form about the fixed and other assets of ADIs on a group basis. ARS 322.0 (2005) incorporates this new form.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 39 of 2005: ARS 323.0 (2005) - Statement of Financial Position (Licensed ADI)

The purpose of this standard is to replace some sections of the Quarterly Economic Survey by the ABS. It will be used by APRA for prudential supervision purposes and by the ABS for production of the Australian National Accounts.

Financial Sector (Collection of Data) Determination No. 5 of 2004 varied the original ARS 323.0 (which had come into effect on 1 July 2002), to substitute a new form which will change reporting requirements for ADIs concerning fixed and other assets and provision for doubtful debts of credit unions and building societies. That Determination had also varied the original standard to measure compliance with the requirements contained in APS 111 Capital Adequacy: Measurement of Capital, and to confirm those entities which must provide the information under the standard on both a monthly and quarterly basis. ARS 323.0 (2005) incorporates all those amendments.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 40 of 2005

This revokes the reporting standards that are being replaced by those mentioned above. However, it is not intended to disturb any accrued obligations under an old reporting standard. If a reporting period for an ADI under one of the old standards ended before 30 June 2005, the insurer will still be required to report under that old standard. The new standards will apply in respect of reporting periods ending on or after 30 June 2005.

Consultation

The relevant Determinations replicate and consolidate existing reporting requirements under ARS 320.0 (2003), 322.0 and 323.0, as amended by Financial Sector (Collection of Data) Determination No. 5 of 2004. Accordingly it is relevant to refer to the consultations made in relation to the old reporting standards.

Preparation and consultation for the original versions of these standards began in 1999. APRA, ABS and RBA were consulted extensively with the-banking, credit union and building society industries (both regional and in Sydney and Melbourne), via presentations and one-on-one meetings on the proposed changes to the ADI reporting requirements.

Positive reactions were received with significant support for the overall objectives of modernisation and rationalisation. Banks were particularly enthusiastic about the possibility of reducing the frequency of reporting in some cases and the dropping of outmoded content in others.

Consultation on the implementation of the original reporting standards also took place with individual ADIs, either through letters, phone discussions, emails, on-site visits or a mixture of some or all of these means. All major industry bodies including Australian Bankers Association and Credit Union Services Corporation (Australia) Limited were consulted. All industry bodies consulted were supportive of the original standards when proposed.

Similarly, the Australian Securities and Investments Commission, the Australian Taxation Office, the Treasury, RBA and ABS were supportive of the original standards when proposed. The RBA and ABS agreed that APRA should be the central repository for the collection of financial sector data.

Initial consultations were undertaken between June and September 2003 in relation to the amendments effected by the Financial Sector (Collection of Data) Determination No. 5 of 2004 affecting capitalised expenses. Whilst this consultation paper focused on the prudential requirements, industry was also made aware that the proposed amendments would have ramifications for their reporting obligations under the ADI reporting framework.

Further consultation on the 2004 amendments commenced in March 2004, with a letter sent to all regulated ADIs. This letter included copies of the proposed amendments to the reporting forms and invited industry to comment on these changes. APRA received only a small number of formal responses from industry, none of which provided any compelling reasons for not making the change to the reporting form for 1 July 2004. APRA subsequently decided to delay the commencement of certain line items in the reporting forms until 1 July 2005. The new reporting standards give effect to that commencement date.

As the new reporting standards do not make any changes other than replicating and consolidating existing requirements and commencing the new requirements (in relation to which there was extensive consultation), APRA did not consider it necessary to undertake further consultation in relation to Financial Sector (Collection of Data) Determinations 37 to 40 of 2005.