# Financial Sector (Collection of Data) (reporting standard) determination No. 2 of 2014

# Reporting Standard ARS 210 Liquidity

# EXPLANATORY STATEMENT

# Prepared by the Australian Prudential Regulation Authority

# *Financial Sector (Collection of Data) Act 2001* section 13

# *Acts Interpretation Act 1901*, subsection 33(3)

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# Under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001 (the Act)*, APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities. Subsection 33(3) of the *Acts Interpretation Act 1901* provides that where an Act confers a power to issue an instrument the power shall, unless the contrary intention appears, be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to revoke any such instrument.

# On 4 April 2014, APRA made Financial Sector (Collection of Data) (reporting standard) determination No. 2 of 2014 (the instrument), which revokes Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2008 (which made *Reporting Standard ARS 210.0 Statement of High Quality Liquid Assets Calculation*) and determines a new *Reporting Standard ARS 210.0 Liquidity* (ARS 210.0).

# The instrument is to take effect on its date of registration on the Federal Register of Legislative Instruments.

# Background

# APRA’s mandate is to ensure the safety and soundness of prudentially regulated financial institutions so that they can meet their financial promises to depositors, policyholders and fund members within a stable, efficient and competitive financial system. In response to the global financial crisis, the Basel Committee on Banking Supervision developed and released global liquidity measures for internationally active banks, known as Basel III liquidity. APRA incorporated these measures in *Prudential Standard APS 210 Liquidity* (APS 210).

# Purpose and operation of the instrument

# The purpose of the instrument is to revoke the existing ARS 210.0 and replace it with a new version of ARS 210.0.

# ARS 210.0 collects information that will be used by APRA for the purpose of prudential supervision, including assessing compliance with APS 210. ARS 210 consists of a suite of five reporting forms that will collect information from authorised deposit-taking institutions (ADIs) and the non-operating holding company (NOHC) of an ADI in certain circumstances. The five forms and the associated reporting requirements of ARS 210.0 are:

# *Reporting Form ARF 210.1 Liquidity Coverage Ratio* is a new form that collects data required for calculation of the Liquidity Coverage Ratio (LCR). The form consists of four sections covering liquid assets, cash inflows, cash outflows and calculation of the LCR. This form will be required to be submitted on a quarterly basis for those ADIs requiring to submit the form;

# *Reporting Form ARF 210.2 Minimum Liquidity Holdings Ratio* amends the existing Reporting Form ARF 210.0 Statement of High Quality Liquid Assets Calculation to incorporate updated terminology and provide additional information necessary for the supervision of MLH ADIs — being an ADI required by APRA for liquidity purposes to comply with minimum liquidity holding requirements as outlined in APS 210 Attachment C.

# *Reporting Form ARF 210.3 Balance Sheet Maturity* is a new reporting form designed to facilitate the reporting of data required for balance sheet gap and maturity analysis. This information will assist APRA in monitoring the funding requirements of an ADI as well as the industry as a whole.

# *Reporting Form ARF 210.4 Balance Sheet Forecast* willprovide a high level snapshot of the forecast balance sheet of an ADI.

# 3. Consultation

# APRA has consulted extensively on its new liquidity requirements, including the liquidity reporting requirements. This consultation has been set out in three discussion papers and a final response paper:

# Discussion paper, *Implementing Basel III liquidity reforms in Australia*, November 2011;

# Discussion paper, *Liquidity reporting requirements for authorised deposit-taking institutions*, November 2012;

# Discussion paper, *Implementing Basel III liquidity reforms in Australia*, May 2013; and

# Response to Submissions, *Implementing Basel III liquidity reforms in Australia*, December 2013.

# 4. Regulation Impact Statement

# APRA prepared a Regulation Impact Statement that has been lodged as supporting material.

# 5. Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

# A Statement of compatibility prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided at Attachment A to this Explanatory Statement.

**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

**Overview of the Legislative Instrument**

The instrument revokes *Reporting Standard ARS 210.0 Statement of High Quality Liquid Assets Calculation* made under Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2008 and determines a new *Reporting Standard ARS 210.0 Liquidity* (ARS 210.0). ARS 210.0 aims to ensure that ADIs provide information to APRA necessary to allow it to assess compliance with *Prudential Standard APS 210 Liquidity*.

**Human rights implications**

APRA has assessed the instrument and is of the view that it does not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA’s assessment, the instrument is compatible with human rights.

**Conclusion**

The Legislative Instrument is compatible with human rights as it does not raise any human rights issues.