



Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2020

Reporting Standard ARS 222.2 Exposures to Related Entities – Step-in risk

Financial Sector (Collection of Data) Act 2001

I, John Lonsdale, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) DETERMINE *Reporting Standard ARS 222.2 Exposures to Related Entities – Step-in risk*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 January 2022.

This instrument commences on 1 January 2022.

Dated: 8 December 2020

[Signed]

John Lonsdale
Deputy Chair

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

financial sector entity has the meaning given in section 5 of the Act.

Schedule

Reporting Standard ARS 222.2 Exposures to Related Entities – Step-in risk comprises the document commencing on the following page.



Reporting Standard ARS 222.2

Exposures to Related Entities – Step-in risk

Objective of this reporting standard

This Reporting Standard sets out requirements for the provision of information to APRA relating to an authorised deposit-taking institution's exposures to step-in risk entities.

It includes *Reporting Form ARF 222.2 Exposures to related entities – Step-in risk* and associated specific instructions and must be read in conjunction with *Prudential Standard APS 222 Associations with Related Entities*.

Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

Purpose

2. Information collected under this Reporting Standard is used by APRA for the purpose of prudential supervision. It may also be used by the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS).

Application

3. This Reporting Standard applies to all locally incorporated authorised deposit-taking institutions (ADIs) with the exception of providers of purchased payment facilities (PPFs).

Commencement

4. This Reporting Standard commences on 1 January 2022 and applies to reporting periods ending on or after that date.

Information required

5. A locally incorporated ADI to which this Reporting Standard applies must provide APRA with the information required by *Reporting Form ARF 222.2 Exposures to Related Entities – Step-in Risk* (ARF 222.2) on a Level 1 basis for each reporting period.

Form and method of submission

6. The information required by this Reporting Standard must be given to APRA in electronic format, using the ‘Direct to APRA’ application or by a method (i.e. web-based solution) notified by APRA prior to submission.

Note: The Direct to APRA application software (also known as D2A) may be obtained from APRA.

Reporting periods and due dates

7. Subject to paragraph 9 of this Reporting Standard, an ADI to which this Reporting Standard applies must provide the information required by this Reporting Standard in respect of each financial year (within the meaning of the *Corporations Act 2001*) of the ADI.
8. Subject to paragraph 10 of this Reporting Standard, the information required by this Reporting Standard must be provided to APRA within 28 calendar days after the end of the reporting period to which the information relates.
9. APRA may change the reporting periods, or specified reporting periods, for a particular ADI, to require it to provide the information required by this Reporting Standard more frequently, or less frequently, having regard to:
 - (a) the particular circumstances of the ADI;
 - (b) the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
 - (c) the requirements of the RBA and the ABS.
10. APRA may grant an ADI an extension of a due date in which case the new date will be the date specified in the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an ADI is nonetheless required to submit the information required no later than the due date.

Quality control

11. All information provided by an ADI under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the external auditor of the ADI as set out in *Prudential Standard APS 310 Audit and Related Matters*. Relevant standards and guidance statements issued by the Auditing and Assurance Standards Board provide information on the scope and nature of the review and testing required from external auditors. This review and testing must be done on an annual basis or more frequently if necessary to enable the external

auditor to form an opinion on the accuracy and reliability of the information provided by an ADI under this Reporting Standard.

12. All information provided by an ADI under this Reporting Standard must be subject to systems, processes and controls developed by the ADI for the internal review and authorisation of that information. These systems, processes and controls are to assure the completeness and reliability of the information provided.

Authorisation

13. When an officer of an ADI submits information under this Reporting Standard using the D2A application or other method notified by APRA, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.

Minor alterations to forms and instructions

14. APRA may make minor variations to:
 - (a) a form that is part of this Reporting Standard, and the instructions to such a form, to correct technical, programming or logical errors, inconsistencies or anomalies; or
 - (b) the instructions to a form, to clarify the application to the form,without changing any substantive requirement in the form or instructions.
15. If APRA makes such a variation, it must notify each ADI that is required to report under this Reporting Standard.

Interpretation

16. In this Reporting Standard:

AASB has the meaning given in section 9 of the *Corporations Act 2001*.

ADI means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

APRA means the Australian Prudential Regulation Authority established under the *Australian Prudential Regulation Authority Act 1998*.

due date means the last day of the 28 calendar days provided for in paragraph 8 or, if applicable, the date on a notice of extension given under paragraph 10 of this Reporting Standard.

Level 1 has the meaning given in *Prudential Standard APS 001 Definitions*.

locally incorporated means incorporated in Australia or in a State or Territory of Australia, by or under a Commonwealth, State or territory law.

provider of purchased payment facilities means an ADI that is subject to a condition on its authority under section 9 of the *Banking Act 1959* confining the

banking business that the ADI is authorised to carry on to providing purchased payment facilities.

reporting period means a financial year as provided for in paragraph 7 or, if applicable, the period specified in a notice given under paragraph 9 of this Reporting Standard.

17. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard or Australian Accounting or Auditing Standard is a reference to the instrument as in force or existing from time to time.
18. Where this Reporting Standard provides for APRA to exercise a power or discretion, the power or discretion is to be exercised in writing.

ARF_222_2: Exposures to related entities – Step-in risk

Australian Business Number	Institution Name
Reporting Period	Scale Factor
Annually	Whole dollars with no decimal place
Reporting Consolidation	
Level 1	

Section A: Step-in risk entities

1. Step-in risk entities of the ADI

Step-in risk entity name (1)	Legal Entity Identifier (2)	Total assets (3)	Has total assets been estimated? (4)	Step-in risk entity category (5)	Step-in risk entity sector (6)	ADI's relationship with step-in risk entity (7)	Applicable indicators of step-in risk								
							Sponsorship (8)	Implicit support (9)	Reputational risk (10)	Liquidity stress (11)	Provision of assets or other financial services (12)	Share brand (13)	Historical support (14)	Other (15)	If column 15 equals yes – provide details (16)
			Yes	Regulated	Private non-financial businesses	Sponsor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
			No	Non-regulated	Public non-financial corporations	Debt investor	No	No	No	No	No	No	No	No	
					Central banks	Equity investor									

Banking institutions	Other
Registered financial corporations	
Central borrowing authorities	
Insurance corporations	
Superannuation funds	
Financial auxiliaries	
Securitisers	
Money-market investment funds	
Non-money-market financial investment funds	
Financial institutions n.e.c.	
National general government	
State, territory and local government	
Households	
Community service organisations	
Other	

Reporting Form ARF 222.2

Exposures to Related Entities – Step-in risk

Instruction Guide

This instruction guide is designed to assist in the completion of *Reporting Form ARF 222.2 Exposures to related entities – Step-in risk* (ARF 222.2). This form collects information on an authorised deposit-taking institution's (ADI's) exposures to related entities.

In completing this form, ADIs must refer to *Prudential Standard APS 222 Associations with Related Entities* (APS 222).

General directions and notes

Reporting entity

ARF 222.2 must be completed on a Level 1 basis by all ADIs, with the exception of:

- (a) foreign ADIs; and
- (b) providers of purchased payment facilities.

Securitisation deconsolidation principle

1. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under *Prudential Standard APS 120 Securitisation* (APS 120):
 - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes, irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes; and
 - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the ADI's reported amounts in APRA's regulatory reporting returns.
2. Where an ADI (or a member of its Level 2 consolidated group) participates in a securitisation that does not meet APRA's operational requirements for regulatory capital relief under APS 120, or the ADI undertakes a funding-only securitisation or synthetic securitisation, such assets are to be reported as on-balance sheet in APRA's regulatory reporting returns.

Reporting period

This form is to be completed as at the last calendar day of the financial year (within the meaning of the *Corporations Act 2001*) of the ADI.

Unit of measurement

ADIs must complete the form in whole Australian dollars (no decimal place).

Amounts denominated in foreign currency must be converted to AUD in accordance with *Accounting Standard AASB 121 The Effects of Changes in Foreign Exchange Rates (AASB 121)*.

Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

Legal Entity Identifier means a 20-digit, alpha-numeric code issued by a Local Operating Unit in accordance with the International Organization for Standardization's *International Standard ISO 17442*. The Global Legal Entity Identifier Foundation maintains a free online searchable database of Legal Entity Identifiers, available at <https://search.gleif.org/#/search/>.

Market prices means the value at which non-financial and financial assets are, or could be, exchanged for cash (currency or transaction deposits). They are the amounts of money that willing buyers pay to acquire something from willing sellers; the exchanges are made between independent parties and on the basis of commercial consideration only (i.e. at 'arm's length').

SPV means Special Purpose Vehicle.

Step-in risk entity has the meaning given in paragraph 8(h) of APS 222.

Step-in risk name means the legal name of the ***step-in risk entity***.

Step-in risk sector means the sector of the ***step-in risk entity***.

Step-in risk entity category

Regulated means the ***step-in risk entity*** is regulated by APRA or an equivalent prudential regulator overseas.

Non-regulated means the ***step-in risk entity*** is not regulated by APRA or an equivalent prudential regulator overseas.

Step-in risk entity sectors

Banking institution means an ADI or banking institutions authorised in another jurisdiction.

Central banks means central banks, including the RBA, Bank for International Settlements, the European Central Bank, and other official monetary authorities.

Central borrowing authorities means entities that primarily provide finance for public corporations and other units owned or controlled by an Australian or foreign government. They arrange the investment of surplus funds. ***Central borrowing authorities*** raise funds predominantly by issuing securities. They also engage in other intermediation activity for investment purposes, and may participate in the financial management activities

of the parent government. It includes all **central borrowing authorities** established by national, state, territory and regional governments.

Community service organisations means non-market operators providing goods and services to **households** for free or at prices that are not economically significant. Included here are **non-profit institutions (NPIs)** that are mainly financed from **household** member subscriptions and produce benefits primarily for the **household** members and NPIs credited for philanthropic purposes that are financed mainly from donations or government grants.

Financial auxiliaries means corporations and quasi-corporations engaged primarily in activities closely related to financial intermediation, but which do not themselves perform an intermediation role.

It includes fund managers as principal, stockbrokers, insurance brokers, investment advisors and corporations providing infrastructure for financial markets.

Financial institutions means **central banks, banking institutions, registered financial corporations, central borrowing authorities, insurance corporations, superannuation funds, financial auxiliaries, securitisers, money-market investment funds, non-money market financial investment funds, and financial institutions n.e.c.**

Financial institutions n.e.c. means any **financial institution** other than **central banks, banking institutions, registered financial corporations, central borrowing authorities, insurance corporations, superannuation funds, financial auxiliaries, securitisers, money-market investment funds, and non-money market financial investment funds.**

Households means persons whose dealings with other sectors are for personal or **housing** purposes.

Housing means transactions by **households** related to the provision of residential property for use by the **household** sector.

Housing includes transactions to finance or refinance the construction or purchase of newly erected dwellings or existing dwellings, alterations, additions and repairs or to purchase residential land.

It includes finance to the **household** sector, but excludes:

- finance to businesses that develop or purchase residential property; and
- finance that is secured against a residential property, but where the funds are used for a purpose other than housing.

Insurance corporations means:

- life insurance corporations registered under the *Life Insurance Act 1995*;
- general insurance corporations authorised under the *Insurance Act 1973* (or by virtue of determinations made by APRA under the *General Insurance Reform Act 2001*);
- private health insurance corporations registered under the *Private Health Insurance (Prudential Supervision) Act 2015*;
- the Export Finance Insurance Corporation;

- private sector and government-owned general and health insurance enterprises, both proprietary and mutual; and
- any overseas insurance corporation.

Money-market investment funds means collective investment schemes, such as cash management trusts and cash common funds. They raise funds by issuing shares or units to the public, either via a prospectus or a distribution channel such as a platform.

The proceeds are invested primarily in money-market instruments, money-market shares/units, and transferable debt instruments with a residual maturity of less than or equal to 12 months, deposits at banks, and instruments that pursue a rate of return that approaches the interest rates of money-market instruments.

National general government means national government departments and agencies whose principal function is to provide non-market goods and services, principally financed by taxes, for free or at a price well below the cost of production. These entities regulate economic activity, maintain law and order and redistribute income and wealth by means of transfers.

It includes:

- departments and agencies;
- national government unincorporated enterprises that provide goods and services to the government and/or to the public for free or at prices that are not economically significant (e.g. government employee cafeterias, munitions factories);
- **NPIs** controlled and mainly financed (other than by grants) by national governments;
- national government quasi-corporations that sell their output, at near **market prices**, exclusively to other government units (e.g. government printers and defence force housing schemes); and
- public universities.

It excludes:

- government trading enterprises. Report these under **public non-financial corporations** or **financial institutions** as appropriate;
- departments of the state and territory governments. Report these as **state, territory and local general government**;
- **Central banks** and national government **financial institutions**. Report these under **financial institutions** as appropriate; and
- **NPIs** credited for philanthropic purposes that are financed mainly from donations or government grants. Report these under **community service organisations**.

National government non-financial corporations means those businesses that are owned and controlled by national governments and that produce goods or non-financial services for sale at **market prices**.

It includes: all trading enterprises owned 50 per cent or more by a national government or controlled by a national government through legislation, decree or regulation.

Non-money market financial investment funds means collective investment schemes, such as trusts or corporations. They raise funds by issuing shares or units to the public, either via a prospectus or a distribution channel such as a platform.

The proceeds are used to purchase financial assets. The assets are owned by the investment fund and usually managed by licensed fund managers external to the fund. Investors are able to dispose of their units/shares on a well-developed secondary market such as a stock exchange or through readily accessible redemption facilities.

Non-profit institutions (NPIs) means any legal entity which:

- is created for the purpose of producing goods and services; and
- whose articles of association prohibit it from being a source of income, profit or other financial gain to the units that establish, control or finance the legal entity.

Other includes any ***step-in risk entity*** that is not a ***private non-financial business, public non-financial corporation, financial institution, household, or community service organisation***.

Other private non-financial corporations means corporations that are owned and controlled by the non-government sector, whose main activity is producing goods or non-financial services for sale at ***market prices***. They may be listed on stock exchanges or unlisted.

Private non-financial businesses means ***private non-financial investment funds, other private non-financial corporations*** and ***private unincorporated businesses***.

Private non-financial investment funds means collective investment schemes, such as trusts or corporations, in which investment funds are pooled and invested in predominantly long-term non-financial assets such as property or infrastructure. They raise funds by issuing shares or units to the public, either via a prospectus or a distribution channel such as a platform. Investors are able to dispose of their holdings through well-developed secondary markets such as a stock exchange or through readily accessible redemption facilities. Usually the management of funds is undertaken by a licensed fund manager external to the fund.

Private unincorporated businesses means persons acting as sole proprietors or in partnerships for business purposes. The major businesses in this sub-sector are unincorporated farms, unincorporated retailers, unincorporated professional practices (medical, legal, dental, accounting, etc.), unincorporated businesses of tradespeople such as plumbers, electricians, carpenters, etc.

Public non-financial corporations means ***national government non-financial corporations*** and ***state, territory and local government non-financial corporations***.

Registered financial corporations means corporations that are registered entities under the *Financial Sector (Collection of Data) Act 2001* that are classified as category 'D' or 'Other' by APRA.

It includes:

- money market corporations (category 'D'); and
- pastoral finance companies, finance companies and general financiers (category 'Other' (formerly categories 'E', 'F' and 'G')).

It excludes:

- intra-group financiers registered under the *Financial Sector (Collection of Data) Act 2001* category 'I'. Report these under ***other private non-financial corporations***; and
- cash management trusts. Report these under ***money-market investment funds***.

A list of registered financial corporations is available at: <https://www.apra.gov.au/list-registered-financial-corporations>.

Securitisers means issuers of asset-backed securities created through the process of securitisation. It excludes: issuers of covered bonds. Report issuers of covered bonds as ***ADIs***.

State, territory and local government means entities that provide non-market goods and services, principally financed by taxes, for free or at a price well below the cost of production. These entities regulate economic activity, maintain law and order and redistribute income and wealth by means of transfers.

It includes:

- state and local government unincorporated enterprises that provide goods and services to their government and/or to the public for free or at prices that are not economically significant (e.g. government employee cafeterias, municipal swimming pools);
- ***NPIs*** controlled and mainly financed by state and local government;
- state government quasi-corporations which sell their output, at near ***market prices***, exclusively to other government units (e.g. government printers);
- state and territory government departments and agencies; and
- public (state) schools, technical and further education colleges and state-owned hospitals.

It excludes:

- all state and local government trading enterprises and financial enterprises (e.g. rail, and municipal water authorities). Report these under ***state, territory and local government non-financial corporations*** or ***financial institutions*** as appropriate;
- state and territory ***central borrowing authorities*** or treasury corporations. Report these under ***central borrowing authorities***; and
- ***NPIs*** credited for philanthropic purposes that are financed mainly from donations or government grants. Report these under ***community service organisations***.

State, territory and local government non-financial corporations means businesses that are owned and controlled by state, territory or local governments and that produce goods or non-financial services for sale at ***market prices***.

It includes all trading enterprises of which 50 per cent or more is owned by state, territory or local government or controlled by state, territory or local government through legislation, decree or regulation (e.g. state rail and water authorities, gas and fuel authorities, housing commissions, port authorities, non-privatised power authorities).

Superannuation funds means complying funds for the purposes of the *Superannuation Industry (Supervision) Act 1993*, other autonomous funds established for the benefit of public sector employees and any overseas funds designed specifically for the purpose of providing a pension or other income stream on retirement.

Specific instructions

Section A: Step-in risk entities

Item 1	<p>Report the <i>step-in risk entities</i> of the ADI.</p> <p>In column 1, report the <i>step-in risk entity name</i> for each <i>step-in risk entity</i>.</p> <p>In column 2, report the <i>Legal Entity Identifier</i> of the <i>step-in risk entity</i> for each <i>step-in risk entity</i>, if applicable. Otherwise, report N/A if the <i>step-in risk entity</i> has no <i>Legal Entity Identifier</i>.</p> <p>In column 3, report the total assets, as at the reporting date and in accordance with the relevant accounting standards, of each <i>step-in risk entity</i>.</p> <p>In column 4, report whether the total assets for each <i>step-in risk entity</i> has been estimated.</p> <ul style="list-style-type: none"> • Report ‘Yes’ if total assets for the <i>step-in risk entity</i> has been estimated. • Otherwise, report ‘No’. <p>In column 5, report the <i>step-in risk entity category</i> for each <i>step-in risk entity</i>.</p> <p>In column 6, report the <i>step-in risk entity sector</i> for each <i>step-in risk entity</i>.</p> <p>In column 7, report the nature of the ADI’s relationship with the <i>step-in risk entity</i> for each <i>step-in risk entity</i>.</p> <p>In column 8, report whether the ADI is exposed to <i>step-in risk</i> as a result of the nature and extent of sponsorship it provides to the entity, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report ‘Yes’ if the ADI is exposed to <i>step-in risk</i> as a result of the nature and extent of sponsorship it provides to the <i>step-in risk entity</i>. • Otherwise, report ‘No’. <p>In column 9, report whether the ADI is exposed to <i>step-in risk</i> as a result of implicit support it provides to the entity, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report ‘Yes’ if the ADI is exposed to <i>step-in risk</i> as a result of the implicit support it provides to the <i>step-in risk entity</i>.
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	<ul style="list-style-type: none"> • Otherwise, report 'No'. <p>In column 10, report whether the ADI is exposed to <i>step-in risk</i> as a result of exposure to reputational contagion, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of exposure to reputational contagion from the <i>step-in risk entity</i>. • Otherwise, report 'No'. <p>In column 11, report whether the ADI is exposed to <i>step-in risk</i> as a result of exposure to liquidity risk from the entity, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of exposure to liquidity risk from the <i>step-in risk entity</i>. • Otherwise, report 'No'. <p>In column 12, report whether the ADI is exposed to <i>step-in risk</i> as a result of the ADI providing assets or other financial services to the <i>step-in risk entity</i>, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of the ADI providing assets or other financial services to the <i>step-in risk entity</i>. • Otherwise, report 'No'. <p>In column 13, report whether the ADI is exposed to <i>step-in risk</i> as a result of the entity carrying the ADI's brand, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of the <i>step-in risk entity</i> carrying the ADI's brand. • Otherwise, report 'No'. <p>In column 14, report whether the ADI is exposed to <i>step-in risk</i> as a result of the <i>step-in risk entity's</i> historical dependence on support from the ADI, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of the <i>step-in risk entity's</i> historical dependence on support from the ADI. • Otherwise, report 'No'. <p>In column 15, report whether the ADI is exposed to <i>step-in risk</i> as a result of any other factor not stated in columns 8-14 inclusive, for each <i>step-in risk entity</i>.</p> <ul style="list-style-type: none"> • Report 'Yes' if the ADI is exposed to <i>step-in risk</i> as a result of any other factor not stated in columns 8-14 inclusive. • Otherwise, report 'No'. <p>In column 16, if 'Yes' is reported at column 15, report details of factors</p>
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	that create <i>step-in risk</i> , for each <i>step-in risk entity</i> .
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