

Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2024

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, sections 13 and 15

Acts Interpretation Act 1901, section 33

Under subsection 13(1) 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.

Subsection 15(1) of the Act provides that APRA may declare a day on and after which the reporting standards are to apply.

On 5 April 2024, APRA made Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2024 which:

- (i) revokes *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection* (ARS 701.0) made under Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2022; and
- (ii) determines a new version of ARS 701.0.

1. Background

APRA acts as national data collection agency for the financial sector. The economic and financial statistics (EFS) collection – previously the Domestic Books collection – is a series of reporting requirements administered on behalf of the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) (collectively, the agencies) by APRA. The collection, which commenced in March 2019, focuses on the Australian operations and activities of authorised deposit-taking institutions (ADIs) and Registered Financial Corporations (RFCs).

The data collected from ADIs and RFCs in the EFS data collection are used by the ABS and the RBA to compile and publish key macroeconomic indicators for Australia and are also used for analysis and policy purposes by the RBA. Data collected on the EFS forms are also used by APRA for prudential supervision and other purposes. Aggregated data are used by other economic policy makers and to meet Australia's international reporting obligations.

In 2021, APRA finalised amendments to the capital framework to align Australian standards with the internationally agreed Basel III requirements¹. One element of the new framework was a change to eligibility threshold for loans to be classified as 'SME retail', which generated

¹ Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks.

inconsistency between business size thresholds in the capital framework and the EFS collection. To address this inconsistency, the agencies amended reporting requirements to align business size definitions in the EFS collection with those in the new capital framework.

The agencies also made a clarification of reporting requirements to address potential confusion caused by an inconsistency regarding the expected reporting of holdings of covered bonds. This change clarifies that entities should report holdings of both resident- and non-resident-issued covered bonds.

The new reporting standard applies to reporting periods ending on or after 30 June 2024.

2. Purpose and operation of the instrument

The purpose of the instrument is to revoke *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection* and determine a new *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection*.

ARS 701.0 outlines the definitions that apply to the EFS data collection, which ADIs and RFCs submit to APRA.

Explanation of each provision in the instrument

Authority – paragraph 1

This paragraph outlines APRA's power to determine reporting standards that are required to be complied with by financial sector entities under paragraph 13(1)(a) of the Act.

Application and commencement – paragraphs 2-4

This provision states which financial sector entities must comply with the reporting standard as permitted by section 13 of the Act, and when the reporting standard begins to apply to these financial sector entities as provided for in section 15 of the Act.

General – paragraph 5

Paragraph 5 states terms defined in this Reporting Standard appear in bold italics.

Transition – paragraph 6

Paragraphs 13(2)(d)-(e) of the Act provide for APRA to include matters relating to times and periods to which information in reporting documents is to relate, the provision of documents to APRA, and the time periods for provision of these documents to APRA. Paragraph 6 states that financial sector entities must report data using the reporting standard revoked in the determination for reporting periods that ended before the commencement of this reporting standard.

Interpretation – paragraph 7

Paragraph 7 states that unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

General instructions

The general instructions contain details on the definitions that apply to the data to be reported to APRA under the EFS reporting standards.

Documents incorporated by reference

Under paragraph 14(1)(a) of the *Legislation Act 2003*, the standard incorporates by reference as in force from time to time:

- Acts of Parliament and associated delegated legislation;
- Prudential Standards determined by APRA under subsection 11AF of the *Banking Act 1959*; and
- Reporting Standards determined by APRA under subsection 13(1) of the Act; and
- the Australian Accounting Standards determined by the Australian Accounting Standards Board under section 334 of the *Corporations Act 2001* (Cth).

All documents incorporated by reference in the reporting standard are available on the Federal Register of Legislation at www.legislation.gov.au, except for Australian Accounting Standards which are available at <https://www.aasb.gov.au/pronouncements/accounting-standards/>.

Review of decisions

There are a number of powers that may be exercised by APRA in reporting standards that involve an element of discretion and which may impact the interests of the entities to which the reporting standards apply. These decisions include APRA changing a reporting period or due date for an entity to provide information required by each of the instruments. Decisions made by APRA exercising those powers are not subject to merits review. These discretions have not been amended and are consistent with discretions included in the reporting standards being revoked by the instruments.

APRA considers decisions made by APRA exercising discretions under its reporting standards should not be subject to merits review as they are financial decisions with a significant public interest element.

APRA's reporting standards collect financial data from regulated entities. This data contains critical indicators of a regulated entity's financial wellbeing. APRA relies heavily on this financial data to inform its supervisory actions towards its regulated entities. Without timely and complete data, APRA may miss indicators that an entity is taking on imprudent risk or is in distress. APRA's supervisory decisions may be jeopardised if its receipt of data is unreliable due to entities seeking merits review under its reporting standards.

3. Consultation

The consultation on the amendments to this Reporting Standard and associated guidance materials was conducted between September and November 2023. The consultation concluded on 29 January 2023, when APRA released finalised changes to the Reporting Standard².

Submissions were received from an industry association, a reporting entity and a service provider. APRA incorporated feedback received into the final version of the reporting standard and addressed all matters raised in submissions in its response³.

APRA is satisfied the consultation was appropriate and reasonably practicable.

4. Regulation Impact Statement

The Office of Impact Analysis confirmed that a Regulation Impact Statement was not required.

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.

² [Latest updates to the modernised Economic and Financial Statistics reporting standards and guidance | APRA](#)

³ [Response to consultation on amendments to modernised Economic and Financial Statistics reporting standards and guidance | APRA](#)

ATTACHMENT A

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 instrument listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the Legislative Instrument

The purpose of the Legislative Instrument is to determine a new *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection* that incorporates updates to APRA's prudential framework for of authorised deposit-taking institutions and Registered Financial Corporations.

Human rights implications

APRA has assessed the Legislative 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

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