Financial Sector (Collection of Data) (reporting standard) determination No. 31 of 2006

Reporting standard ARS 330.0 Statement of Financial Performance

Financial Sector (Collection of Data) Act 2001

I, Charles Watts Littrell, a delegate of APRA, under paragraph 13(1)(a) of the Financial Sector (Collection of Data) Act 2001 (the Act) and subsection 33(3) of the Acts Interpretation Act 1901:

- REVOKE the Reporting Standard ARS 330.0 (2005) Statement of Financial Performance; and
- DETERMINE the Reporting standard ARS 330.0 Statement of Financial Performance in the form set out in the Schedule, which applies to the financial sector entities referred to in paragraph 2 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 the later of 1 July 2006 and the date of registration on the Federal Register of Legislative Instruments.

Dated 26 June 2006

[signed]

Charles Littrell
Executive General Manager
Policy, Research and Statistics
Interpretation

In this Determination

APRA means the Australian Prudential Regulation Authority.

Schedule

Reporting standard ARS 330.0 Statement of Financial Performance comprises 23 pages commencing on the next page.
Reporting Standard ARS 330.0

Statement of Financial Performance

Objective of this reporting standard

This reporting standard is made under section 13 of the Financial Sector (Collection of Data) Act 2001. It requires all authorised deposit-taking institutions, including foreign authorised deposit-taking institutions operating in Australia through branch operations, to report to APRA, generally on a quarterly basis, in relation to their statement of financial performance.

This reporting standard outlines the overall requirements for the provision of relevant information to APRA. It should be read in conjunction with the versions of Form ARF 330.0 Statement of Financial Performance designated for a ‘Licensed ADI’ and ‘Consolidated Group’, and the associated instructions (all of which are attached and form part of this reporting standard).

Purpose

1. Data collected in Form ARF 330.0 Statement of Financial Performance (Form ARF 330.0) is used by APRA for the purpose of prudential supervision. It may also be used by the Reserve Bank of Australia and the Australian Bureau of Statistics.

Application

2. This reporting standard applies to all authorised deposit-taking institutions (ADIs).

Information required

3. An ADI must provide APRA with the information required by the version of Form ARF 330.0 designated for a ‘Licensed ADI’ for each reporting period.

4. An ADI that is a highest parent entity in relation to a consolidated ADI group must also provide APRA the information required by the version of Form ARF 330.0 designated for a ‘Consolidated Group’ for each reporting period.
Forms and method of submission

5. The information required by this reporting standard must be given to APRA either:
   
   (a) in electronic form, using one of the electronic submission mechanisms provided by the ‘Direct to APRA’ (also known as ‘D2A’) application; or
   
   (b) manually completed on paper, which must be faxed or mailed to APRA’s head office.

   Note: the Direct to APRA application software and paper forms may be obtained from APRA.

Reporting periods and due dates

6. Subject to paragraph 7, an ADI must provide the information required by this reporting standard for each quarter based on the financial year (within the meaning of the Corporations Act 2001) of the ADI.

7. APRA may, by notice in writing, 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 Reserve Bank of Australia or the Australian Bureau of Statistics.

8. The information required by this reporting standard must be provided to APRA by the following times:

   (a) in the case of information required by paragraphs 3 and 4 from a locally-incorporated bank, locally-incorporated special service provider or foreign ADI (other than a specialist credit card institution) – 25 business days after the end of the reporting period to which the information relates; and

   (b) in the case of information required by paragraphs 3 and 4 from a locally-incorporated credit union, locally-incorporated building society, specialist credit card institution (whether locally-incorporated or not) or Cairns Penny Savings & Loans Limited – 15 business days after the end of the reporting period to which the information relates.

9. APRA may grant an ADI an extension of a due date in writing, in which case the new due date for the provision of the information will be the date on the notice of extension.
Quality control

10. The information provided by an ADI under this reporting standard (except for the information required under paragraph 4) must be the product of processes and controls that have been reviewed and tested by the external auditor of the ADI. AGS 1008 ‘Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions’, issued by the Auditing and Assurance Standards Board provides guidance 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 data.

11. All information provided by an ADI under this reporting standard must be subject to processes and controls developed by the ADI for the internal review and authorisation of that information. It is the responsibility of the board and senior management of the ADI to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

12. If an ADI submits information under this reporting standard using the ‘Direct to APRA’ software, it will be necessary for an officer of the ADI to digitally sign, authorise and encrypt the relevant data. For this purpose, APRA’s certificate authority will issue ‘digital certificates’, for use with the software, to officers of the ADI who have authority from the ADI to transmit the data to APRA.

13. If information under this reporting standard is provided in paper form, it must be signed on the front page of the relevant completed form by either:

(a) the Principal Executive Officer of the ADI; or

(b) the Chief Financial Officer of the ADI (whatever his or her official title may be).

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 their application to the form without changing any substantive requirement in the form or instructions.

15. If APRA makes such a variation it must notify in writing each ADI that is required to report under this reporting standard.
Transitional

16. An ADI must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this reporting standard (being the reporting standard which this reporting standard replaces).

transitional reporting period means a reporting period under the old reporting standard:

(a) which ended before the date of revocation of the old reporting standard; and

(b) in relation to which the ADI was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Interpretation - classifications of ADIs

17. In this reporting standard:

Accounting Standard AASB 127 means the accounting standard so made by the Australian Accounting Standards Board.

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

ADI list means the attached ADI list.

building society means an ADI whose name appears under the heading ‘Building Societies’ in the ADI list.

consolidated ADI group means a group comprising:

(a) an ADI that is a highest parent entity; and

(b) each subsidiary (within the meaning of Accounting Standard AASB 127) of that ADI, whether the subsidiary is locally-incorporated or not, other than a subsidiary that is excluded by the instructions attached to this standard.

credit union means an ADI whose name appears under the heading ‘Credit Unions’ in the ADI list.

foreign ADI means, subject to paragraph 19, an ADI that is not incorporated in Australia.

highest parent entity means an ADI that satisfies all of the following conditions:

(a) it is locally-incorporated;

(b) it has at least one subsidiary (within the meaning of Accounting Standard AASB 127); and
(c) it is not itself a subsidiary (within the meaning of Accounting Standard AASB 127) of an ADI that is locally-incorporated.

locally-incorporated means, subject to paragraph 19, incorporated in Australia.

locally-incorporated bank means an ADI whose name appears under the heading ‘Australian-owned Banks’ or ‘Foreign Subsidiary Banks’ in the ADI list.

special service provider means an ADI whose name appears under the heading ‘Other ADIs’ in the ADI list (other than Cairns Penny Savings & Loans Limited).

specialist credit card institution means an ADI whose name appears under the heading ‘Specialist Credit Card Institutions (SCCIs)’ in the ADI list.

18. If an ADI is not in the ADI list, then:

(a) if the ADI assumes or uses the word ‘bank’ in relation to its financial business, and it is locally-incorporated, it is taken to be a locally-incorporated bank for the purposes of this reporting standard;

(b) if the ADI assumes or uses the expression ‘building society’ in relation to its financial business, and it is locally-incorporated, it is taken to be a locally-incorporated building society for the purposes of this reporting standard;

(c) if the ADI assumes or uses the expression ‘credit union’, ‘credit society’ or ‘credit co-operative’ in relation to its financial business, and it is locally-incorporated, it is taken to be a locally-incorporated credit union for the purposes of this reporting standard; and

(d) if the ADI engages in credit card issuing or credit card acquiring, or both, and does not otherwise carry on banking business within the meaning of section 5 of the Banking Act 1959, it is taken to be a specialist credit card institution for the purposes of this reporting standard.

19. For the purposes of this reporting standard, Bank of China is taken to be a locally-incorporated ADI and a locally-incorporated bank.

20. APRA may in writing determine that an ADI is taken to be a locally-incorporated bank, locally-incorporated building society, locally-incorporated credit union, locally-incorporated special service provider or specialist credit card institution for the purposes of this reporting standard (even if, under paragraph 17, 18 or 19, it comes within a different classification).

Interpretation - other definitions

21. In this reporting standard:

business days means ordinary business days, exclusive of Saturdays, Sundays and public holidays.
**Principal Executive Officer** means the principal executive officer of the ADI for the time being, by whatever name called, and whether or not he or she is a member of the governing board of the entity.

**reporting period** means a reporting period under paragraph 6 or, if applicable, paragraph 7.
The ADI list

Australian-owned Banks

- Adelaide Bank Limited
- AMP Bank Limited
- Australia and New Zealand Banking Group Limited
- Bank of Queensland Limited
- Bendigo Bank Limited
- Commonwealth Bank of Australia
- Commonwealth Development Bank of Australia Limited (a subsidiary of Commonwealth Bank of Australia)
- Elders Rural Bank Limited
- Macquarie Bank Limited
- Members Equity Bank Pty Limited
- National Australia Bank Limited
- St George Bank Limited
- Suncorp-Metway Limited
- Westpac Banking Corporation

Foreign Subsidiary Banks

- Arab Bank Australia Limited
- Bank of China (Australia) Limited
- Bank of Cyprus Australia Pty Limited
- BankWest (the trading name of Bank of Western Australia Limited, a foreign subsidiary bank following its sale to Bank of Scotland in December 1995)
- Citigroup Pty Limited
- HSBC Bank Australia Limited
- ING Bank (Australia) Limited
- Investec Bank (Australia) Limited
Laiki Bank (Australia) Limited

NM Rothschild & Sons (Australia) Limited

Rabobank Australia Limited (a subsidiary of Rabobank Nederland from October 1994)

Branches of Foreign Banks

- ABN AMRO Bank N.V.
- Bank of America, National Association
- Bank of China (subject to depositor protection provisions of the Banking Act 1959)
- Bank of Tokyo-Mitsubishi UFJ, Ltd
- Barclays Capital (the trading name of Barclays Bank plc)
- BNP Paribas
- Citibank N.A.
- Credit Suisse
- Deutsche Bank AG
- HBOS Treasury Services plc
- HSBC Bank plc
- ING Bank NV
- JPMorgan Chase Bank, National Association
- Mizuho Corporate Bank, Ltd
- Oversea-Chinese Banking Corporation Limited
- Rabobank Nederland (the trading name of Co-operative Central Raiffeisen-Boerenleenbank B.A.)
- Royal Bank of Canada
- Société Générale
- Standard Chartered Bank
- State Bank of India
- State Street Bank and Trust Company
• The International Commercial Bank of China
• The Royal Bank of Scotland Plc
• The Toronto-Dominion Bank
• Taiwan Business Bank
• UBS AG
• United Overseas Bank Limited
• WestLB AG

Building Societies
• ABS Building Society Ltd
• B & E Ltd
• Greater Building Society Ltd
• Heritage Building Society Limited
• Home Building Society Ltd
• Hume Building Society Ltd
• IMB Ltd
• Lifeplan Australia Building Society Limited
• Mackay Permanent Building Society Ltd
• Maitland Mutual Building Society Limited
• Newcastle Permanent Building Society Ltd
• Pioneer Permanent Building Society Limited
• The Rock Building Society Limited
• Wide Bay Australia Ltd

Credit Unions
• Alliance One Credit Union Ltd
• AMP Employees' & Agents Credit Union Limited
• Austral Credit Union Limited
• Australian Central Credit Union Limited
• Australian Country Credit Union Ltd (trading as Reliance Credit Union)
• Australian Defence Credit Union Ltd
• AWA Credit Union Limited
• Bananacoast Community Credit Union Ltd
• Bankstown City Credit Union Ltd
• Berrima District Credit Union Ltd
• Big Sky Credit Union Ltd
• Blue Mountains and Riverlands Community Credit Union Ltd
• Broadway Credit Union Ltd
• Calare Credit Union Ltd
• CAPE Credit Union Limited
• Capital Credit Union Ltd
• Capricornia Credit Union Ltd
• Carboy (SA) Credit Union Limited
• Central Murray Credit Union Limited
• Central West Credit Union Limited
• Circle Credit Co-operative Limited
• Coastline Credit Union Limited
• Collie Miners Credit Union Ltd
• Community Alliance Credit Union Limited
• Community CPS Australia Limited
• Community First Credit Union Limited
• Companion Credit Union Limited
• Comtax Credit Union Limited
• Connect Credit Union of Tasmania Limited
• Country First Credit Union Ltd
• CPS Credit Union Co-operative (ACT) Limited
Credit Union Australia Ltd
Credit Union Incitec Pivot Limited
Croatian Community Credit Union Limited
CSR and Rinker Employees Credit Union Limited
Dairy Farmers Credit Union Ltd
Defence Force Credit Union Limited
Discovery Credit Union Ltd
Dnister Ukrainian Credit Co-operative Limited
ELCOM Credit Union Ltd
Electricity Credit Union Ltd
Encompass Credit Union Limited
Ericsson Employees Credit Co-operative Limited
Esso Employees' Credit Union Ltd
Eurobodalla Credit Union Ltd
Family First Credit Union Limited
Fire Brigades Employees' Credit Union Limited
Fire Service Credit Union Limited
Firefighters & Affiliates Credit Co-operative Limited
First Option Credit Union Limited
First Pacific Credit Union Limited
Fitzroy & Carlton Community Credit Co-operative Limited
Ford Co-operative Credit Society Limited
Gateway Credit Union Ltd
Geelong & District Credit Co-operative Society Limited
GMH (Employees) Q.W.L. Credit Co-operative Limited
Goldfields Credit Union Ltd
Gosford City Credit Union Ltd
• Goulburn Murray Credit Union Co-operative Limited
• H.M.C. Staff Credit Union Ltd
• Heritage Isle Credit Union Limited
• Hibernian Credit Union Limited
• Holiday Coast Credit Union Ltd
• Horizon Credit Union Ltd
• Hoverla Ukrainian Credit Co-operative Ltd
• Hunter Mutual Limited
• Hunter United Employees' Credit Union Limited
• Industries Mutual Credit Union Limited
• Intech Credit Union Limited
• Island State Credit Union Ltd
• Karpaty Ukrainian Credit Union Limited
• La Trobe Country Credit Co-operative Limited
• La Trobe University Credit Union Co-operative Limited
• Laboratories Credit Union Ltd
• Latvian Australian Credit Co-operative Society Limited
• Lithuanian Co-operative Society (Talka) Limited
• Lysaght Credit Union Ltd
• MacArthur Credit Union Ltd
• Macaulay Community Credit Co-operative Limited
• Macquarie Credit Union Limited
• Maleny and District Community Credit Union Limited
• Manly Warringah Credit Union Ltd
• Maritime Workers of Australia Credit Union Ltd
• Maroondah Credit Union Ltd
• MECU Limited
• Melbourne University Credit Union Limited
• Memberfirst Credit Union Limited
• New England Credit Union Ltd
• Newcom Colliery Employees' Credit Union Ltd
• Northern Inland Credit Union Ltd
• Nova Credit Union Limited
• NSW Teachers Credit Union Ltd
• Old Gold Credit Union Co-operative Limited
• Orana Credit Union Ltd
• Orange Credit Union Limited
• Phoenix (NSW) Credit Union Ltd
• Plenty Credit Co-operative Limited
• Police & Nurses Credit Society Limited
• Police Association Credit Co-operative Limited
• Police Credit Union Limited
• Polish Community Credit Union Ltd
• Power Credit Union Limited
• Powerstate Credit Union Ltd
• Pulse Credit Union Limited
• Qantas Staff Credit Union Limited
• Queensland Community Credit Union Limited
• Queensland Country Credit Union Ltd
• Queensland Police Credit Union Limited
• Queensland Professional Credit Union Ltd
• Queensland Teachers' Credit Union Limited
• Queenslanders Credit Union Limited
• Railways Credit Union Limited
- RegionalOne Credit Union Limited
- Resources Credit Union Limited
- RTA Staff Credit Union Limited
- Satisfac Direct Credit Union Limited
- Savings and Loans Credit Union (S.A.) Ltd
- Security Credit Union Ltd
- Select Credit Union Ltd
- Service One Credit Union Ltd
- SGE Credit Union Limited
- Shell Employees' Credit Union Limited
- South West Slopes Credit Union Ltd
- Southern Cross Credit Union Limited
- South-West Credit Union Co-operative Limited
- St Mary's Swan Hill Co-operative Credit Society Limited
- St Patrick's Mentone Co-operative Credit Society Limited
- Statewest Credit Society Limited
- Sutherland Credit Union Ltd
- Sutherland Shire Council Employees' Credit Union Ltd
- Sydney Credit Union Ltd
- Tartan Credit Union Ltd
- The Broken Hill Community Credit Union Ltd
- The Gympie Credit Union Ltd
- The Police Department Employees' Credit Union Limited
- The Summerland Credit Union Limited
- The TAFE and Community Credit Union Limited
- The University Credit Society Limited
- Traditional Credit Union Limited
• TransComm Credit Co-operative Limited
• Uni Credit Union Ltd
• United Credit Union Limited
• Victoria Teachers Credit Union Limited
• Wagga Mutual Credit Union Ltd
• Warwick Credit Union Ltd
• WAW Credit Union Co-operative Limited
• Westax Credit Society Ltd
• Western City Credit Union Ltd
• Woolworths/Safeway Employees’ Credit Co-operative Limited
• Wyong Council Credit Union Ltd
• Yennora Credit Union Ltd

Specialist Credit Card Institutions (SCCIs)

Foreign-owned SCCIs

• GE Capital Finance Australia
• GE Finance Australasia Pty Ltd

Locally Incorporated SCCIs

• MoneySwitch Limited

Other ADIs

These companies are run by industry bodies and provide services (eg payments clearing) to member building societies and credit unions.

• Australian Settlements Limited
• Credit Union Services Corporation (Australia) Limited
• Indue Ltd

One ADI that provides general banking services which does not fall into the other categories.

• Cairns Penny Savings & Loans Limited
Authorised Non-Operating Holding Companies

- HBOS Australia Pty Ltd
### ARF 330.0 Statement of Financial Performance

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<td>Consolidated Group</td>
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### Section A

1. Interest income
2. Interest expense
3. **Net interest income**
4. Other operating income
5. **Total operating income from continuing operations**
6. Charge for bad and doubtful debts
7. **Total operating income from continuing operations after charge for bad and doubtful debts**
8. Total operating expenses from continuing operations
9. Negative goodwill immediately recognised in profit or loss
10. Share of net profits (losses) of associates and joint ventures accounted for using the equity method
11. Profit or loss from non-current assets and disposal groups classified as held for sale not
12. **Profit (loss) before tax and minority interest from continuing operations**
13. Income tax expense (benefit) from continuing operations
14. **Profit (loss) after tax and before minority interest from continuing operations**
15. Profit or loss after tax from discontinued operations
16. **Total profit or loss after tax and discontinued operations and before minority interest**
17. Net profit (loss) after income tax attributable to minority interest
18. **Net profit (loss) after income tax attributable to members of the company**

### Section B

1. Retained profits at the beginning of the financial year
2. Adjustments to retained profits due to change in accounting policies/standards
3. Reduction in retained profits on share buy back
4. Aggregate of amounts transferred from reserves
5. **Total available for appropriation**
6. Dividends declared or paid
7. Aggregate of amounts transferred to reserves
8. **Retained profits at the end of the reporting period**
### ARF 330.0 Statement of Financial Performance

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Reporting Form ARF 330.0
Statement of Financial Performance
Instruction Guide

General directions and notes

Reporting entity

This form is to be completed by all locally incorporated authorised deposit-taking institutions (ADIs) (including Specialist Credit Card Institutions (SCCIs)) on both a licensed ADI and consolidated ADI group basis (where applicable). Foreign ADIs\(^1\) and SCCIs operating through branches in Australia are required to complete this form for the Australian branch only.

Licensed ADI

This refers to the operations of the reporting ADI on a stand-alone basis.

Securitisation deconsolidation principle

Except where stated otherwise on this form, reporting entities must treat any securitisation program special purpose vehicles (SPVs) in which the ADI (or a member of its consolidated group) participates in accordance with APRA’s clean sale and separation requirements as non-consolidated independent third parties. As a result, for reporting purposes all assets, liabilities, revenues and expenses of these SPVs must be excluded from the ADI’s reported amounts. Where relevant, report on this form any exposure to or other transaction between the ADI and any such SPV as if such transaction was conducted with an independent third party, regardless of whether the SPV or its assets is consolidated for accounting purposes.

APRA’s clean sale and separation requirements are set out in APS 120 Funds Management and Securitisation and related Guidance Notes AGN 120.3 Purchase and Supply of Assets (including Securities Issued by SPVs) (AGN 120.3) and AGN 120.1 Disclosure and Separation. Whenever the clean sale and separation requirements are not met, all the assets, liabilities, revenues and expenses of the SPV are to be consolidated with the ADI’s reported amounts.

Consolidated ADI group

This refers to the global operations of the ADI and all its controlled entities (where relevant), consolidated in accordance with Australian accounting standards (AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB 3 Business Combinations (AASB 3)).

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\(^1\) For the purpose of this reporting form, foreign ADI has the meaning given in Division IB of Part II of the Banking Act 1959 (accordingly, Bank of China is not to be treated as a foreign ADI).
‘Controlled entity’ (subsidiary), ‘parent entity’

These terms are defined in accordance with AASB 127 and AASB 3.

The basis of consolidation required in this form is in accordance with the accounting consolidated group. The accounting consolidated group is to be determined in accordance with the requirements of the Australian accounting standards, notably AASB 127 and AASB 3.

Exclude from the accounting consolidated group SPVs whose assets have satisfied the clean sale requirements set down in AGN 120.3 (refer Securitisation deconsolidation principle).

**Reporting period**

The form is to be completed as at the last day of the stated reporting quarter on a financial year-to-date basis of the ADI. Locally incorporated banks, foreign ADIs and Special Service Providers should submit the completed form to APRA within 25 business days after the end of the relevant reporting quarter. Credit Unions, Cairns Penny Savings & Loans Limited, Building Societies and SCCIs should submit the completed form to APRA within 15 business days after the end of the relevant reporting quarter.

**Unit of measurement**

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

The general requirements of AASB 121 for translation are:

1. foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date;\(^2\)

2. foreign currency non-monetary items that are measured at historical cost in a foreign currency must be translated using the exchange rate at the date of the transaction;\(^3\)

3. foreign currency non-monetary items that are measured at fair value will be translated at the exchange rate at the date when fair value was determined.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* (AASB 139). However, those foreign currency derivatives that are not within the scope of AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) remain within the scope of AASB 121.

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\(^2\) Monetary items are defined to mean units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Spot rate means the exchange rate for immediate delivery.

\(^3\) Examples of non-monetary items include amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; physical assets; and provisions that are to be settled by the delivery of a non-monetary asset.
For APRA purposes equity items must be translated using the foreign currency exchange rate at the date of investment or acquisition. Post acquisition changes in equity are required to be translated on the date of the movement.

As foreign currency derivatives are measured at fair value, the currency derivative contracts are translated at the spot rate at the reporting date.

Exchange differences should be recognised in profit and loss in the period which they arise. For foreign currency derivatives, the exchange differences would be recognised immediately in profit and loss if the hedging instrument is a fair value hedge. For derivatives used in a cash flow hedge, the exchange differences should be recognised directly in equity.

The ineffective portion of the exchange differences in all hedges would be recognised in profit and loss; and

4. translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121 as meaning an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Exchange differences relating to foreign currency monetary items that form part of the net investment of an entity in a foreign operation, must be recognised as a separate component of equity.

Translation of financial reports should otherwise follow the requirements in AASB 121.

**Basis of preparation**

In completing this form, unless otherwise specifically stated, institutions are recommended to follow the Australian accounting standards regarding the:

- interpretation/definition of items of revenue and expense;
- measurement basis of items of revenue and expense; and
- netting of items of revenue and expense (profit and loss).