



Financial Sector (Collection of Data) (reporting standard) determination No. 24 of 2018

Reporting Standard ARS 325.0 International Operations

Financial Sector (Collection of Data) Act 2001

I, Alison Bliss, 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*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 41 of 2008, including *Reporting Standard ARS 325.0 International Operations* made under that Determination; and
- (b) DETERMINE *Reporting Standard ARS 325.0 International Operations*, 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, and the revoked reporting standard shall cease to apply, on 1 April 2018.

This instrument commences on 1 April 2018.

Dated: 21 March 2018

[Signed]

Alison Bliss
General Manager
Data Analytics Division

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

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

Schedule

Reporting Standard ARS 325.0 International Operations comprises the document commencing on the following page.



Reporting Standard ARS 325.0

International Operations

Objective of this Reporting Standard

This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* and outlines the overall requirements for the provision of information to APRA relating to an authorised deposit-taking institution's international operations. It should be read in conjunction with *Reporting Form ARF 325.0 ADI International Operations* and the associated instructions (both of which are attached and form part of this Reporting Standard).

Authority

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

Purpose

2. Data collected in *Reporting Form ARF 325.0 ADI International Operations* (ARF 325.0) 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 and commencement

3. This Reporting Standard applies to an authorised deposit-taking institution (ADI) as set out in the table below. Only those ADIs that have a foreign bank office are required to comply with the Reporting Standard.

Class of ADI	Applicable
Australian-owned Bank	Yes
Foreign Subsidiary Bank	Yes
Branch of a Foreign Bank	No
Building Society	No
Credit Union	No
Other ADI	No

4. This Reporting Standard commences on 1 April 2018.

Information required

5. An ADI to which this Reporting Standard applies must provide APRA with the information required by ARF 325.0 in respect of the foreign bank office for each relevant reporting period. If an ADI has more than one foreign bank office, it must complete a separate ARF 325.0 in respect of each foreign bank office of the ADI.

Form and method of submission

6. The information required by this Reporting Standard must be given to APRA either in electronic format, using the 'Direct to APRA' application or by a method notified by APRA, in writing, 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 8, an ADI to which this Reporting Standard applies 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 bank.
8. 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 RBA or the ABS.
9. The information required by this Reporting Standard must be provided to APRA by 20 business days after the end of the reporting period to which it relates.
10. 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

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. These systems, processes and controls are to assure the completeness and reliability of the information provided.

Authorisation

12. 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

13. 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 formwithout changing any substantive requirement in the form or instructions.
14. If APRA makes such a variation it must notify in writing each bank that is required to report under this Reporting Standard.

Interpretation

15. In this Reporting Standard:

AASB has the meaning 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*.

Australian-owned bank means a locally incorporated ADI that assumes or uses the word 'bank' in relation to its banking business and is not a foreign subsidiary bank.

branch of a foreign bank means a 'foreign ADI' as defined in section 5 of the *Banking Act 1959*.

building society means a locally incorporated ADI that assumes or uses the expression 'building society' in relation to its banking business.

business days means ordinary business days, exclusive of Saturdays, Sundays and public holidays.

class of ADI means each of the following:

- (i) Australian-owned bank;
- (ii) foreign subsidiary bank;
- (iii) branch of a foreign bank;

- (iv) building society;
- (v) credit union; and
- (vi) other ADI.

credit union means a locally incorporated ADI that assumes or uses the expression ‘credit union’ in relation to its banking business and includes Cairns Penny Savings & Loans Limited.

due date means the relevant due date under paragraph 9 or, if applicable, paragraph 10.

foreign bank office means, in relation to a locally-incorporated bank:

- (a) a branch or office of the bank;
- (b) a subsidiary of the bank;
- (c) an entity over which the bank has control (within the meaning of Accounting Standard AASB 124 *Related Party Disclosures*); or
- (d) a joint venture in which the bank is a participant

that is located outside Australia.

foreign ADI has the meaning in section 5 of the *Banking Act 1959*.

foreign subsidiary bank means a locally incorporated ADI in which a bank that is not locally incorporated has a stake of more than 15 per cent.

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

other ADI means an ADI that is not an Australian-owned bank, a branch of a foreign bank, a building society, a credit union or a foreign subsidiary bank but does not include Cairns Penny Savings & Loans Limited.

reporting period means a period mentioned in paragraph 7 or, if applicable, paragraph 8.

stake means a stake determined under the *Financial Sector (Shareholdings) Act 1998*, as if the only associates that were taken into account under paragraph (b) of subclause 10(1) of the Schedule to that Act were those set out in paragraphs (h), (j) and (l) of subclause 4(1).

16. 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.

ARF 325.0 ADI International Operations

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Millions to one decimal place for banks

Reporting Consolidation

Offshore Operation & Offshore Controlled Entity

Foreign bank office:

PART 1: STATEMENT OF ASSETS AND LIABILITIES

Assets

Cash and liquid assets	
Trading securities	
Investment securities	
Acceptance of customers	
Loans and advances	
Intra-company investments	
Other investments	
Property, plant & equipment	
Intangible assets	
Other assets	
Total assets	

Liabilities

Due to clearing houses	
Due to financial institutions	
Acceptances	
Deposits	
Other borrowings	
Income tax liability	
Provisions	
Bonds, notes and long-term borrowings	
Intra-company borrowings	
Creditors and other liabilities	
Loan capital and hybrid securities	
Share capital	
Reserves	
Retained profits*	
Total liabilities and capital	

Memorandum item

* Dividends and other appropriations from retained earnings during the quarter.

PART 2: OFF-BALANCE SHEET BUSINESS

	Principal amount	Credit equivalent
Market-related		
Non-market-related		
TOTAL OFF-BALANCE SHEET BUSINESS		

PART 3: CREDIT RISK PROFILE

	On-balance sheet	Off-balance sheet	Total credit exposures (Gross value)
Risk category			
0% weight			
20% weight			
50% weight			
100% weight			
TOTAL CREDIT RISK			

PART 4: IMPAIRED ASSETS

Impaired assets - balance outstanding	
less: Specific provisions	
Net	
Past due items	
General provision	

Reporting Form ARF 325.0

ADI International Operations

Instruction Guide

Australian-owned banks and foreign subsidiary banks are instructed to prepare a separate form for each of their related bank offices located overseas. Related bank offices include the bank's branches, banking subsidiaries (e.g. deposit-taking companies in Hong Kong) and banking joint ventures.

General directions and notes

Reporting entity¹

The International Operations form is to be completed by Australian-owned banks and foreign subsidiary banks for each foreign bank office on an unconsolidated basis. This includes international transactions between any related bank offices. Branches of foreign banks in Australia are not required to complete this form.

Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an authorised deposit-taking institution (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;
 - (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; and
 - (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of the ADI's regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the securitisation exposures² that it retains or acquires and such exposures are to be reported in *Reporting Form ARF 120.1 Securitisation – Regulatory Capital*. The risk-weighted assets RWA relating to such securitisation exposures must also be reported in *Reporting Form ARF 110.0 Capital Adequacy* (ARF 110.0).

¹ For banks with offshore operations and/or offshore controlled entities.

² Securitisation exposures are defined in accordance with APS 120.

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. In addition, these exposures must also be reported as a part of the ADI's total securitised assets within *Reporting Form ARF 120.2 Securitisation – Supplementary Items*.

Reporting period

The form is to be completed as at the last day of the stated reporting quarter. Australian-owned banks and foreign subsidiary banks should submit the completed form to APRA within 20 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;³
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;⁴
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.

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.

³ 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.

⁴ 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.

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.

Valuation

Foreign currencies are to be converted to AUD using the exchange rate effective as per the reporting date. Amounts should be expressed in millions of AUD with no decimal point.

Specific instructions

Part 1: Statement of assets and liabilities

All figures should be prepared in accordance with Australian accounting standards.

Part 2: Off balance sheet business

The off balance sheet information should be prepared in accordance with the instructions to *Reporting Form ARF 112.2A Standardised Credit Risk - Off Balance Sheet Exposures*.

Part 3: Credit risk profile

The credit risk profile of on and off balance sheet business should be prepared in accordance with the instructions to *Reporting Form ARF 110.0 Capital Adequacy*.

Part 4: Impaired assets (facilities)

Impaired assets (facilities) information should be prepared in accordance with the instructions to *Reporting Form ARF 220.0 Impaired Facilities*.

General provision refers to “General Reserve for Credit Losses” as defined in *APS 111 Capital Adequacy: Measurement of Capital* and *APS 220 Credit Quality*.