

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:*

1. 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
2. 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

1. 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

1. 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 |

1. This Reporting Standard commences on 1 April 2018.

# Information required

1. 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

1. 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

1. 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.
2. 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:
3. the particular circumstances of the ADI;
4. the extent to which the information is required for the purposes of the prudential supervision of the ADI; and
5. the requirements of the RBA or the ABS.
6. 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.
7. 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

1. 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**

1. 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

1. APRA may make minor variations to:
2. 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
3. the instructions to a form, to clarify their application to the form

without changing any substantive requirement in the form or instructions.

1. If APRA makes such a variation it must notify in writing each bank that is required to report under this Reporting Standard.

# Interpretation

1. 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:

1. Australian-owned bank;
2. foreign subsidiary bank;
3. branch of a foreign bank;
4. building society;
5. credit union; and
6. 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:

1. a branch or office of the bank;
2. a subsidiary of the bank;
3. an entity over which the bank has control (within the meaning of Accounting Standard AASB 124 *Related Party Disclosures*); or
4. 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).

1. 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.







**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 entity[[1]](#footnote-1)**

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):
2. 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;
3. 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
4. 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 exposures[[2]](#footnote-2) 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).
5. 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]](#footnote-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]](#footnote-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.

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

1. translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121as 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 t*o 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.*

1. For banks with offshore operations and/or offshore controlled entities. [↑](#footnote-ref-1)
2. Securitisation exposures are defined in accordance with APS 120. [↑](#footnote-ref-2)
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. [↑](#footnote-ref-3)
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. [↑](#footnote-ref-4)