Financial Sector (Collection of Data) (reporting standard) determination Nos. 1 to 9 of 2019

# EXPLANATORY STATEMENT

## Prepared by the Australian Prudential Regulation Authority (APRA)

*Financial Sector (Collection of Data) Act 2001(the Act)*

Under paragraph 13(1)(a) of the Act, APRA may, by writing, determine reporting standards 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 15(1) of the Act provides that APRA may declare a day on and after which the reporting standards are to apply.

On 1 February 2019, APRA made the following determinations (the instruments):

1. Financial Sector (Collection of Data) (reporting standard) determination No. 1 of 2019 which determines a new *Reporting Standard ARS 701.0 ABS/RBA Definitions for the EFS Collection* (ARS 701.0); and
2. Financial Sector (Collection of Data) (reporting standard) determination No. 2 of 2019 which determines a new *Reporting Standard ARS 720.0 ABS/RBA Statement of Financial Position* (ARS 720.0); and
3. Financial Sector (Collection of Data) (reporting standard) determination No. 3 of 2019 which determines a new *Reporting Standard ARS 720.1 ABS/RBA Loans and Finance Leases* (ARS 720.1); and
4. Financial Sector (Collection of Data) (reporting standard) determination No. 4 of 2019 which determines a new *Reporting Standard ARS 720.2 ABS/RBA Deposits* (ARS 720.2); and
5. Financial Sector (Collection of Data) (reporting standard) determination No. 5 of 2019 which determines a new *Reporting Standard ARS 720.3 ABS/RBA Intra-group Assets and Liabilities* (ARS 720.3); and
6. Financial Sector (Collection of Data) (reporting standard) determination No. 6 of 2019 which determines a new *Reporting Standard ARS 720.4 ABS/RBA Debt Securities Held* (ARS 720.4); and
7. Financial Sector (Collection of Data) (reporting standard) determination No. 7 of 2019 which determines a new *Reporting Standard ARS 720.5 ABS/RBA Equity Securities Held* (ARS 720.5); and
8. Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2019 which determines a new *Reporting Standard ARS 720.6 ABS/RBA Securities on Issue* (ARS 720.6); and
9. Financial Sector (Collection of Data) (reporting standard) determination No. 9 of 2019 which determines a new *Reporting Standard ARS 720.7 ABS/RBA Bill Acceptances and Endorsements* (ARS 720.7).

The instruments commence on 8 February 2019.

1. Background

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 in its role as national statistical agency for the financial sector. The collection focuses on the Australian (domestic) 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.

The EFS data are therefore a vital input for measuring and assessing both activity and risks in the financial sector and for the Australian economy more broadly. The data are also an input to global assessments of economic and financial activity and risks. The provision of relevant, timely and high quality EFS data will ensure that policy decisions are made using the best available information.

The EFS forms on which APRA collects data on behalf of the ABS and the RBA had not been comprehensively reviewed or materially updated since the forms were introduced in the early 2000s. Over time, the number and volume of informal requests and surveys grew as new priority areas emerged. At the same time, some data items ceased to a priority for the ABS and RBA. The need to modernise was given further impetus by frequent data resubmissions, some of which were of sufficient magnitude and importance to complicate the analysis of significant policy issues.

Modernising the EFS collection ensures that the data collected meet the needs of the ABS and RBA while not imposing unnecessary burden on reporting institutions. It has also allowed the ABS and RBA to improve the quality of the instructions to assist reporting institutions submit data that are fit for purpose.

1. Purpose and operations of the instruments

The purpose of the instruments is to determine the above reporting standards, which comprise the first of three phases of the EFS collection’s reporting requirements. ARS 701.0 provides definitions of key terms and concepts used throughout the EFS collection.

The EFS collection will be introduced in three phases. The first phase comprises balance sheet data and will commence for the reporting period ending March 2019. The second phase collects data on interest rates, finance commitments, deposits and funding, and will commence for the reporting period ending July 2019. Commencing from the reporting period ending September 2019 is the third and final phase, which collects data on profits, margin lending, fees, and repurchase agreements and securities lending.

The reporting standards incorporate by reference certain provisions of Acts, Prudential Standards, Australian Accounting Standards issued by the Australian Accounting Standards Board, and Australian Auditing Standards issued by the Auditing and Assurance Standards Board. All of these references are references to the instruments as they exist from time to time. These instruments are available on the Federal Register of Legislation at [www.legislation.gov.au](http://www.legislation.gov.au).

1. Consultation

Before commencing formal consultation APRA and the agencies undertook extensive informal consultation with the larger reporting institutions to ensure that unnecessary reporting burden was removed while ensuring that the agencies’ data requirements were met. As a result of the informal consultation the agencies produced a data quality standard and a reporting concepts guidance document to accompany the EFS reporting forms.

In January 2017, APRA, the ABS and the RBA commenced formal consultation on the modernised EFS collection. APRA and the agencies released a discussion paper *EFS Modernisation January 2017*, along with draft versions of 23 reporting standards, a data quality guidance document and reporting guidance for the EFS collection. APRA received 29 submissions in response to its consultation.

Submissions noted challenges meeting the initially proposed implementation date and parallel run requirements. A number of submissions also raised concerns on the lack of clarity of internded roles, responsibilities and activities related to data quality for the EFS collection, and the cost of audit. Submissions also provided feedback on data concepts and specific reporting forms.

In August 2017 APRA and the agencies released their response to submissions comprising a *Response paper: EFS modernisation August 2017* clarifying and outlining changes to the EFS collection in a number of areas following consideration of the issues raised in submissions, 20 reporting standards, a definitions standard and a concepts guide.

To address concerns regarding the proposed implementation of the collection, APRA and the agencies delayed commencement by nine months to the reporting period ending 31 March 2019. Required parallel runs proposed in the consultation were also significantly reduced and backward looking parallel runs abandoned altogether. APRA and the agencies also made changes to ongoing due dates and reporting thresholds to reduce the burden on industry. In response to feedback on data concepts and specific reporting forms APRA and the agencies added further clarification to the EFS reporting standards and guidance.

APRA and the agencies also committed to forming an EFS implementation working group with industry and maintaining a publicly available list of frequently asked questions to assist entities prepare for the first submission of EFS data.

The August 2017 response to submissions also included a revised data quality framework for further consultation. 11 submissions from reporting entities, auditors and an industry association were received. Most feedback related to the data quality benchmarks to be applied to the EFS collection and the relationship between the proposed framework and existing assurance requirements under *APS 310 Audit and Related Matters*. Submissions also sought clarification about the purpose of the benchmarks and how they should be applied.

In March 2018 APRA and the agencies released a response to submissions on the EFS collection data quality framework. The package included a response paper as well as an audit standard for RFCs and a reporting practice guide outlining data quality expectations.

Changes in response to feedback included reducing the number of data items to which benchmarks are applied by approximately 80 per cent, and providing clarity on the application of the benchmarks by auditors when determining materiality.

In September 2018 APRA and the agencies undertook a subsequent round of formal consultation on changes to the EFS collection primarily motivated by changes to section 66 of the *Banking Act 1959*). The package included a letter to ADIs and RFCs, updated versions of 20 reporting standards, a definitions standard, and a concepts guide. The proposed changes included updating all reporting standards so all ADIs and RFCs report in whole dollars; and updating the method used to apply reporting standards to ADIs to use the restricted terms ‘credit union’ and building society’ after the term ‘bank’ was removed as a restricted term under the Banking Act. The proposed method does not result in any changes to any ADI’s reporting requirements compared to the previous method. APRA and the agencies also made minor amendments to the reporting standards and guidance to remove redundant references; provide additional clarity in response to queries; and fix typographical errors.

Five submissions to the consultation were received from reporting entities. The main issues raised in the submissions related to the challenges in implementing the change to reporting in whole dollars, changes to the classification of family trusts and the treatment of assets in covered bonds pools.

In January 2019 APRA and the agencies released a final response to submissions including a letter, 20 finalised reporting standards, a finalised definitions standard and a concepts guide. Changes in response to feedback included loosening of thresholds on validation rules to accommodate the increased reporting precision, corrections to the classification of family trusts, and updated guidance on the treatment of covered bonds.

1. Regulation Impact Statement

The Office of Best Practice Regulation has advised that a Regulation Impact Statement is not required for these legislative instruments.

1. **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.

# ATTACHMENT A

**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

**Financial Sector (Collection of Data) (reporting standard) determinations No. 1 to 9 of 2019**

These legislative instruments are 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 Instruments**

The purpose of the instruments is to determine the reporting standards which form the first phase of the EFS collection and provide definitions of concepts and terms used throughout the EFS collection.

The reporting standards set out requirements for authorised deposit-taking institutions (ADIs) and registered financial corporations (RFCs) to report key data on their domestic operations. The data collected from ADIs and RFCs are used to compile key macroeconomic indicators for Australia published by the ABS and the RBA and are used for analysis and policy purposes by the RBA. Data collected on the EFS forms are also available to APRA and are 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.

**Human rights implications**

APRA has assessed the instruments and is of the view that they do 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 instruments are compatible with human rights.

**Conclusion**

These legislative instruments are compatible with human rights as they do not raise any human rights issues.