

Financial Sector (Collection of Data) (reporting standard) determination Nos. 10 to 21 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 4 June 2019, APRA made the following determinations (the instruments):

1. Financial Sector (Collection of Data) (reporting standard) determination No. 10 of 2019 which determines a new *Reporting Standard ARS 741.0 ABS/RBA Business Finance* (ARS 741.0);
2. Financial Sector (Collection of Data) (reporting standard) determination No. 11 of 2019 which determines a new *Reporting Standard ARS 742.0 ABS/RBA Business Credit Stocks, Flows and Interest Rates* (ARS 742.0);
3. Financial Sector (Collection of Data) (reporting standard) determination No. 12 of 2019 which determines a new *Reporting Standard ARS 743.0 ABS/RBA Housing Finance* (ARS 743.0);
4. Financial Sector (Collection of Data) (reporting standard) determination No. 13 of 2019 which determines a new *Reporting Standard ARS 744.0 ABS/RBA Housing Credit Stocks, Flows and Interest Rates* (ARS 744.0);
5. Financial Sector (Collection of Data) (reporting standard) determination No. 14 of 2019 which determines a new *Reporting Standard ARS 745.0 ABS/RBA Personal Finance* (ARS 745.0);
6. Financial Sector (Collection of Data) (reporting standard) determination No. 15 of 2019 which determines a new *Reporting Standard ARS 746.0 ABS/RBA Personal Credit Stocks, Flows and Interest Rates* (ARS 746.0);
7. Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2019 which determines a new *Reporting Standard ARS 747.0 ABS/RBA Deposit Stocks, Flows and Interest Rates* (ARS 747.0);
8. Financial Sector (Collection of Data) (reporting standard) determination No. 17 of 2019 which determines a new *Reporting Standard ARS 748.0 ABS/RBA Wholesale Funding Stocks, Flows and Interest Rates* (ARS 748.0);
9. Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2019 which determines a new *Reporting Standard ARS 721.0 ABS/RBA Repurchase Agreements and Securities Lending* (ARS 721.0);
10. Financial Sector (Collection of Data) (reporting standard) determination No. 19 of 2019 which determines a new *Reporting Standard ARS 723.0 ABS/RBA Margin Lending* (ARS 723.0);

11. Financial Sector (Collection of Data) (reporting standard) determination No. 20 of 2019 which determines a new *Reporting Standard ARS 730.0 ABS/RBA Statement of Financial Performance* (ARS 730.0); and
12. Financial Sector (Collection of Data) (reporting standard) determination No. 21 of 2019 which determines a new *Reporting Standard ARS 730.1 ABS/RBA Fees Charged* (ARS 730.1).

The instruments commence on 1 July 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 be 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.

2. Purpose of the instruments

The EFS collection is being introduced in three phases. The first phase comprised balance sheet data and commences for the reporting period ending March 2019. The second phase collects data on interest rates, finance commitments, deposits and funding, and commences 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 purpose of the instruments is to determine reporting standards which comprise the second and third phases of the EFS collection. Each of the instruments determine a new reporting standard for the EFS collection that requires an ADI or RFC to provide information to APRA about their businesses and activities¹. Each reporting standard includes a reporting form that an ADI or RFC must complete and submit to APRA, and instructions to completing the reporting form.

Specifically:

1. ARS 741.0 sets requirements for an ADI and RFC to provide information relating to the provision of business finance to private and public sector businesses. This includes information relating to “borrower-accepted commitments for business loans - by product”, “new borrower-accepted commitments for business loans - by purpose” and “new borrower-accepted commitments for business finance - by industry”. The information is collected by Reporting Form ARF 741.0 ABS/RBA Business Finance.
2. ARS 742.0 sets requirements on an ADI and RFC to provide information relating to business credit stocks, flows, and interest rates. This includes information relating to “business finance outstanding”, “business finance funded in the month” and “business finance – by collateralisation”. The information is collected by Reporting Form ARF 742.0A ABS/RBA Business Credit Stocks, Flows and Interest Rates (Standard) and Reporting Form ARF 742.0B ABS/RBA Business Credit Stocks, Flows and Interest Rates (Reduced).
3. ARS 743.0 sets out an ADI’s and RFC’s reporting requirements relating to their provision of housing finance to households. This includes information relating to “new applications for housing loans”, “new borrower-accepted commitments for housing loans” and “new borrower-accepted commitments for housing loans to resident first-home buyers”. The information is collected by Reporting Form ARF 743.0 ABS/RBA Housing Finance.
4. ARS 744.0 sets out an ADI’s and RFC’s reporting requirements relating to their housing credit stocks, flows and interest rates. This includes information relating to “housing loans outstanding”, “housing loans funded in the month” and “fixed interest rate housing loans to residents”. The information is collected by Reporting Form ARF 744.0A ABS/RBA Housing Credit Stocks, Flows and Interest Rates (Standard) and Reporting Form ARF 744.0B ABS/RBA Housing Credit Stocks, Flows and Interest Rates (Reduced).
5. ARS 745.0 sets out an ADI’s and RFC’s reporting requirements relating to their provision of personal finance to households. This includes information relating to “new borrower-accepted commitments for fixed-term personal loans and finance leases” and “borrower-accepted commitments for credit cards, margin lending and other revolving credit”. The information is collected by Reporting Form ARF 745.0 ABS/RBA Personal Finance.
6. ARS 746.0 sets out an ADI’s and RFC’s reporting requirements relating to their personal credit stocks, flows and interest rates. This includes information relating to “personal finance outstanding”, “personal finance funded in the month” and “personal finance to residents funded in the month”. The information is collected by Reporting Form ARF 746.0A ABS/RBA Personal Credit Stocks, Flows and Interest Rates

¹ Each reporting standard includes a reporting form or reporting forms for the collection of the information. Comprehensive instructions are included to assist an ADI and RFC complete each reporting form.

(Standard) and Reporting Form ARF 746.0B ABS/RBA Personal Credit stocks, flows and Interest Rates (Reduced).

7. ARS 747.0 sets out an ADI's and RFC's reporting requirements relating to their deposit stocks, flows and interest rates. This includes information relating to "deposits outstanding", "deposits outstanding to resident households" and "deposits outstanding to counterparties other than residents households". The information is collected by Reporting Form ARF 747.0A ABS/RBA Deposit Stocks, Flows and Interest Rates (Standard) and Reporting Form ARF 747.0B ABS/RBA Deposit Stocks, Flows and Interest Rates (Reduced).
8. ARS 748.0 sets out an ADI's and RFC's reporting requirements relating to their wholesale funding stocks, flows and interest rates. This includes information relating to "outstanding debt securities", "new issuance of debt securities" and "benchmark rate on senior unsecured debt". The information is collected by Reporting Form ARF 748.0A ABS/RBA Wholesale Funding Stocks, Flows and Interest Rates (Standard) and Reporting Form ARF 748.0B ABS/RBA Wholesale Funding Stocks, Flows and Interest Rates (Reduced).
9. ARS 721.0 sets out an ADI's or RFC's reporting requirements relating to their repurchase agreements and securities lending. This includes information relating to "repo stocks – repo characteristics", "repo stocks – collateral characteristics", and "reverse repo stocks – repo characteristics". The information is collected by Reporting Form ARF 721.0A ABS/RBA Repurchase Agreements and Securities Lending (Option A) and Reporting Form ARF 721.0B ABS/RBA Repurchase Agreements and Securities Lending (Option B).
10. ARS 723.0 sets out an ADI's or RFC's reporting requirements relating to their margin lending. This includes information relating to "new borrower accepted margin loan commitments", "margin loans" and "credit limits on margin loans to residents". The information is collected by Reporting Form ARF 723.0 ABS/RBA Margin Lending.
11. ARS 730.0 sets out an ADI's or RFC's reporting requirements relating to their financial performance. This includes information on "interest income", "interest expense" and "dividends". The information is collected by Reporting Form ARF 730.0 ABS/RBA Statement of Financial Performance.
12. ARS 730.1 sets out an ADI's reporting requirements relating to their fees charged. This includes information on "fees charged on deposit accounts", "fees charged on loans and finance leases" and "merchant fees charged". The information is collected by Reporting Form ARF 730.1 ABS/RBA Fees Charged.

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.

ARS 721.0 requires financial sector entities to report certain items with a two-letter ISO 3166 country code and a three-letter ISO 4217 currency code. ISO 3166 and ISO 4217 are internationally recognised codes for the representation of countries and currencies developed by the International Organization for Standardization (ISO)².

² For more information:

Financial sector entities are expected to report certain items with the ISO 3166 country code and the ISO 4217 currency code as matters of fact. Following the extensive consultation undertaken on the EFS collection, financial sector entities are aware information relevant to the two-letter ISO 3166 country code and to the three-letter ISO 4217 currency code is widely available freely online.

The contents of ISO 3166 and the contents of ISO 4217 are not relevant to the understanding ARS 721.0. ARS 721.0 does not incorporate by reference the contents of ISO 3166 and the contents of ISO 4217.

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- on ISO 3166 country codes visit <https://www.iso.org/iso-3166-country-codes.html>
 - on ISO 4217 currency codes visit <https://www.iso.org/iso-4217-currency-codes.html>

3. 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 intended 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* (Banking Act). 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.

4. Regulation Impact Statement

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

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.

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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These legislative instruments are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the Legislative Instrument

The purpose of the instruments is to determine the reporting standards which form the second and third phases of 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.