

# Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2019

## EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

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

*Acts Interpretation Act 1901*

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 10 September 2019, APRA made Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2019 (the instrument) which revokes *Reporting Standard ARS 117.1 Interest Rate Risk in the Banking Book (IRRBB)* made under Financial Sector (Collection of Data) (reporting standard) determination No. 16 of 2009, and determines a new *Reporting Standard ARS 117.1 Interest Rate Risk in the Banking Book (IRRBB)* (ARS 117.1).

The instrument commences on 1 October 2019.

### **1. Background**

APRA's prudential framework includes a suite of prudential standards that impose capital requirements for authorised deposit-taking institutions (ADIs). One of these standards is *Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* (APS 117). APS 117 sets out the requirements that must be met by an ADI that has approval to use an internal model for interest rate risk in the banking book.

ARS 117.1 sets out an ADI's reporting requirements to APRA in relation to its regulatory capital for interest rate risk in the banking book. ARS 117.1 supports APRA's prudential supervision of ADIs under APS 117.

ARS 117.1 was last determined by APRA in 2009 (the previous ARS 117.1).

### **2. Purpose of the instrument**

The previous ARS 117.1 was to be repealed by sunseting on 1 October 2019 under subsection 50(1) of the *Legislation Act 2003*. APRA has reviewed the regulatory performance of the previous ARS 117.1 and found that it continues to be fit for purpose. Consequently, APRA intends that it be remade without significant changes. The purpose of the instrument is to revoke the previous ARS 117.1 and remake ARS 117.1 with minor changes designed to simply bring it into line with the drafting style employed currently for APRA's reporting standards.

The changes to ARS 117.1 do not alter the existing reporting obligations or interests of ADIs. The key changes:

- insert a new paragraph informing that the instrument is made under section 13 of FSCODA;
- insert a new paragraph that provides for the commencement of the instrument;
- broaden the method by which an ADI may provide information;
- update references to the quality control obligations of an ADI in relation to the information it provides, including referring to the up-to-date audit obligations of an ADI under *Prudential Standard APS 310 Audit and Related Matters*; and
- refer to the up-to-date definitional standard for ADI prudential standards, *Prudential Standard APS 001*.

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

ARS 117.1 requires ADIs to report certain items with a ISO 4217 currency code. ISO 4217 is an internationally recognised code for the representation of currencies developed by the International Organisation for Standardisation (ISO).<sup>1</sup> ADIs are expected to report certain items with the ISO 4217 currency code as matters of fact. ADIs have reported the relevant ISO 4217 currency codes as matters of fact since the previous ARS 117.1, and are aware the information relevant to the ISO 4217 currency code is widely and freely available online. The contents of ISO 4217 are not relevant to the understanding of ARS 117.1. ARS 117.1 does not incorporate by reference the contents of the ISO 4217.

### **3. Consultation**

APRA is satisfied that consultation is not appropriate and not reasonably practicable to undertake for this instrument. The instrument does not alter the existing reporting obligations that are required to be complied with by ADIs and any changes to ARS 117.1 are minor and machinery in nature.

### **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**

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<sup>1</sup> For more information on ISO 4217 currency codes visit <https://www.iso.org/iso-4217-currency-codes.html>

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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This legislative instrument is 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 instrument is to revoke *Reporting Standard ARS 117.1 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* determined by APRA in 2009 and replace it with a new *Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* (ARS 117.1).

ARS 117.1 provides for the provision of information to APRA from authorised deposit-taking institutions (ADIs) on an ADI's interest rate risk in the banking book regulatory capital. ADIs are bodies corporate authorised to carry on banking business in Australia.

ARS 117.1 is being remade as it is due to sunset on 1 October 2019.

#### **Human rights implications**

APRA has assessed the instrument and is of the view that it does 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 instrument is compatible with human rights.

#### **Conclusion**

The legislative instrument is compatible with human rights as it does not raise any human rights issues.