



25 August 2021

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS

REGULATORY SUPPORT FOR LOANS IMPACTED BY COVID-19

On 30 July 2021, APRA launched a one-week consultation on proposed regulatory support for loans impacted by COVID-19.¹ The proposed measures included a temporary prudential treatment for loans impacted by COVID-19 that are granted repayment deferrals.

A number of authorised deposit-taking institutions (ADIs) have provided affected borrowers with an option to defer their loan repayments. Under the proposed approach, for eligible borrowers, ADIs will not need to treat a repayment deferral as a loan restructuring or the period of deferral as a period of arrears, whether or not the borrower has previously been granted a repayment deferral.

The consultation covered APRA's proposal to:

- give effect to this temporary prudential treatment by way of adjustments to *Prudential Standard APS 220 Credit Quality* (APS 220), largely mirroring the approach in March 2020; and
- collect entity-level data on these loans, by recommencing reporting under *Reporting Form ARF 923.2 COVID-19 Repayment Deferrals* (ARF 923.2) for ADIs that meet a minimum threshold.

APRA also proposed to require ADIs to disclose publicly the nature and terms of repayment deferrals and the volume of loans to which they are applied, as in 2020. Collectively, these measures are intended to assist ADIs in supporting their small business, home loan and other retail customers through this period, in a manner that is transparent to the community.

Consultation feedback and next steps

APRA received five submissions in response to its consultation on the adjustments to APS 220, and several submissions on the reporting requirements. These were largely focused on the time periods for the regulatory support and other more minor clarifications. In response, APRA is extending the time period for the temporary adjustments to APS 220 to apply to loans granted repayment deferrals from 8 July 2021 until 30 September 2021.

All non-confidential submissions have been published on APRA's website. APRA's response to the issues raised in submissions is set out in more detail in Annexure A below. The updated final version of APS 220 has been published alongside this letter. APRA intends to register APS 220 on the Federal Register of Legislation, with the standard commencing upon registration. Reporting requirements under ARF 923.2 have been communicated to ADIs.

¹ [Consultation on loans impacted by COVID-19: Regulatory support | APRA 30 July 2021](#)

Yours sincerely

John Lonsdale
Deputy Chair

ANNEXURE A. APRA RESPONSE TO INDUSTRY SUBMISSIONS DURING CONSULTATION

Industry feedback on the prudential standard (APS 220)

Comments received

Some industry submissions requested the proposed amendments to APS 220 also cover deferrals granted before 19 July 2021, as some COVID-19 support packages were announced by industry and provided by ADIs from early July 2021. Some submissions also sought clarity on whether the 31 August 2021 end-date for deferrals could be extended.

One submission also requested clarification on whether the number of days past-due may be adjusted at the end of the deferral period, to reflect any payments made by a customer in the deferral period. Another submission requested the scope of the temporary treatment be expanded beyond exposures to small business, home loan and other retail customers.

APRA's response

To provide for consistent treatment of COVID-19 impacted loans, APRA is changing the start date to cover deferrals granted on or after 8 July 2021, in line with the industry support packages announced in early July. APRA has also extended the 31 August end-date to 30 September 2021.

APRA does not consider that changes need to be made to APS 220 to cater for circumstances where a borrower makes repayments during the deferral period, as this is already captured in Attachment E (paragraph 7). APRA is also not expanding the scope of the temporary treatment beyond small business, home loan and other retail customers, retaining the scope consistent with the approach in 2020.

Industry feedback on reporting requirements (ARF 923.2)

APRA proposed to collect entity-level data on COVID-19 impacted loans through recommencing reporting on the Reporting Form ARF 923.2. To alleviate reporting requirements for small ADIs, APRA proposed the threshold for the collection of ARF 923.2 data would be increased to a minimum of \$50 million and 50 facilities.

Comments received

One submission requested that the requirement for ADIs to publicly disclose information on repayment deferrals be removed and replaced with APRA publication of data collected under ARF 923.2.

Some submissions requested clarification on the reporting requirements for loans subject to repayment deferral for which ADIs are not applying the temporary treatment. One submission sought clarity on whether the reporting requirements also applied to repayment deferrals outside the time periods specified under the proposed amendments to APS 220. Another submission requested amendments be made to *Reporting Standard ARS 923.2 Repayment Deferrals* (ARS 923.2) to reflect the revised threshold for reporting under ARF 923.2.

APRA's response

APRA will require ADIs to disclose publicly the nature and terms of repayment deferrals and the volume of loans to which they are applied. APRA may decide to publish entity-level data collected under ARS 923.2, but does not consider this a substitute for timely ADI disclosure of information on repayment deferrals.

APRA has shared updated instructions for reporting under ARF 923.2 with ADIs. For the purposes of reporting loans subject to repayment deferral, ARF 923.2 includes any loans receiving the temporary treatment under the proposed amendments to APS 220, as well as any repayment deferrals that do not qualify for the temporary treatment and are non-performing.

APRA considers submitting ARF 923.2 with "Reporting not required for the period" to be sufficient for adherence to the submission criteria of ARS 923.2 and does not intend to change the reporting standard.