



Feedback on the Proposed Reporting Standard ARS 220.0 - Credit Exposures and Provisions

Use of this template is optional. Respondents may choose to use it to provide structured feedback on the proposed reporting standard.

General Feedback

Please refer to the covering letter that has been provided.

Specific Feedback

Table 1: Exposures and provisions

Scope Feedback

The move to more granular data as outlined in APS 220 will create additional challenges on ADI's to provide all the fields as outlined in Table 1: Exposures and Provisions. A number of ADI's do not have a single source data warehouse capturing RWA; AASB 9 and other fields required by Table 1. ADI's will need to either build a tool that captures information from multiple source systems using a common loan identifier such as a data warehouse or other mechanism to match data.

Field by Field Feedback

[Please provide any feedback regarding specific data requirements in the table below, please include any feedback regarding ability to deliver and definitions in this section. It is not necessary to provide feedback for all data elements]

| | Name | Description | Feedback |
|---|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Loan identifier | <p>Report the loan identifier. This should be a unique identifier assigned by the lender for each individual loan. It must not include any personal details such as names, addresses or date of birth.</p> <p>The loan identifier should be consistent across collections.</p> | <p>1) The requirement to maintain a unique identifier will require development work where there are multiple source systems that will require mapping to a single unique loan identifier. There would be additional effort required to maintain mappings of unique identifiers particularly in circumstances where new systems are being implemented (migration from legacy to new systems).</p> |

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| 2 | On/off balance sheet | Report whether the exposure is on- or off-balance sheet . | <p>1) How should a loan be reported where it has both an on-balance sheet and off-balance sheet exposure? Will it be reported as separate lines and what does this mean for Loan Identifier?</p> <p>2) For Clarity are APRA expecting ADIs to provide eligible capital - relief as off-balance sheet exposures? We note that the securitisation deconsolidation principle in the instructions would exclude them from the population of this return to begin with. As outlined in RegCentric response there is an opportunity for APRA to request the total loan portfolio and flag deconsolidated loans.</p> |
| 3 | IRB asset class | Report the IRB asset class. Non-IRB ADIs or those not seeking IRB approval should report <i>not applicable</i> . | |
| 4 | Standardised asset class | Report the standardised asset class. | <p>1) Given that the dates of implementation between and APS 112 and APS 220 differ; can ADIs continue to report on the current asset classes or can this data item be delayed until APS 112 implementation in 2023?</p> <p>2) Consideration should be given to whether the implementation dates of APS 112 and APS 220 can be aligned so they can be run as one project given the synergies across the two APS.</p> |
| 5 | Degree of performance | Report the degree of performance. | <p>1) How should a restructured loan where it meets the criteria of a performing loan be reported?</p> |
| 6 | Impairment stage | Report the impairment stage for the current reporting period . | |
| 7 | Restructure | Report whether the exposure is restructured . | |

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| 8 | Security | Report the exposure's security category. | <p>1) With respect to 'well-secured' definition: a) what if there is LMI as security? b) It doesn't refer to APS 220 in the definition c) Is there a minimum LVR requirement to meet the well-secured classification d) do we only report these for 90 days past-due loans?</p> <p>2) How should a secured personal loan (e.g., for a motor vehicle loan) be reported? Unsecured or not well-secured?</p> |
| 9 | Number of days <i>past due</i> | Report the number of days <i>past due</i> . | |
| 10 | Geography | <p>Report the geography of the exposure.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | <p>1) Rather than using the 'prescribed provisioning' as a criteria for completing this data item, APRA may consider the criteria used for reporting to be consistent with other reporting obligations by ADIs such as EFS.</p> <p>2) Should the geography definition be aligned to the EFS 'location of property' definition to ensure consistency across returns?</p> |
| 11 | Counterparty | <p>Report the SESCA classification of the counterparty to the exposure.</p> <p>Refers to the SESCO sector, subsector, group, or class of the counterparty to the exposure as applicable. Report the most detailed level possible. If the subsector, group or class cannot be determined, aggregate the exposures to the parent hierarchy.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |

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| 12 | Residency | Report the counterparty's residency. | 1) There appears to be an industry-wide qualification by auditors for this data item as indicated from our clients. How does APRA propose ADIs overcome this challenge? |
| 13 | Repayment type | Report the repayment type. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 14 | ANZSIC | Report the ANZSIC code of the exposure. If the ANZSIC category cannot be determined or if the counterparty covers multiple categories, aggregate the relevant exposures to the parent hierarchy. For example, if a counterparty covers multiple ANZSIC classes, report the ANZSIC group. Prescribed provisioning ADIs should report <i>not applicable</i> . | 1) If this item is reported for residential mortgages and consumer loans (retail), how would this be reported? The industry people work in? Could APRA please provide guidance on how this should be captured and reported. 2) Current systems for a number of ADIs are not capturing ANZSIC code against the individual loans this will require system development to build a new field to capture this data and a methodology to capture from existing and new clients. This will require a long lead time to implement fully. |
| 15 | Prescribed provisioning category | Report the prescribed provisioning category. Non-Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 16 | Security type | Report the security type. | 1) A potential issue would be created if you have reported personal lending motor vehicles as unsecured in data item 8 – Security. |

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| 17 | Interest rate type | Report the interest rate type. Prescribed provisioning ADIs should report <i>not applicable</i> . | <ol style="list-style-type: none"> 1) Is the term based on the residual term or the original term? 2) The definition of Interest Rate Type should be aligned to that reported under EFS to ensure consistency across returns. |
| 18 | Origination channel | Report the origination channel. Prescribed provisioning ADIs should report <i>not applicable</i> . | <ol style="list-style-type: none"> 1) Please clarify what are the valid values for this particular item? It is not clear whether APRA only require the split between Proprietary and Third Party or at a more granular level within these categories. 2) The breakdown of this information is currently not captured in any APRA reporting for the majority of our clients. It will therefore take analysis and development work to capture information for this field. There may be data gaps to this field, this will not be known until the detailed requirements and analysis is performed for this field. |
| 19 | Currency | Report the currency of the exposure. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 20 | Booking country | Report the country of domicile of the exposure. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 21 | Origination date | Report the origination date of the exposure. If the origination date is not known, or not clear; use the date the current loan expiry date was approved. | <ol style="list-style-type: none"> 1) How will top-ups be captured? Can APRA please clarify whether ADIs will report the very first origination date or the advance on that facility? |

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| 22 | Maturity date | Report the contractual maturity date of the exposure. | 1) How is APRA proposing to report extensions to the original maturity date? Will APRA automatically identify this from the loan identifier in earlier submissions and note that the maturity date has been extended? |
| 23 | Gross carrying amount of credit exposures | Report the gross carrying amount of credit exposures . | 1) For consistency across regulatory reporting, could APRA please align to EFS terminology and definitions which uses 'gross outstanding' and 'gross of provisions'. |
| 24 | Drawn amount | Report the drawn amount. | |
| 25 | Prescribed provisioning adjusted balance | Report the prescribed provisioning adjusted balance . Prescribed provisioning ADIs should report 0. | |
| 26 | Portfolio-allocated provisions (pro rata) | Report the value of portfolio-allocated provisions. | 1) Could APRA please confirm if this means economic overlays; model overlays? Please add a definition for this item to the definition section so it is clear what is to be included? 2) Could APRA also confirm what methodology in terms of pro rata that is being referred to? |
| 27 | Allocated provisions | Report the value of provisions that have been allocated at a loan level. | 1) In other regulatory returns, this is usually individual provisions' or collective provisions'. Please define this item, generally what are all items not defined? 2) How is it reconciled between 26; 27 and ARF_720_0? |

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| 28 | Credit RWA | Report the value of <i>credit risk-weighted assets</i> . | <ol style="list-style-type: none"> 1) Could APRA please confirm this is based on the gross exposure that is prior to any risk mitigation being applied to the balance? 2) Given the lag between the APS 112 implementation and ARS 220; there is a preference to provide this from March 2023 as not all ADIs currently have this available at the granular level that this report requires. 3) Is this the total of on and off-balance sheet RWAs e.g. some loans will have both an on and off-balance sheet RWAs where a loan is not fully drawn down. |
| 29 | Reconciliation balance | Report Y if the line is for a reconciliation balance, N otherwise. | <ol style="list-style-type: none"> 1) This item is not defined, is this for a manual adjustments? Can you please clarify how this field should be populated at a loan level? |

Table 2: Exposures and value adjustments

Scope Feedback

Please confirm if this is to report the financial instruments that would be currently reported on the ARF_111 Fair Values. If so, will the ARF_111 Fair Values still be required? We will need to address the specific data items feedback once this is confirmed.

Field by Field Feedback

[Please provide any feedback regarding specific data requirements in the table below, please include any feedback regarding ability to deliver and definitions in this section. It is not necessary to provide feedback for all data elements]

| | Name | Description | Feedback |
|---|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1 | Loan identifier | Report the loan identifier. This should be a unique identifier assigned by the lender for each individual loan. It must not include any personal details such as names, addresses or date of birth. The loan identifier should be consistent across collections. | |
| 2 | On/off balance sheet | Report whether the exposure is on- or off-balance sheet . | |
| 3 | IRB asset class | Report the IRB asset class. Non-IRB ADIs or those not seeking IRB approval should report <i>not applicable</i> . | |
| 4 | Standardised asset class | Report the standardised asset class. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 5 | Degree of performance | Report the degree of performance. | |

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| 6 | Restructure | Report whether the exposure is restructured . | |
| 7 | Security | Report the exposure's security category. | |
| 8 | Number of days past due | Report the number of days past due . | |
| 9 | Geography | Report the geography of the exposure. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 10 | Counterparty | Report the SESCA classification of the counterparty to the exposure. Refers to the SESCO sector, subsector, group, or class of the counterparty to the exposure as applicable. Report the most detailed level possible. If the subsector, group or class cannot be determined, aggregate the exposures to the parent hierarchy. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 11 | Residency | Report the counterparty's residency. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 12 | Repayment type | Report the repayment type. Prescribed provisioning ADIs should report <i>not applicable</i> . | |
| 13 | ANZSIC | Report the ANZSIC code of the exposure. If the ANZSIC category cannot be determined or if the counterparty covers multiple categories, aggregate the relevant exposures to the parent hierarchy. For | |

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| | | <p>example, if a counterparty covers multiple ANZSIC classes, report the ANZSIC group.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 14 | Security type | <p>Report the security type.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 15 | Interest rate type | <p>Report the interest rate type.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 16 | Origination channel | <p>Report the origination channel.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 17 | Currency | <p>Report the currency of the exposure.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 18 | Booking country | <p>Report the country of domicile of the exposure.</p> <p>Prescribed provisioning ADIs should report <i>not applicable</i>.</p> | |
| 19 | Origination date | <p>Report the origination date of the exposure.</p> <p>If the origination date is not known, or not clear; use the date the current loan expiry date was approved.</p> | |

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|----|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 20 | Maturity date | Report the contractual maturity date of the exposure. | |
| 21 | Gross carrying amount of credit exposures at fair value | Report the gross carrying amount of credit exposures at fair value . | |
| 22 | Valuation adjustment | Report the prescribed provisioning adjusted balance . ADIs that do not use the prescribed provisioning approach should report the drawn amount in this column. | |
| 23 | Drawn amount | Report the drawn amount. | |
| 24 | Credit RWA | Report the value of credit risk-weighted assets . | |
| 29 | Reconciliation balance | Report Y if the line is for a reconciliation balance, N otherwise. | |

Table 3: Movements in exposures and provisions

Scope Feedback

- a) Movements in Exposures and Provisions is dependent on prior quarter data being available. Can APRA please confirm that the first quarter that this would be reported is 30 June 2022 (1st quarter post go live date of 31 March 2022).
- b) This table is based on calculations from data that is already provided to APRA.
- c) This table complicated the reporting requirement due to the movements across the reporting periods data being captured.
- d) This table has similarities to AASB 7 disclosure 35I – there are synergies to be gained from this table being aligned with financial statement disclosures. It is recommended that this table aligns with this disclosure.

Field by Field Feedback

[Please provide any feedback regarding specific data requirements in the table below, please include any feedback regarding ability to deliver and definitions in this section. It is not necessary to provide feedback for all data elements]

| | Name | Description | Feedback |
|---|--------------------------|-------------------------------------------------------------------------------------------------------------------------|----------|
| 1 | Impairment stage | The impairment stage for the current reporting period . | |
| 2 | Reason for movement | The reason for movement. | |
| 3 | IRB asset class | Report the IRB asset class. Non-IRB ADIs or those not seeking IRB approval should report <i>not applicable</i> . | |
| 4 | Standardised asset class | Report the standardised asset class. All other ADIs should report <i>not applicable</i> . | |

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| 5 | Movement in gross carrying amount of credit exposures | The movement in <i>the gross carrying amount of credit exposures.</i> | |
| 6 | Movement in drawn amount | The movement in the drawn amount. | |
| 7 | Movement in provisions | The movement in <i>provisions.</i> | |