

3 May 2024

General Manager, Policy
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001



By email: policydevelopment@apra.gov.au

Dear Mr Holland,

Minor Framework Updates

The Australian Financial Markets Association (**AFMA**) welcomes the opportunity to comment on the Australian Prudential Regulation Authority's (**APRA**) consultation on 'minor framework updates', which impact a range of prudential standards and industries.

While the majority of proposed changes are minor in nature, AFMA has concerns with one particular proposed amendment. That being the inclusion of a new paragraph 33 (reproduced below), to the revised Prudential Standard, APS 330, Public Disclosures, due to come into effect on 1 January 2025.¹

33. Unless otherwise directed by APRA, an ADI must implement the relevant disclosure templates developed by the BCBS from time to time by the applicable implementation date provided by the BCBS.

AFMA supports global alignment of disclosures. Global alignment increases the utility of such disclosures due to their increased (global) comparability; this is of benefit to regulators, observers and financial institutions. Additionally, aligning the form and implementation of disclosures to international peers allows Australia to learn from international experience, while allowing Foreign ADIs operating in Australia to leverage their global systems and policies – hence, avoiding the costs and inefficiencies of developing systems and policies locally that later need to be modified to align with global/home office systems and policies.

In this regard, it is important that APRA does not require Australian ADIs to automatically implement disclosures developed by a foreign body, where those requirements may not be wholly suitable or aligned to our local prudential framework, for example, regarding definitions. APRA should also ensure the implementation timelines of new disclosures

¹ The revised APS 330 is available on APRA's consultation page on [Public disclosure requirements for authorised deposit-taking institutions](#).

aligns to domestic priorities. This is particularly pertinent in the current environment where APRA has and continues to implement significant changes to its (data) reporting regime.

Rather than automatically adopting new BCBS disclosures in Australia, AFMA recommends that new requirements only be implemented once APRA has actively assessed if the form and timing of the new disclosures are suitable. This will help ensure that any new disclosures implemented in Australia are fit for purpose, aligned to the local prudential regime, do not disadvantage or unduly increase the costs of ADIs and are implemented in a way that aligns to APRA's broader reporting roadmap – noting industry expects an updated roadmap to be released in the coming months.

In addition to our above comments, Appendix A provides recommended amendments to ARS 220.5.

For more information or if you have questions in relation to this letter, please contact me on 0411 281 562 or at brendonh@afma.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'B. Harper', with a long, sweeping horizontal stroke extending to the right.

Brendon Harper
Head of Banks and Prudential

Australian Financial Markets Association

About AFMA

AFMA is the leading financial markets industry association promoting efficiency, integrity and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy, carbon, and other specialist markets.

We have more than 130 members, from Australian and international banks, leading brokers, securities companies and state government treasury corporations to fund managers, energy firms and industry service providers. Our role is to provide a forum for industry leadership and to advance the interests of all these market participants.

Appendix A: ARS 220.5

Industry appreciates the proposed updates to the prudential framework for revisions to APS 111 Tier 2 and regulatory adjustments that would be reported as part of ARF 110.0, as well APS 220 and APS 330 as it relates to General and Specific provisions.

Complementing these changes, AFMA recommends that APRA include consequent adjustments for ARS 220.5. The consequential additional changes should clarify “Collective Provisions”, “Specific provisions on an individual basis” and “General Reserve for Credit Losses”, which are required in ARS 220.5 but are not defined in APS 220.

As background, currently, ARS 220.5 (Movements in Provisions for Impairment), that is in force since 1 April 2018, has the following specific instructions for:

Collective provisions:

Report the movements in the International Financial Reporting Standards (IFRS)^[5] under this heading...

Provisions assessed on a collective basis (i.e. “Collective provisions”) with IFRS may be split into two categories for regulatory purposes. These two categories are:

- *Specific provision; and/or*
- *General Reserve for Credit Losses.*

Refer to APS 220 for guidance on the determination of this split.

General Reserve for Credit Losses:

Report the movements on the regulatory General Reserve for Credit Losses.

Irrespective of the approach used by an ADI in determining specific and collective provisions, APRA expects ADIs to formulate appropriate policies and procedures for the assessment and reporting of adequate levels of General Reserve for Credit Losses. Unless otherwise agreed in writing with APRA, an ADI is expected to report General Reserve for Credit Losses. (refer to APS 220)

Some entities may report a portion of this General Reserve for Credit Losses in the financial statements as part of Shareholder’s equity. This portion must also be reported in the “General Reserve for Credit Losses” section of the return.

In a previous member request for guidance on the ARF 220.5, APRA referenced its provisioning [letter](#) dated 4 July 2017 and in some cases provided the following bilateral guidance on ARS 220.5:

- Stage 1 provision should be reported under Collective provisions or General Reserve for Credit losses (items and 1 and 3).
- Stage 2 provisions should be reported as Specific provisions for regulatory purposes (i.e. item 2) unless it relates to an amount for future, presently unidentified losses.
- Stage 3 provisions including those relating portfolio managed facilities should be reported under Specific provisions for regulatory purposes (i.e. item 2).