

10 June 2022

Mr Michael Murphy  
Senior Manager, Data Strategy and Frameworks  
Data Analytics and Insights  
Australian Prudential Regulation Authority

By email: [DataConsultations@apra.gov.au](mailto:DataConsultations@apra.gov.au)

Dear Mr Murphy

### **Interim credit risk capital reporting standards and parallel run expectations**

COBA welcomes the opportunity to comment on APRA's proposed interim ARS 112 credit risk reporting capital standards.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). Collectively, our sector has more than \$150 billion in assets and around 5 million customers.

### **Supporting ADIs to undertake the parallel run expectations**

APRA should promptly start providing the 'data infrastructure' to support ADIs in the transition period to the interim ARS 112 reporting standards given the parallel run reporting is expected to commence very shortly.

To smooth this transition as much as possible, this information should be made public to assist ADIs and providers to develop solutions. COBA members have noted that parallel run processes are resource intensive and challenging for ADIs, APRA and third party providers. COBA notes that some COBA members may be heavily reliant up third party software suppliers to support them in the parallel run so it is necessary that this information is publicly available.

### **Operational resources to assist ADIs to prepare for the parallel run**

COBA members request further information on the following:

- Release of return forms and taxonomies even in draft form. COBA acknowledges that APRA is expected to release these shortly. COBA members highlight that these are critical pieces to assist ADI to prepare their reporting systems. The taxonomies will provide greater certainty on classification. The returns will assist in understanding the practicalities of reporting. For example, Column 13 Risk-weighted assets (RWA) says that RWA will be automatically calculated – does this mean ADIs do not need to report it?
- Particular file requirements for ARS 112 APRA Connect submission. COBA members are interested the particular file types that can be used to load into APRA Connect given that for many this will be the first time they have encountered it. COBA members note that Excel or CSV files are expected to be much easier to implement than any XBRL or XML requirements.

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We would advocate for APRA to accept a range of file types with any additional transformation done on the APRA side given the significant burden on ADIs.

- Clarity on expectations around material errors and priority items given ADIs will under the pump to report this data. COBA members also note that given the increased level of granularity will mean that any errors may make material differences. A COBA member notes that heat map for high and very high items similar to the Economic and Financial Statistics collection could be useful for ADIs to understand where they should be focusing limited resources. Another COBA member notes that this additional level of granularity will mean that audit of this data return will be quite different given the absence of aggregation or summarisation.

### Comments on the ARS 112 standard

COBA notes the following comments on the ARS 112 standards:

- APRA needs to define 'Government Guarantee' as it is designed bolded APS 112 term, however, it is not in the APS 112 as referenced. We assume that this is Government Guarantee as under the Government's Home Guarantee Schemes. However, this may also refer to the COVID-19 SME Guarantee.<sup>1</sup>
- COBA members have been briefing of software providers based on the current draft standards so any material changes must be considered given they may further delay any solution development.
- While members have started to examine solutions based on the 5% LVR bands, we would support the consolidation of LVR bands to reduce the number of reported rows.

### Administrative issues regarding the parallel run

COBA members have raised the following questions regarding the implementation of the parallel run:

- Whether APRA would consider removing the additional COVID-19 'Capital and Credit' collection when the parallel run commences given the interim ARS 112 will provide all information they need for that return. This would assist to free up some reporting resources for the parallel run.
- Consideration about what happens regarding operational risk capital reporting during the parallel run. Would this be included in ARS 110?

COBA looks forward to continued engagement with APRA over the next few months as ADIs prepare for the parallel run process.

Thank you for the opportunity to provide these comments. If you wish to discuss any aspect of this submission, please contact Mark Nguyen ([mnguyen@coba.asn.au](mailto:mnguyen@coba.asn.au)).

Yours sincerely



**LUKE LAWLER**  
Director - Policy

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<sup>1</sup>See <https://treasury.gov.au/coronavirus/sme-recovery-loan-scheme>