

12 October 2022

Mr Gideon Holland  
General Manager, Policy  
Policy & Advice Division  
Australian Prudential Regulation Authority

Via email: [ADIpolicy@apra.gov.au](mailto:ADIpolicy@apra.gov.au)

Dear Mr Holland

### **Consultation on APS 330 Public Disclosures**

COBA welcomes the opportunity to comment on APRA's APS 330 Public Disclosures consultation.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies). As customer-owned banks, our members are not ASX-listed companies and given the absence of investors they are subject to fewer disclosure requirements compared to their much larger ASX-listed peer banks. Collectively, our sector has over \$150 billion in assets and 5 million customers. Our members vary in size from the smallest non-significant financial institutions (non-SFIs) to ADIs<sup>1</sup> marginally over the \$20 billion SFI threshold (and therefore the smallest of the SFIs).

### **Aligning the non-SFIs APS 330 removal with the new capital framework**

We support APRA's proposal to remove APS 330 disclosure requirements from non-SFIs from 1 January 2023 ahead of the general APS 330 implementation date on 1 January 2024. This will improve the proportionality of APS 330 disclosures. Given APRA finds the cost benefit of applying APS 330 to non-SFIs to be insufficient, it is appropriate to remove individual APS 330 disclosures for non-SFI ADIs.<sup>2</sup>

### **Supporting transparency on capital differences between IRB and standardised banks**

We support APRA's proposal to bring forward the disclosure of both the capital floor and standardised residential mortgage risk weighted assets for IRB ADIs. These are critical parts of the new ADI capital framework and information on them should be in place from 1 January 2023.

Differences in capital requirements for housing exposures can create competitive distortions between standardised ADIs and ADIs using internal models. Greater transparency on these differences will create a better understanding on these advantages and allow both APRA and other stakeholders to

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<sup>1</sup> Or are expected to come 1 January 2024

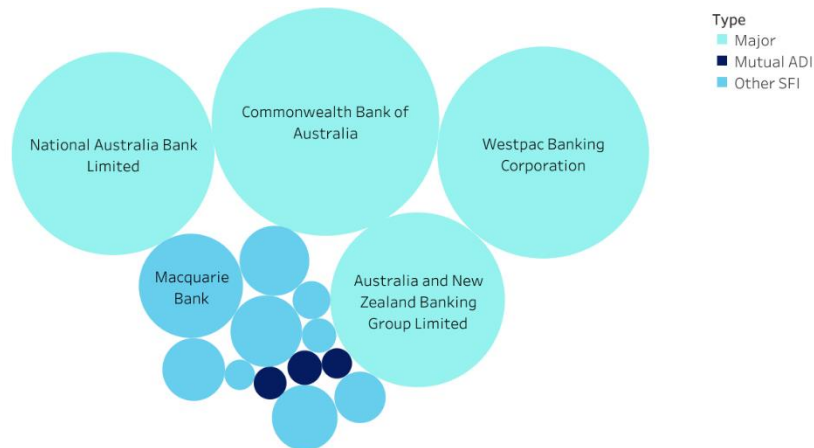
<sup>2</sup> "APRA considers that the costs of complying with APS 330 for non-SFI ADIs outweighs the benefit of individual disclosures, given the APRA publication of key data in a centralised dashboard and the scale and complexity of these smaller ADIs."

debate if these advantages align with APRA’s intent for the IRB regime given APRA’s requirements to consider competition objectives.<sup>3</sup>

**Proportionality within the SFI group**

In 2024, COBA expects there to be at least three mutual ADI SFIs pending some larger mutual ADI mergers. In the SFI context, these domestically-focused ADIs are the smallest SFIs in Australia and they will be subject to APS 330 and corresponding Basel disclosure requirements designed with internationally active banks in mind. We note that this should be taken account when applying discretion around disclosure requirements for smaller domestically-focused SFIs. COBA also notes that on the proposed timeframe of 2024 that our members will be both transitioning to a new APS 330 and the broader SFI framework at the same time.

**Figure 1: Relative Asset size of Significant Financial Institutions**



**Adapting to the Australian context for MLH ADIs and standardised ADIs**

COBA notes that the Australian context currently has the potential for individually-disclosing ADIs (i.e. SFIs) that are subject to the less complex Australian-specific Minimum Liquidity Holdings (MLH) regime rather than the Basel-defined Liquidity Coverage Ratio (LCR) regime (see Group 3 below). Given APRA’s reliance upon the Basel standard, there are no relevant Basel disclosure templates for this particular regime. APRA will need to develop a form if this particular group is required to disclose their liquidity position.

APRA’s framework does not apply a leverage ratio as a binding constraint for standardised ADIs<sup>4</sup> so APRA should make clear that the Basel Committee’s leverage ratio forms (L1 and L2)<sup>5</sup> do not apply to standardised ADIs.

To support ease of implementation and comparability, we also suggest that APRA provided standard tables and specifically identify relevant forms for entities.

<sup>3</sup> Noting APRA’s caveat that “comparison of RWA is only one component in assessing differences between the IRB and standardised approaches”

<sup>4</sup> See APS 110 para 37-39 ([Effective from 1 January 2023](#))

<sup>5</sup> See <https://www.bis.org/bcbs/publ/d455.htm>

**Table 1: Stylised Groups for APRA APS 330 disclosure**

	Group 1	Group 2	Group 3	Group 4
<b>Type</b>	SFI	SFI	SFI	Non-SFI
<b>Credit Risk</b>	IRB	SA	SA	SA
<b>Leverage Ratio</b>	Yes	NA	NA	NA
<b>Liquidity</b>	LCR	LCR	MLH	MLH
<b>APS 330</b>	Yes	Yes	Yes	No

**Optional use of international capital comparison methodologies**

The Discussion Paper states that APRA plans to “develop a methodology to harmonise capital ratios under APRA’s framework with international peers”. Given our members are domestically-focused, these methodologies must only be applied on an opt-in basis or alternatively only on G-SIBs or IRB ADIs given their limited value to other ADIs.<sup>6</sup>

**Supporting easier access to disclosed information for all ADI types**

We support APRA’s proposed approach to disclose a key prudential metric publication for non-SFIs. APRA’s disclosure will reduce some of the disclosure burden on smaller ADIs. Our unlisted nature, conservative business models and standardised approach means our disclosure needs are lower and such a publication can meet these needs.

However, APRA needs to consider how it will allow ADIs to provide optional commentary on any significant changes through APRA’s publication given this publication will lead to increased comparability of and an increased audience size for non-SFI ADI disclosures.

Given the centralisation of non-SFI ADI data, we propose that APRA ensure that there are links to the various SFI disclosure websites to ensure that stakeholders are able to have an easy access to a full ADI industry view. While SFIs will be disclosing on their own individual websites, any APRA publication (or website format) should for completeness purposes, link to these disclosures. APRA should also consider disclosing ADIs’ SFI/non-SFIs status to avoid any inadvertent gaps in the use of this data by stakeholders.

APRA should consider disclosing its classification of ADIs with respect to its quarterly publications such as the Quarterly ADI Performance. For example, whether an ADI is in the ‘mutual ADI’ and/or ‘other domestic banks’ category. This could aid in analysis to allow better identification of peers and relevant series. APRA should also review these groupings given the move to individual level disclosure can remove some sensitivity around identification.

If you wish to discuss this submission, please contact Mark Nguyen ([mnguyen@coba.asn.au](mailto:mnguyen@coba.asn.au)).

Yours sincerely



**MICHAEL LAWRENCE**  
**Chief Executive Officer**

<sup>6</sup> Noting the standardise to credit risk is more aligned to Basel.