

1 March 2024

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



By email: adipolicy@apra.gov.au

Dear Mr Holland,

Feedback regarding ARS 117.0 Repricing analysis

The Australian Financial Markets Association (**AFMA**) welcomes the opportunity to comment on the Australian Prudential Regulation Authority's (**APRA**) proposed changes to Interest Rate Risk in the Banking Book (**IRRBB**) related data submissions.

AFMA also welcomes APRA's engagement, including hosting two workshops, on the proposed changes. This engagement has been useful in understanding APRA's intent regarding these particular proposed changes.

Further clarity needed on APRA's overarching data and reporting plans

Notwithstanding the positive recent engagement, AFMA reiterates industry's desire for greater clarity on APRA's overarching data and reporting roadmaps.

Without a clear strategic direction and implementation timetable for data collection and reporting, industry's ability to develop the required capabilities is greatly inhibited. Uncertainty unnecessarily increases the challenges and cost of finding and acquiring skilled staff, developing internal capabilities and can increase operational risks. Staffing challenges can be most acute for smaller and foreign ADIs who do not have large local teams, or where limited domestic capabilities are consumed by larger entities.

AFMA, in particular its Regulatory Reporting Committee, remains available to host APRA in discussing APRA's data collection and reporting plans.

Consultation specific feedback

1. Responses to previous consultation feedback

We welcome APRA's responsiveness to previous feedback on the exclusion of ADIs not subject to capital charges from the requirement to submit Table 3, in line with the objective of proportionality. We also welcome the recognition of industry feedback on implementation timelines required to support budgeting and IT development cycles.

Similarly, it is industry's understanding that while the reporting requirements are applicable to relevant ADIs, APS 117 continues to *not* apply to Foreign ADIs, unless determined by APRA, as per paragraph 2 of the draft revised APS 117.

We provide the following further feedback on the updated standards and consultation response.

2. Proposed amendments to non-SFI exclusion from Prudential Requirements

While Foreign ADIs are explicitly excluded by item 2 of APS 117, item 6 refers only to “non-SFI” which includes Foreign ADI. AFMA recommends that APRA amend item 6 to be clear that it applies only to non-SFI ADI, not already excluded by item 2.

3. Product Classification

We welcome APRA’s consolidation of product granularity in response to initial consultation feedback, and the efforts to align to EFS reporting. However, in the absence of a published rationale for how the remaining granularity will be used, AFMA supports the ABA proposals to further aggregate some products to the extent these remain aligned to EFS reporting.

We would also encourage APRA to be mindful of any divergence in product granularity to the EBA implementation of the Basel standard. For Foreign ADIs – being excluded from the prudential standard – risk management processes are likely to be done on a group basis / group methodology. Divergence from overseas implementations could create challenges between the financial reporting requirements expected by APRA, and the risk management processes expected by Foreign ADI home regulators, especially in relation to behavioural modelling.

4. Implementation Approach

As highlighted in previous feedback and industry forums, commencement of system implementation is dependent on having a published taxonomy, especially to the extent that APRA is creating new products and tenor bucket dimensions. Any action that brings forward publication of a draft taxonomy from current Q3 2024 expectations would be helpful.

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. We look forward to continued engagement on these important changes.

Yours sincerely,

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

Brendon Harper
Head of Banks and Prudential
Australian Financial Markets Association