



Cortell Australia Pty Ltd

CoreBIS APRA Solution



Customer Advisory Board (CAB) Meeting: 5
2021 Quarter 1



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Statement of Confidentiality

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Distribution

Document will be placed on CoreBIS Wiki.

Name	Company	Job Role	Present at meeting
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Kon Hara	Bank Australia	Finance Manager	✓
Liuyang Li	Bank Australia	Regulatory Reporting Accountant	✓
Victor Anderson	Bank of Sydney	CFO	×
Champsman Yung	Bank of Sydney	Head of Financial Reporting	×
Kerri McCarron	Beyond Bank	Integration Business Manager	✓
Nick Edwards	Beyond Bank	Financial Controller	✓
Trevor Boggs	Beyond Bank	Regulatory Reporting Accountant	✓
Stephen Nounnis	Beyond Bank	Regulatory Reporting Accountant	×
Meelad Khalil	Teachers Mutual	Finance Manager – Budgeting and Planning	×
Shane Camilleri	Teachers Mutual	Financial Performance and Analytics Manager	×
Vishal Lagdev	Teachers Mutual	Business Analyst	✓
Trent Bennett	Teachers Mutual	Financial Accountant – Regulatory Reporting	✓
Belinda Hogan	:86400	Chief Financial Officer	×
Alfred Villegas	:86400	Financial Controller	✓
Jared Hill	:86400	Financial Accountant	×
Bronwyn Woodwood	Volt	Head of Financial Control	✓
Simon Carne	Volt	Manager Financial Information Systems	✓
Michelle Li	Volt	Regulatory Reporting Finance	✓
Karl Blackler	Cortell	CoreBIS Senior Technical Manager	✓
Tania Tambimuttu	Cortell	Support Desk Team Leader	✓
Paul Horton	Cortell	Business Delivery Manager	✓
James Corner	Cortell	CoreBIS Product Manager	✓

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Agenda

1. Welcome to all
2. Previous meeting action items
3. Regulatory Updates
4. Demonstration of Enhancements and New Features
5. Other feedback from Customers

For the purposes of the minutes, the initial references are:

- BA = Bank Australia
- BB = Beyond Bank
- TMB = Teachers
- 86 = 86400
- BoS = Bank of Sydney
- Vol = Volt
- Cor = Cortell

1. Introduction / Action Items

Cortell:

- Welcome to Volt who are currently in the deployment phase.
- Cortell will take minutes
- Cortell updates on existing client engagements
- Regtech Conference

1.1 Action Items from last meeting

WHO	TIMELINE	Status	ISSUE / ACTION	Comments
Cortell	Q1 2020	Close	Control Lineage Reporting	Going to close this given it really relies on a separate application toolset
TMB	Q2 2020	Closed	Raised APRA scaling/precision with APRA	Decimal factor built into CoreBIS. Inform Cortell if you would like to use it.
Cortell	Q1 2021	WIP	Update CAB on submission process for Connect	Update provided below.
All	Q1 2021	WIP	What considerations do we need to make for new D2A download in March (D2A v6)	Please update / inform Cortell where you will or have saved your new D2A file download. Cortell will connect CoreBIS to the location and it will work.
Cortell	Q1 2021	WIP	Investigate the possibility of having orderly representation of data in tables	This is possible however it does have flow on impacts for consideration. Cortell is reviewing this in line with changes to reporting standards such as ARS220.
All	Q4 2020	Closed	Cortell – no updates to be made for Dec period end	Any issues to be flagged by customers pre-Dec 31
Cor	Q1 2021	Closed	Investigate adding 10% threshold into self securitisation reporting	This can be delivered through the reconciliation module.

2. Executive Summary

- Cortell has commenced work on the transition from D2A to Connect. Whilst early days, the primary change foreseen for CAB members will be a review of the approvals process to accommodate large data sets. Testing of CoreBIS expected to be completed in Quarter 3.
- ARS 220 credit reporting will require a gap analysis to be conducted on existing data within CoreBIS. There is potential work for organisations that do not have a robust provision model to review their existing processes
- Capital forecasting on Basel reforms should start to be considered (2023 rollout) to allow enough runway to change business plans and associated operational plans such as Funding.
- Cyber security is a very hot topic, be across CPS234 – IT security
- Consider downside and upside risk of Climate risk, this will continue its move towards the forefront of risk planning and management by APRA, start your education on this if not already

3. Regulatory Updates

3.1 APRA's Data Collection

APRA's data strategy involves a shift to collecting source data, in order to minimise the burden on entities. This will allow APRA to conduct more of its analysis in-house, rather than having to make a new data request each time particular information is required.

APRA's intent is to design the data collections so that, as much possible, they reflect the data sets that entities require to conduct their day-to-day business. Achieving this goal requires APRA to take a different approach to its industry consultation process.

In particular, APRA consultation on proposed data collections will focus more on APRA's objectives (rather than starting with specific data requirements) so entities can share their views on how best to meet these objectives. This will, in turn, require active engagement from entities to explain how they manage their data internally, so this information can inform the composition of APRA's data requests.

An ongoing consultation process is planned to minimise friction points and design collections which, where possible, mirror industry practice so the volume of data collected can be increased as efficiently as possible.

Implementing this change of approach and increase in capability will require investment from both APRA and its regulated entities. APRA will implement the strategy incrementally, with new and revised data collections being undertaken using this new approach, utilising the capabilities of APRA Connect. When fully rolled out, the expected result is a framework that delivers APRA the data it needs to achieve its objectives while at the same time minimising entities' effort and compliance costs.

Discovery work has commenced on the transition to APRA Connect. Cortell is currently working with BT Superannuation (one of our CoreBIS clients) to transition their reporting outputs across to the APRA Connect portal.

Superannuation is going through their own "EFS", which is referred to as the Superannuation Transformation program of work.

This program involves a replacement of many existing Forms and replacing them with data sets. The data sets are generally more voluminous than ADI reporting requirements, with many dissections of data required.

The Superannuation Transformation program of work is scheduled to go live in Connect for September 30, 2021, with reporting of June 30 reports to be submitted in September (APRA have given a 2-month grace period from when they would traditionally report).

The taxonomy artefacts for Super have been released and this is what Cortell is testing on currently.

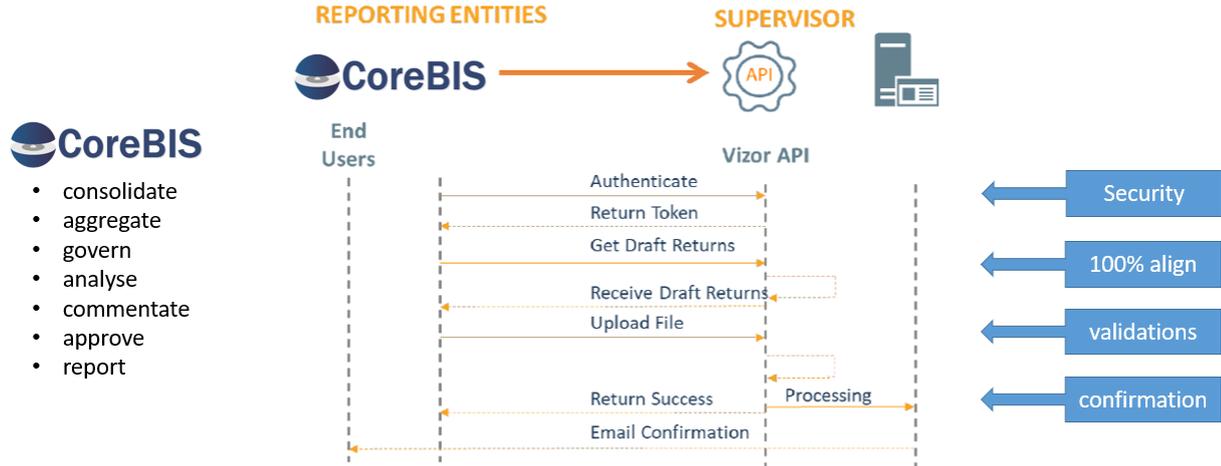
Exert from XSD Superannuation File:

```
XMLSchema"><xs:complexType name="Thousand_x0020_Separated"><xs:sequence><xs:element r
base="xs:decimal"><xs:whiteSpace value="collapse" fixed="true" /><xs:totalDigits valu
><xs:pattern value="-?[0-9]{0,19}" /></xs:restriction></xs:simpleType></xs:element></
name="TEXT"><xs:sequence><xs:element name="value"><xs:simpleType><xs:restriction base
><xs:minLength value="1" fixed="true" /><xs:maxLength value="4000" fixed="true" /></
xs:complexType><xs:complexType name="MONETARY"><xs:sequence><xs:element name="value">
value="collapse" fixed="true" /><xs:totalDigits value="28" fixed="true" /><xs:fractio
[0-9]{0,9})?" /></xs:restriction></xs:simpleType></xs:element></xs:sequence></xs:comp
name="value"><xs:simpleType><xs:restriction base="xs:decimal"><xs:whiteSpace value="c
><xs:fractionDigits value="0" fixed="true" /><xs:pattern value="-?[0-9]{0,19}" /></xs:
xs:complexType><xs:complexType name="Date"><xs:sequence><xs:element name="value"><xs:
```

The great news is the files are all xml based which provides a seamless connection to your CoreBIS.

Cortell are currently testing:

- The ingestion of these files into CoreBIS to continue our control point number 1; i.e. your instance of Connect is 100% replicated into CoreBIS
- Integration testing of the Form schema’s into CoreBUILD and how this will work (integration works however we are considering any options for improvement here).
- How to extract and present the description fields that are in the xsd files (we envision the PET will not be updated at this point, but yet to be confirmed from APRA, however there is a description field added into the schema’s they APRA have released).
- Validation process for ingestion and presentation into CoreBIS



The above diagram represents an optional process flow of data Cortell is further exploring.

Whilst no further information is available at this point regarding the security validations with MyGov ID, Cortell has commenced work on the ARF720 validations API through a working agreement Cortell has with the APRA Connect platform provider.

Validations ARF720:

```
<validation result="TRUE" ruleId="" ruleName="" status=""><![CDATA[BSA029094<=BSA029029]]></validation>
<item code="BSA028966" data_type="DOUBLE" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028967" data_type="MONETARY" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028968" data_type="DOUBLE" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028969" data_type="DOUBLE" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028970" data_type="DOUBLE" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028971" data_type="DOUBLE" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
<item code="BSA028972" data_type="MONETARY" type="apra:personalFinanceOutstanding.byType.totalPersonalCreditOut
```

The output file for submission to Connect is still an unknown, however we anticipate being able to receive these files and commence testing in Quarter 2.

Cortell Testing approach for transition to APRA Connect:

1. Understand all the new artefacts within the APRA Connect world
2. Review existing processes for compliance with new artefacts
3. Design and test any new processes required
4. Test existing individual processes
5. Regression test entire application (Quarter 3)
6. Communicate with CAB the outputs from testing (updates to be provided Quarter 2)
7. Migrate changes into Client Development environment (Quarter 3 and Quarter 4 for testing)

Impacts to CAB members

- ➔ *Be prepared to test your updated client instance in Quarter 3 and Quarter 4 before migration into Production which we expect will be delivered for Quarter 4.*

3.2 APS 220 – Credit Risk Management (March 2022)

Commencing January 1, 2021, APRA will be expecting the reporting of the data sets through to Connect.

The validations and submission processes will be tested through the APRA Connect Transition plan of work referenced above.

Cortell has commenced transitioning the reporting outputs into CoreBIS. Example reportable items listed below:

Table 1: Exposures and provisions

1	Loan Characteristic	Loan identifier	
2	Loan Characteristic	On/off balance sheet	on-balance sheet / off-balance sheet
3	Asset class	IRB asset class	List
4	Asset class	Standardised asset class	List
5	Credit Quality	Degree of performance	performing / non-performing
6	Credit Quality	Impairment stage	Stage 1 / Stage 2 / Stage 3
7	Credit Quality	Restructure	restructured / not restructured
8	Credit Quality	Security	well-secured / not well-secured / unsecured
9	Credit Quality	Number of days past due	Number
10	Analysis	Geography	ISO-3166 country code / postcode / state / not applicable
11	Analysis	Counterparty	List
12	Analysis	Residency	resident / non-resident
13	Loan Characteristic	Repayment type	principal and interest / interest-only / capitalising interest / interest only – with principal reduction / revolving
14	Analysis	ANZSIC	List
15	Provisioning	Prescribed provisioning category	Category 1 / Category 2 / Category 3 / Category 4
16	Loan Characteristic	Security type	residential / commercial / motor vehicles / machinery and equipment / other / unsecured
17	Loan Characteristic	Interest rate type	fixed up to 1 year / fixed >1 to 2 years / fixed >2 to 5 years / fixed >5 years / variable / other
18	Analysis	Origination channel	mixed channels / online only / broker / introducer / other third party / other
19	Analysis	Currency	Applicable ISO-4217 currency code
20	Loan Characteristic	Booking country	ISO-3166 country code
21	Loan Characteristic	Origination Date	Date
22	Loan Characteristic	Maturity date	Date
23	Loan Characteristic	Gross carrying amount of credit exposures	Dollar
24	Loan Characteristic	Drawn amount	Dollar
25	Provisioning	Prescribed provisioning adjusted balance	Dollar
26	Provisioning	Portfolio-allocated provisions (pro-rata)	Dollar
27	Provisioning	Allocated provisions	Dollar
28	Capital adequacy	Credit RWA	Dollar
29		Reconciliation balance	Yes / No

The reporting items have lists contained within them, referred to as a member within the dimension. Example lists contained below:

Impairment stage	Interest rate types	IRB asset classes	On/off balance sheet	Origination channels	Prescribed provisioning categories	Reasons for movement
Stage 1	fixed up to 1 year	corporate	on-balance sheet	proprietary	Category 1	total at start of period
Stage 2	fixed >1 to 2 years	specialised lending	off-balance sheet	mixed channels	Category 2	change in impairment stage 1->2
Stage 3	fixed >2 to 5 years	project finance		online only	Category 3	change in impairment stage 1->3
	fixed >5 years	object finance		third party	Category 4	change in impairment stage 2->1
	variable	commodities finance		broker		change in impairment stage 2->3
	other	income-producing real estate (IPRE)		introducer		change in impairment stage 3->1
		SME corporate		other third party		change in impairment stage 3->2
		other corporate		other		changes due to restructured items not resulting in de-recognition
		sovereign				changes in models/risk parameters
		bank				exposures de-recognised or repaid (excluding write-offs)
		retail				foreign exchange and other movements
		residential mortgage				new exposure originated or purchased
		qualifying revolving retail				amounts written-off
		SME retail				recoveries of amounts previously written-off
		other retail				unwind of discount (recognised in interest income)
		other				other.
		not applicable				

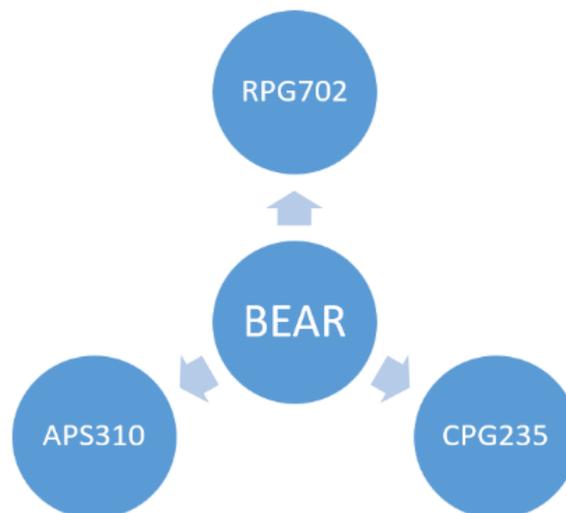
Cortell will be ingesting this schema data into CoreBIS. CoreBUILD and the tagging methodologies will still continue to work, however as part of our review of the new processes we will be considering any improvements that can be made.

Workflow controls will continue to function as they currently do, however a new approach should be considered for how and what data to approve:

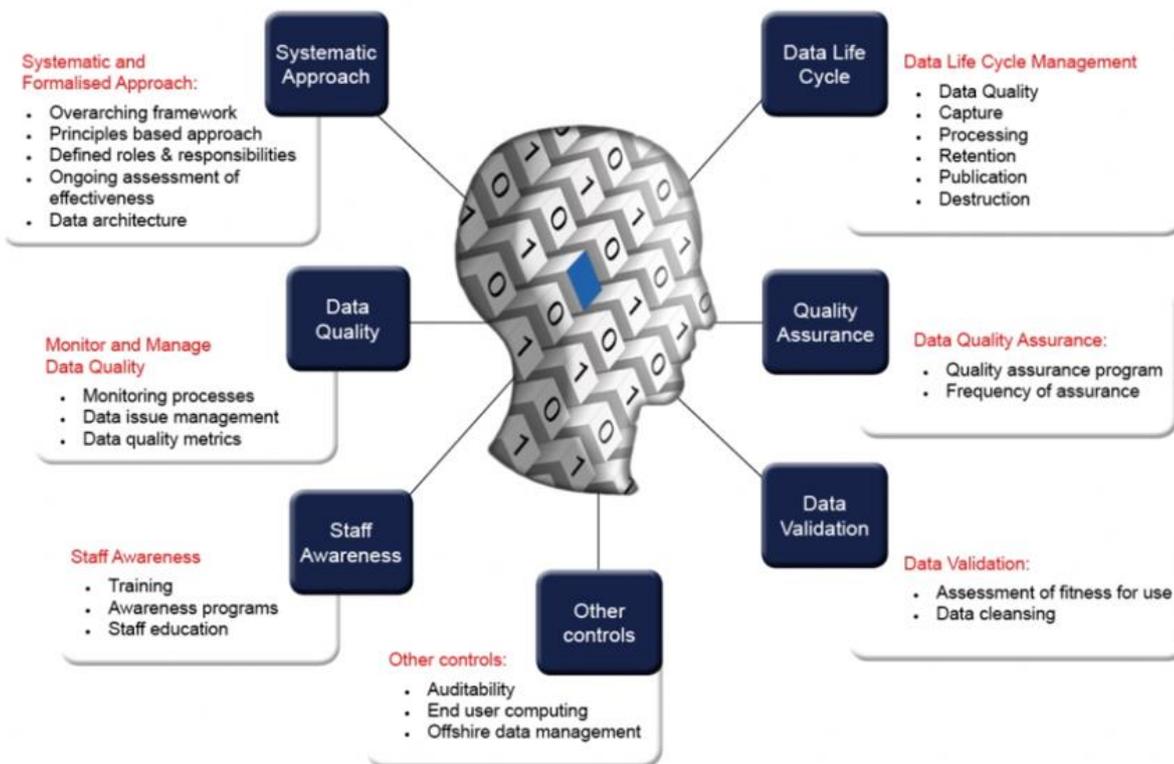
“A substantial increase in data volumes being submitted to APRA brings with it the question of accountability for the accuracy of that data. APRA provides guidance regarding this issue through Prudential Practice Guide CPG 235 Managing Data Risk and continues to engage with industry to find workable solutions as issues arise. This may involve certain data requiring full attestations as to accuracy and reliability, while other data is provided simply on a best endeavours basis.”

Requirements for data accuracy fall within:

- APS310
- RPG702
- CPG 235.



CPG235:



Cortell is proposing to use:

- a series of dashboards per reporting standard for how this can work. The dashboards would be an aggregated position on each of the reporting line items that can easily be reviewed by and end user.
- Artificial intelligence to forecast expected positions and identify exceptions to the forecast for user review

Impacts to CAB members

- ➔ *Members need to review their existing base cubes for a gap analysis to reportable items under the new reporting standard.*
 - *Cortell believes some organisations will need to review the existing capabilities and outputs of their credit provision models*
- ➔ *Cortell will be happy to engage directly with clients in terms of their readiness for these reporting changes.*
- ➔ *Cortell would like to understand whether members would like to work together on the new approvals process to be considered as the methodology will form the basis for other reporting changes as they are released by APRA.*

3.3 Liquidity / Covid Forms

APRA would like to provide advance notice that the reporting frequency of the ARF 210.5 and ARF 922 forms will be reduced.

APRA requests that your ADI begin reporting the ARF 210.5 and ARF 922 forms on a quarterly basis, with the new reporting schedule taking effect from **30 April 2021**. Based on the current reporting schedule, the final reporting date of the ARF 210.5 and ARF 922 forms will be **26 March 2021 or 31 March 2021** (whichever date is applicable to your ADI).

The reporting dates for the new quarterly reporting schedule will be **30 April, 31 July, 31 October, 31 January**. The new reporting schedule will be as follows:

- ARF 210.5 – reporting date month-end and the form is due by close of business on the first business day after the reporting date.
- ARF 922 – reporting date month-end and the form is due by close of business on the third business day after the reporting date.

3.4 APRA's Key Policy Priorities for ADI's in 2021:

APRA's key policy priorities include:

- finalising and implementing a revised prudential standard on remuneration, a key Royal Commission recommendation that remains outstanding;
- strengthening crisis preparedness, including the development of a new prudential standard on resolution and recovery planning, considering the lessons and learnings of the past 12 months;
- updating prudential standards on operational risk, governance and risk management, and consulting with industry on guidance for climate change financial risk;
- completing the ongoing review of the capital framework for authorised deposit-taking institutions to fully implement 'unquestionably strong' capital ratios and the Basel III reforms.

Impacts to CAB members

- *be aware of the upside and downside risks of climate change (see below)*
- *look at your capital forecasting models for impact analysis on B3 reforms*

3.5 APRA Supervision Priorities for 2021 for ADI's

In relation to its supervision activities, APRA's priorities include:

- maintaining financial system resilience through increased action on crisis readiness, including recovery and resolution planning and stress testing;
- increased scrutiny of entities' cyber security capabilities;
- embedding the new remuneration standard, conducting a risk culture survey, undertaking a range of GCRA-related supervisory reviews and deep dives, and working to close risk governance issues currently requiring capital overlays; and

Impacts to CAB members

- *Cyber security is at the forefront of APRA's radar this year, many firms received a qualified APS310 report in 2020 in part due to cyber security failings. Ensure you CFO is aware of the requirements under CPS234*
- *Ensure you have robust stress testing models in place that are being used*

3.6 Climate Change

APRA has commenced consultation on Climate change and the risk attached to climate change. This risk is becoming more apparent across all financial service industries, and many leading institutions in the global finance industry are already setting climate strategies and seeking to better understand and manage climate-related risks and opportunities.

More than one third of the global banking industry has now joined the pledge to implement the UNEP FI's Principles for Responsible Banking.

To realise this, signatory banks must undertake **three key steps**:

1. Analyse current impact on people and planet

Step one is to understand where a signatory bank has the greatest positive and negative impact as a result of its practices and policies. This forms a baseline for identifying where the greatest change can be achieved. Transparency is central to the Principles.

Step 1 requires that signatory banks undertake a thorough impact analysis and publicly report the findings. .

2. Set targets to improve impact, and implement

Step two builds on the impact analysis. Signatory banks must develop at least two targets that address the most significant impacts they have identified. The targets must be ambitious enough to objectively bring the bank's business and portfolio into alignment with the respective Sustainable Development Goals and Paris Climate Agreement.

Banks must set milestones and define actions to meet the targets, as well as put in place a governance framework to oversee and ensure progress.

3. Publicly report on progress

Signatory banks must report regularly on how they are implementing the Principles for Responsible Banking, the targets they have set, and the progress made, using the Reporting and Self-Assessment Template. This should be part of their regular, annual reporting.

Key elements have to be assured. Each bank's reporting contributes to the overall progress report published every two years by UNEP FI.

Figure 1: Analytical elements of scenario-based impact assessments

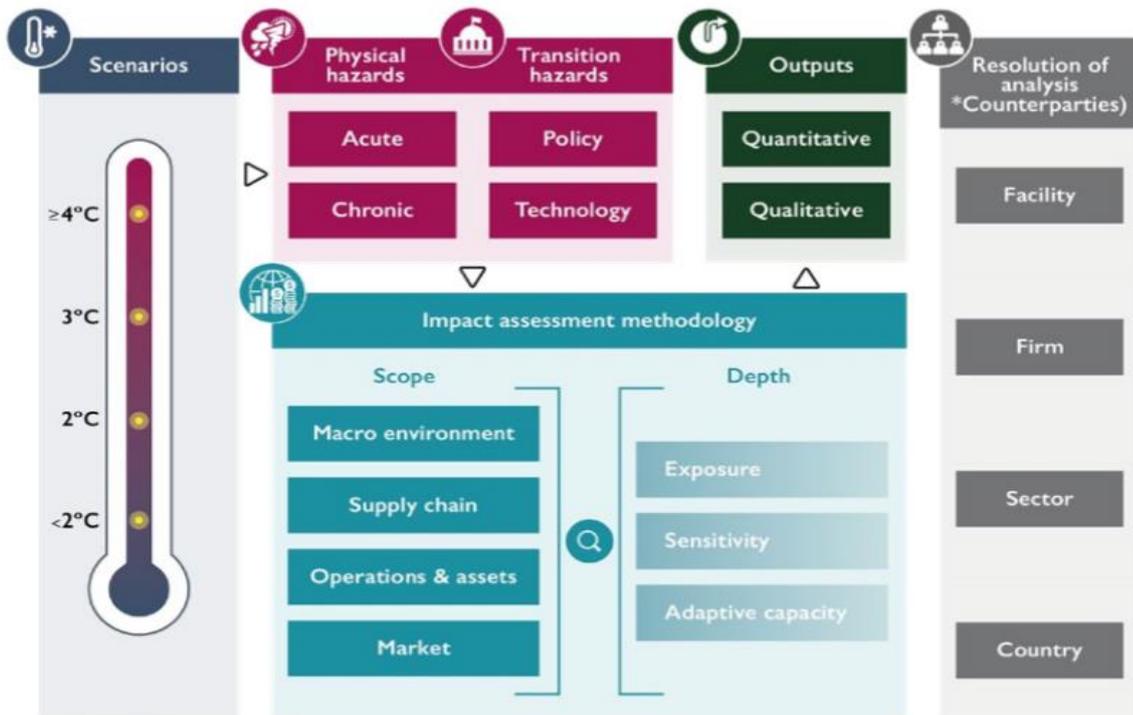


Figure 4: Framework for categorisation of physical risk impact assessment methodologies

Physical Risk Impact Assessment			
	Exposure	Sensitivity	Adaptive capacity
Macro environment	Economic diversification, location	Economic dependence on climate-exposed sectors	Fiscal and monetary flexibility, development level
Supply chain	Location of suppliers	Supplier natural resource intensity and shock resilience	Producer capacity to shift supply chains
Operations and assets	Location of facilities	Sectoral/facility type resource and capital intensity	Resilience of individual facilities
Market	Location of sales	Market sensitivity to weather events and price shocks	Producer capacity to shift customer base or pass through cost

Depth of assessment

Scope of assessment

Impacts to CAB members

- ➔ **Awareness and possible planning of impacts to your organisation**
- ➔ **Consider joining the UNEP FI's Principles for Responsible Banking from both an ethical position and commercial position if this can bring in new customers**

3.7 Indemnities in divestments

The contingent liability needs to be approved by the Board. Indemnities should be:

- capped and time bound.
- clearly distinguished e.g. for conduct-related risks will require particular diligence, given their uncertainty;
- have governance arrangements and accountabilities clearly defined and implemented
- reviewed for the need to provision for each material indemnity
- carry an appropriate and commensurate level of operational risk capital for the financial risks associated with indemnities. ADIs should engage APRA to demonstrate the appropriateness of intended operational risk capital treatment

<https://www.apra.gov.au/indemnities-divestments>

4. CAB NOTES Carries forward from last quarter

4.1 EFS Changes (June 2021)

APRA have released for consultation changes to the EFS requirements. There are many small changes which are the primary result on incorporating FAQ's into the reporting standards.

These changes are proposed to be effective for the reporting period ending June 2021.

A summary of the summary of key changes we foresee providing review:

1. ARF 730_0 ABS/RBA Statement of Financial Performance
 - 730.0 Updated item 9 - impairment expense instructions
 - Renamed item 14 (added gross to title)
 - Added items 2.1.5 and 8.1.8 to separately report related party management fee income and expense items
 - Added item 4.1.6 and additional reporting instructions to report operating lease liabilities as per AASB 16 (FAQ 96)
 - Updated instructions for Item 7 to include market data services.
2. ARF 747_0B ABS/RBA Deposits Stocks, Flows and Interest Rates (Reduced)
 - ARF 747.0A/B: Added new column *interest rate band* to Item 1.
 - ARF 747.0A/B: Updated item 1, 3, 4, 5 to clarify *other related parties* – FAQ 94
 - ARF 747.0B: updated item 4 instructions to specify units (FAQ 114, consistency with ARF 747.0A).
3. ARF 743.0 – ABS/RBA Housing Finance
 - Reduced threshold for reporting on the Reporting Standard from \$6bn to \$3bn of housing credit outstanding.
4. ARF722 – Derivatives –
 - reporting required from March 2021 where derivatives > \$1b

4.2 Capital Reform (January 2023)

APRA is proposing a simplified framework for small, less complex ADIs. Domestic ADIs with total assets below \$20 billion would be eligible for this simplified framework.

The proposed elements of this simplified framework are:

- retention of APS 112 to determine capital requirements for credit risk.
- application of a flat operational risk add-on of 10 per cent of RWA.
- limiting IRRBB requirements to regulatory reporting.

- removal of counterparty credit risk and not applying the proposed leverage ratio requirements; and
- removal of the requirement for ADIs to make public disclosures under Prudential Standard APS 330 Public Disclosure with APRA making centralised disclosures for these ADIs.

At a more granular level, there are proposed reforms to mortgage lending LVR categorisations. These include the introduction of 60-70% and 70-80% LVR buckets, including differentiated risk weights for these buckets and it also includes a change in weights investor and interest only lending.

Standard loan LVR %		RW %						
		≤ 50	≤ 60	≤ 70	≤ 80	≤ 90	≤ 100	> 100
Owner-occupied principal-and-interest mortgages	LMI	20	25	30	35	40	55	70
	No LMI					50	70	85
Other residential mortgages	LMI	25	30	40	45	50	70	85
	No LMI					65	85	105

There are also proposed reductions to risk weights for small business lending.

These proposed changes to RWA calculations are APRA’s response to recognising the significant difference Australia has in risk against its mortgage portfolio (Australia far outweighs other countries when it comes to mortgage book size as a percentage of lending).

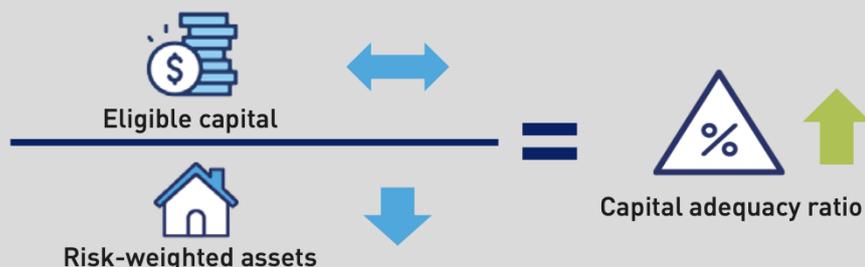
The resulting RWA calculation will lower as a result of these changes. However for APRA to still maintain its unquestionably strong mandate, it is also proposing to introduce a 100bps being applied to the countercyclical capital buffer (CCyB).

This change also reflects APRA’s corporate plan to improve its resolution capacity and manage prevailing risk.



Box 1 – change in measurements and impact on capital ratios

APRA’s proposals will change the presentation of capital ratios. This is because the denominator of the capital ratio calculation – RWA – is changing to be more aligned with the international Basel methodology, while the dollar amount of eligible capital required remains unchanged. All else being equal, this will increase capital ratios.

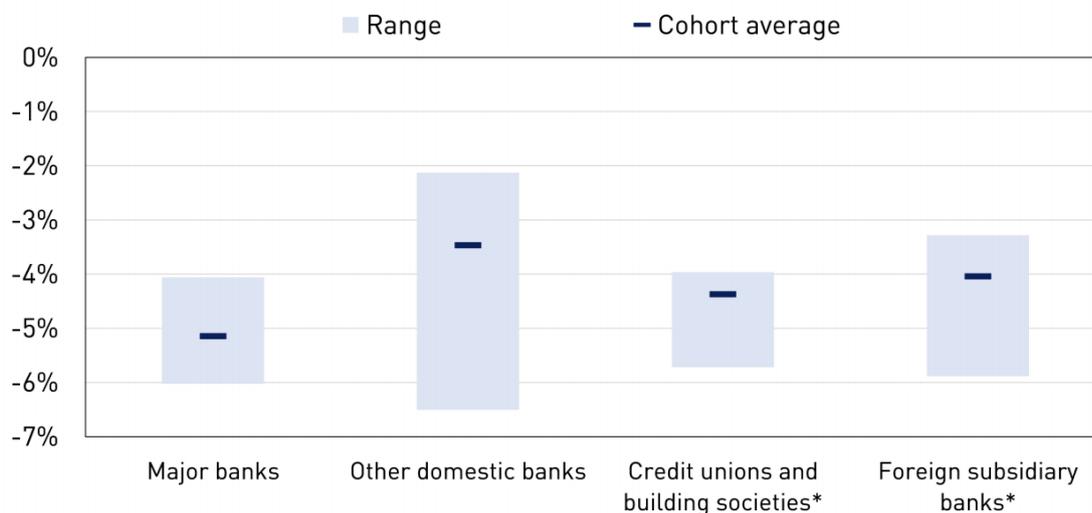


APRA expects on average a decrease of 7% of RWA for standardised ADI’s

- This will reduce the level of capital required to meet PCR but this will need to be allocated to the CCyB
- The idea here is that when APRA introduced the unquestionably strong ratio’s, the impact to Standardised ADI’s was circa 0.5bps. The new proposed changes will move this additional 0.5bp to CCyB to better align with Basel III framework and international peers.

Range of Severe Downside CET1 capital ratio falls

Open to low point, percentage points



*The 25th-75th percentile range has been shown for Credit unions and building societies and Foreign subsidiary banks

- ➔ Forecast Capital position based on new standards to allow for operational changes to business forecasts, pricing, and capital position

<https://www.apra.gov.au/sites/default/files/2020-12/Capital%20management.pdf>

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<https://www.apra.gov.au/sites/default/files/2020-12/Information%20Paper%20-%20Stress%20testing%20banks%20during%20COVID-19.pdf>

4.2.1 Leverage Ratio

This stems from the Basel Committee’s investigation into the root causes of GFC and has been approved as part of the Basel III updates.

Basel III, these reforms focused on strengthening the quality and quantity of bank capital, and also introduced a non-risk-based leverage ratio requirement to act as a ‘backstop’ to the risk-based capital framework. In a similar vein, the 2014 Financial System Inquiry (FSI) also recommended the implementation of a leverage ratio requirement for Australian ADIs.

For standardised ADIs, APRA proposes to adopt a simplified approach which uses accounting-based measures that are already reported to APRA to calculate most components of the exposure measure. These simplifications are intended to reduce complexity and regulatory burden to better reflect the status of the leverage ratio requirement as a simple backstop measure.

ADIs will be expected to satisfy a minimum leverage ratio requirement at all times, but as is the case under the risk-based capital framework, they will only be required to report leverage ratios on a quarter-end basis.

The Leverage ratio for standardised ADI’s will most likely be >3%. This figure will need to be reported on your APS 330 (subject to the finalisation of the current consultation for capital reform).

The calculation of the Leverage Ratio is:

$$\text{Leverage ratio} = \frac{\text{capital measure}}{\text{exposure measure}}$$

Where it is proposed for standardised ADI’s:

Capital Measure = Tier 1 capital

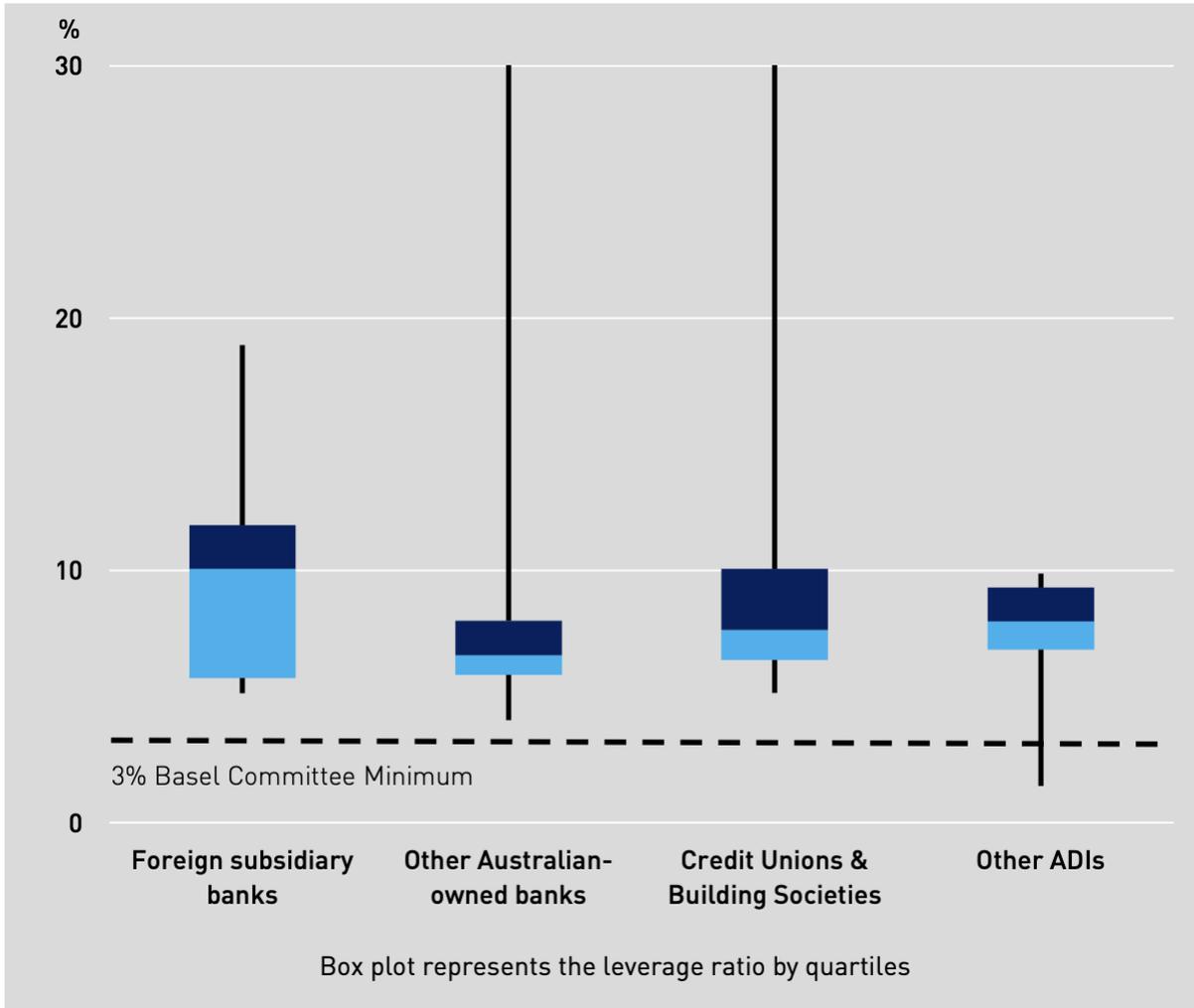
On balance sheet exposures = total assets (including derivative and SFT*) adjusted for capital deductions e.g. capital relief securitisations, provisions etc.

Non-Market related exposures = 112.2 (leveraging the CCF in place)

*SFTs include repurchase agreements, reverse repurchase agreements, securities lending and borrowing, and margin lending transactions.

➔ this figure should be automated from existing data. Inclusion in APS 330 will be subject to the finalisation of the capital consultation.

Forecasting positions by APRA:



https://www.apra.gov.au/sites/default/files/Leverage%20ratio%20requirement%20for%20ADIs_0_1.pdf

4.3 APS210 - Liquidity

There are a number of Key changes to APS210 and the respective Forms. Cortell is currently investigating these changes to explore the formulisation of these changes to simplify the reporting obligations of our clients.

A key change on the ARF210.5 is a move to reporting data from close of business from prior day (as opposed to same day).

APRA does not require MLH ADIs to establish self-securitisations. However, APRA typically expects MLH ADIs with more than \$1 billion in liabilities to have a self-securitisation eligible for repo with the RBA. MLH ADIs without a self-securitisation program, especially those over \$1 billion, may be required to hold more liquidity.

The self-securitisation as reported in item 18.7 of ARF 210.4 3-year Funding Plan should be no less than 10 per cent of an ADI's total deposits (wholesale and retail) and short-term wholesale liabilities (the total of ARF 210.3.2 items 1 and 2.1.1).

5. **APRA Enforceable undertakings summary:**

Allianz - \$150m capital imposition for risk and compliance weaknesses

The CEU commits Allianz to completing a series of transformation programs that relate to risk maturity, compliance, conduct and culture in a timeframe agreed with APRA. They will also appoint independent reviewers to provide written reports on whether the deliveries are operational effective

<https://www.apra.gov.au/news-and-publications/apra-agrees-to-court-enforceable-undertaking-from-allianz-australia>

6. Demonstrable assets

Enhancements to existing features

No new enhancements for Qtr 1 2021

New Features

- NF25: Stat / ASIC Reporting*

*Not part of monthly migrations.

7. Other Feedback

What would you like to see in the product?

How can we help?

Appendix 1: Terms of Engagement for CAB

CAB Context

The **CoreBIS** Customer Advisory Board (CAB) has been established to ensure the **CoreBIS** platform provides its users with the best features and functionality possible to achieve their regulatory deliverables.

CAB will provide a forum where member improvement ideas can be tabled, shared, and agreed upon in a collaborative environment before moving forward into development and release into their respective production environment.

The CAB will also provide an opportunity to openly discuss regulatory changes impacting the industry and any relevant flow on effects that will impact CAB members and CoreBIS.

It is expected the CAB forum will provide valuable input into its members internal and external audit processes and support their own internal risk management processes. In addition, CAB documentation can support supervisory reviews and/or site visits from APRA.

CAB Meetings

Meetings to be held once per quarter, in the month leading into Quarter end, on a date as agreed by consensus with members

- A quorum of two members is required for voting, with a majority required before moving forward with any feature enhancements or development initiatives
- Members are welcome to have more than one attendee at the meetings; however only one vote is permitted per member client
- Cortell will take notes and distribute minutes of meetings to each member

8. Appendix 2: Minutes and ACTION ITEMS FOR NEXT MEETING

- COR: we are going to close the first action item as this really falls outside of CoreBIS jurisdiction
- All CAB members will check their D2A location download (V6) and let Cortell know if it is in a different spot on their network to where it was historically

Section 3.1

- Nick (BB) : When would testing of the CoreBIS instance be required?
- James (COR) : as soon as possible, however if not before Qtr 3 then we will most likely target Qtr 4 given ARS220 will be the first reporting deliverable for APRA connect, we will then circumnavigate the year end period for finance teams

Section 3.2

- Kerri (BB): Yeah, definitely dashboard reporting.. trend reporting.. key items.. reasonable.. Still have the drill down ability > important.. Starting with Key ratios that APRA monitor.. Risk appetite statements.. they have been monitoring the key questions and what APRA is likely to monitor internally and if we can get something along these lines that would be beneficial (e.g. Debt to income ratio)
- James (Cor): APRA move to industry metrics.. funny..
- Alfred (86400): Don't get a lot of queries.. Volumes of home loans..
- James (COR): Floor is open to what you all want, we can build it out.. Prototypes.. Please let us know.

Section 7

- Kerri (BB) Can we look at Audit related requirements? Kerri to send through examples of requests from auditors and Cortell to see what is possible for supporting the process
- Kerri (BB) can we also see about influencing the validation rules to be less mind bending
- Nick (BB) Can we consider a training session with the auditors to bring them up to speed with CoreBIS to minimize the questions they field