



# Cortell Australia Pty Ltd

## CoreBIS APRA Solution



Customer Advisory Board (CAB) Meeting: 8  
2022 Quarter 1



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## **Distribution**

Document will be placed on CoreBIS Wiki.

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## Agenda

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1. Welcome to all
2. Previous meeting action items
3. Regulatory Updates
4. Other updates
5. Demonstration of Enhancements and New Features
6. 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
- PN = P&N Bank
- Her = Heritage
- Gre – Greater Bank
- Nut = Nutrien
- QCB = Queensland Country Bank
- AML = Australian Military Bank
- Mega – Mega ICBC
- Cor = Cortell

## 1. Introduction / Action Items

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Cortell:

- Cortell will take minutes

### 1.1 Action Items from last meeting

WHO	TIMELINE	Status	ISSUE / ACTION	Comments
Cortell	Q1 2021	WIP	Update CAB on submission process for Connect	Update provided below.
All	Q1 2022	Open	Are there Key ratios that users would like us to build into CoreBIS?	
All	Q1 2022	Open	1-1 sessions to be booked with each organisation to support the migration to the 220 and APRA Connect	

## 2. Executive Summary

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- APRA Connect transition – Cortell met with APRA last week. Roadmap of APRA connect releases expected for March (APRA statement). Cortell expect “open table” submissions will be available for September 2022 quarter. Cortell working through development and testing for the transition.
- ARS220 for 2023:
  - Clients to perform GAP analysis of data in their environments
  - Parallel run expected for September 2022 period end
  - Interim Form present for March 2022 period end
  - Cortell to obtain UAT feedback and approval for Qtr 2/3 period end from CAB
- ARD112 – capital reporting on and off-balance sheet being consolidated into new open table submission by APRA. Final presentation layer to be provided by APRA in Qtr 2 2022. Expected parallel run for Qtr 3 2022
- Large volume of taxonomy label changes coming through for March Qtr end given the changes in the APS220 naming conventions (e.g., impaired = nonperforming). Use the Return management function in your CoreBIS environment to identify what needs to be changed.

### 3. Regulatory Updates

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#### 3.1 APRA Connect

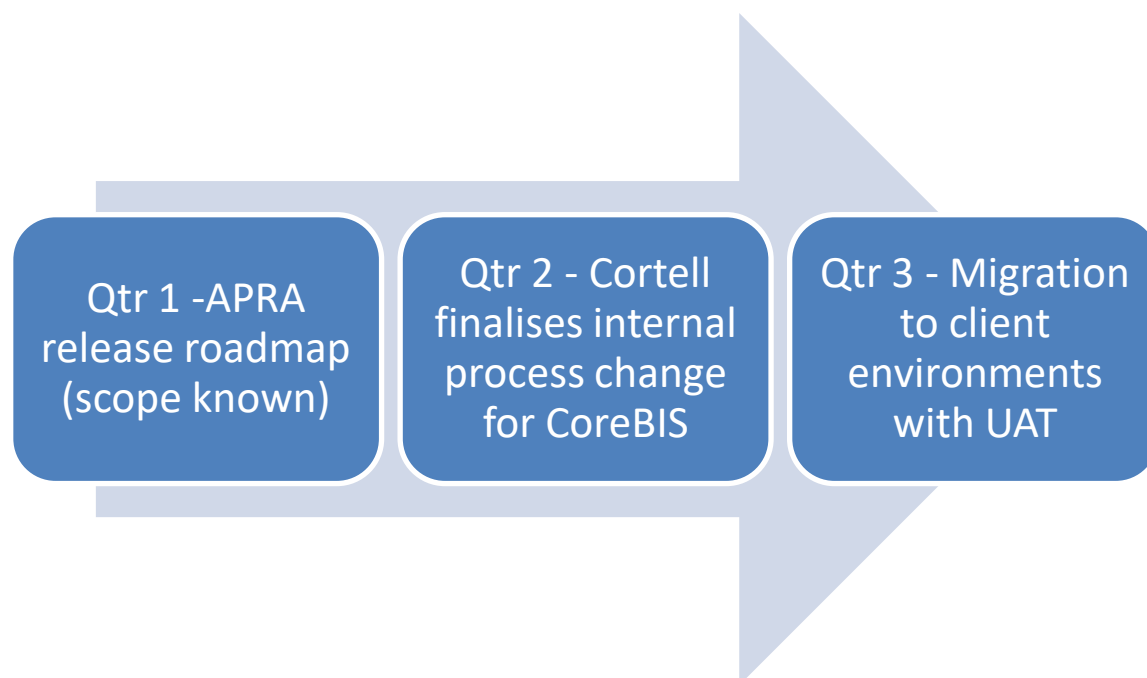
APRA have informed Cortell that the roadmap of APRA Connect transitions will be released for the end of Qtr 1 2022.

Cortell expects all EFS Forms will be transitioned across to APRA Connect in what is called a “closed form”, which in effect is a direct replication of what the existing Form is today. The timing for this transition should be contained within the roadmap, however it is believed the transition will most likely occur over the next few years.

The “Open table Forms”, otherwise known as the data sets, will incur the majority of the work to be undertaken given the granularity of the data required e.g. ARS220 and 112.

Cortell has been working with what data has been released by APRA for the ADI Connect transition (to date it is only the APS115 that is contained within APRA Connect for ADI’s), developing the internal migration processes for CoreBIS to seamlessly transition for clients.

Cortell time frames:



➔ The impacts to clients will be discussed individually with each organisation. Primary considerations for Qtr 2/3 2022 include:

- UAT - To be discussed with each client and assessed for compliance with client internal processes
- Client tagging of new Data sets – transition to the new APS220 reporting requirements will require:
  - Sourcing of any data gaps
  - Build of new data cubes
  - Tagging of new base cubes

It is expected that ARS220 will be submitted through APRA Connect for Qtr 3 period end, for a two period parallel process before coming into effect for the March 2023 period end.

APRA recognise there will be some data quality considerations during this parallel run process, but the two periods will allow organisations to be fully prepared for go live in March 2023.

➔ Cortell recommends all clients to finalise their gap analysis of data requirements in Qtr 2 2022.

Validation rule processes are under consultation with APRA.

### 3.2 APS220 Changes

Cortell has embedded the data tables into CoreBIS Development environment and is currently exploring the process changes for:

- CoreBUILD tagging user interface
- Manual adjustments
- Market share publication statistics

1	2	3	4	5	6	7	8	
Loan identifier	On/off balance sheet	IRB asset class	Standardised asset class	Degree of performance	Impairment stage	Restructure	Security	Number of
1 32458321	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
2 16229161	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
3 48687483	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
4 24343742	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
5 16553744	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
6 49661233	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
7 24830617	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	
8 16884819	on balance		0 class 4	Performing	Stage 1	not restructured	well secured	

CoreBUILD will continue to be utilised. New cubes will need to be created however to operate in parallel to existing cube structures.

- ➔ Clients to check credit data can be sourced at the granular level
- ➔ Credit RWA can be derived by CoreBIS at a granular level subject to data used to populate existing Forms being available at required grain.



### 3.2.1 Macroprudential Policy Consultation

The proposed attachment, Macroprudential policy: credit measures, would require ADIs to:

- ensure they have the ability to limit growth in particular forms of lending;
- moderate higher risk lending during periods of heightened systemic risk or meet particular lending standards, at levels determined by APRA; and
- ensure there would be adequate reporting in place to monitor against limits.

The proposed attachment to APS 220 includes two main types of credit-based macroprudential measures:

- **lending limits:** the purpose of temporary lending limits would be to moderate any excessive growth in higher-risk lending during periods of heightened systemic risks. These would be applied at the portfolio level.

For residential lending, this would apply to:

- a) lending with a debt-to-income ratio greater than or equal to four times or six times
- b) lending with a loan-to-valuation ratio greater than or equal to 80 per cent or 90 per cent
- c) lending for the purposes of investment
- d) lending on an interest-only basis
- e) lending with a combination of any two of the types specified in (a) to (d).

For commercial property lending, this would apply to:

- a) lending for land acquisition, development, and construction
- b) lending for the purposes of investment.

Key Reporting impacts:

An ADI **must report to the Board** the level of lending against any limits specified by APRA on at least a monthly basis, for the period in which the limits apply.

APRA may require ADIs to publicly disclose the level of lending against any limits specified by APRA, for the period in which the limits apply.

- **lending standards:** APRA may also set minimum requirements for lending standards. These would be applied at the individual loan level and include measures such as the serviceability buffer for residential mortgages.

Currently, lending standards is outside of scope for CoreBIS, albeit functionality to support clients will be considered.

Macro-prudential control reporting example within CoreBIS. The prototype below permits users to input the APRA triggers. The below functionality is just a starting point, the intent is for CoreBIS to expand on this look and feel, including CAB user based feedback before finalising the design.



## ARS\_220\_0 - Credit Risk Management

### Main Menu Options

- Dashboard
- Risk Weighted Assets
- Manual Adjustments
- Data Set
- ECL Provision Model

### Definition

- Table 1
- Table 2
- Table 3

### Macro Prudential Indicators

	APRA Targets	YoY Change	Dec-21	Sep-21	Jun-21	Mar-21	Dec-20
Owner-occupied		6.2%	1,002,535	987,572	972,833	958,313	958,313
Investment	10.0%	15.6%	341,588	329,437	317,719	306,418	306,418
Interest-only	10.0%	-5.8%	285,669	289,975	294,347	298,784	298,784
LVR ≥ 90 per cent	10.0%	-9.1%	85,649	87,721	89,843	92,016	92,016
Non-performing		-11.3%	3,590	3,699	3,811	3,926	3,926

### 3.2.2 On-going reporting requirements

- ARF220.5 will continue
- The new ARS220 is in the quarterly risk return group, as is the ARF222
- APS330: ADIs should continue to make disclosures based on the current APS 330 labelling requirements such as ‘impaired’ and ‘past due’
- GRCL will continue to be reported in Forms until which point APRA changes the Forms
- Comprehensive credit collection will form the new return group we understand in APRA Connect

## 3.3 Capital Changes

Data / Form Changes:

APS112 will be moving to an “open Form” approach used by APRA within APRA Connect (as opposed a closed Form such as the ARF110).

The new proposed open Form approach for the 112 incorporates both on and off balance sheet into a singular data set.

The approach will also remove all derivation rules from the traditional Form. Cortell is working on migrating these derivation rules across to the new data set mandate.

Exposure classification	On/off balance sheet	Nature of transaction
Residential mortgages - OOP&I	On balance sheet	Direct credit substitutes
Residential mortgages - Other	Off balance sheet	Sale and repurchase agreements and asset sales with recourse
Residential mortgages - non-standard - reverse mortgages		Lending of securities or posting of securities as collateral
Residential mortgages - non-standard - other		Forward asset purchases, forward deposits and partly paid shares and securities
Commercial property - dependent - standard		Other off-balance sheet items that are credit substitutes
Commercial property - dependent - non-standard		Unsettled securities, commodities and foreign exchange transactions accounted for at settlement date
Commercial property - not dependent - standard		Other commitments with certain drawdown
Commercial property - not dependent - non-standard		Note issuance and revolving underwriting facilities
ADC - eligible for a 100% risk weight		Performance-related contingencies
ADC - other		Other commitments
Sovereign		Short-term self-liquidating trade letters of credit arising from the movement of goods
Domestic PSE		Irrevocable standby commitments under industry support arrangements
Bank		Market related exposure

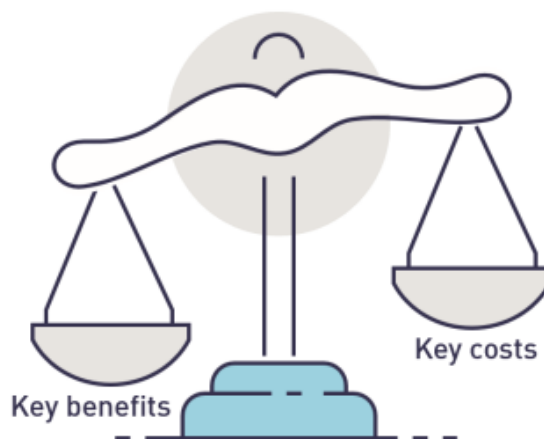
- ➔ Clients will need to review the population of their existing capital reporting and the grain at which data is delivered.
- ➔ A new cube will be required to deliver the changed reporting requirements

<https://www.apra.gov.au/revisions-to-capital-framework-for-authorized-deposit-taking-institutions>

### 3.4 LCR and NSFR PIR consultation

APRA is conducting a PIR on the implementation of the Liquidity reforms post GFC. Whilst not necessarily relevant for MLH organisations, there are some interesting statistics on the costs v benefits that have been provided by APRA:

- Greater resilience to liquidity problems for entities and system
- Reduced likelihood of government intervention or support
- Better access to international markets



- Initial and on-going compliance costs
- Higher funding costs due to balance sheet management changes
- Other potential impacts

Measure	Compliance cost estimates	Funding cost estimates
LCR	<p>For the LCR, the actual implementation costs for the industry were estimated to be \$50.5m per year averaged over a 10-year period. For an average major bank, this included:</p> <ul style="list-style-type: none"> <li>\$24m as a one-off upfront cost of liquidity systems and framework enhancements; and</li> <li>\$5m per annum as ongoing compliance costs.</li> </ul>	<p>At the time of implementation, ADIs were expected to hold an additional 11 per cent of their balance sheet as liquid assets compared to pre-GFC. Of this, APRA assumed 5 per cent related to the new requirements (the remainder would have happened in the absence of reforms). If the carrying cost of this change was recovered by repricing the rest of the asset book, APRA estimated the cost to be around 3 basis points.</p>
NSFR	<p>For the NSFR, the actual implementation costs for the industry were estimated to be \$2.4m per year averaged over a 10-year period.</p>	<p>The impact on the cost of funding as a result of changes to funding profiles from implementing the NSFR was estimated to be 40-45 basis points for the major banks and 75-80 basis points for regional ADIs.</p>

Reference:

[https://www.apra.gov.au/sites/default/files/2022-03/Discussion%20paper\\_Post-implementation%20review%20of%20the%20Basel%20III%20liquidity%20ratios%20in%20Australia.pdf](https://www.apra.gov.au/sites/default/files/2022-03/Discussion%20paper_Post-implementation%20review%20of%20the%20Basel%20III%20liquidity%20ratios%20in%20Australia.pdf)

### 3.5 Climate Risk Self-Assessment Survey

Moving forward with the rollout of PPG229 (Climate Change Financial Risks), APRA is conducting a voluntary self-assessment multiple choice survey for medium to large organisations on how their organisations are assessing and managing financial risks.

Reference:

<https://www.apra.gov.au/sites/default/files/2022-03/Letter%20to%20all%20APRA-regulated%20entities%20-%20Climate%20Risk%20Self-Assessment.pdf>

### 3.6 Compliance Risk

APRA are focusing on the management of compliance risk within an organisation. Recent high profile risk failures have been evidenced through the press, and APRA are turning a focus to ensuring compliance risk is also being managed appropriately.

Operational risk = risk associated with achievement of strategic objectives

Compliance risk = managing minimum requirements for the “ticket to play”

An interesting anecdote from APRA is that:

“An entity’s management of compliance risk can also provide a barometer of its approach to risk management generally”

APRA utilise an entity’s ability to meet non prudential requirements as a way of assessing the organisations adequacy of its risk frameworks and management processes.

APRA has been conducting a review of larger organisations approach to compliance risk management, and observations made for good compliance risk management include the following three elements:

### Compliance Risk Management



In addition to this, APRA also recognises that better practise by entities involves a hybrid approach to managing compliance risk, which includes a mix of subscription services and inputs from compliance SME’s, to ensure compliance obligations are captured and updated on a regular basis.

Reference:

<https://www.apra.gov.au/news-and-publications/how-to-manage-compliance-risk-and-stay-out-of-headlines>

### 3.7 Changes In Published Data

Given the changes in APS220, APRA will be releasing new published data sets. There is no material change in what is being released, however the new data will appear in the market share reporting from the first publication date.

Commercial property exposures (Table 1a, 2a, 3a, 4a, 5a, 6a)				Asset quality (Table 1d, 2d, 3d, 4d, 5d, 6d and 7c)	
(5 million, consolidated group)				(\$ million, consolidated group)	
	Quarter end				
	Mar 2022	Jun 2022	Sep 2022	Mar 2022	
Non-performing commercial property exposures	999	999	999	Non-performing	999
of which: Exposures in Australia	999	999	999	Well-secured	999
Specific provisions	999	999	999	Not well-secured or unsecured	999
of which: Exposures in Australia	999	999	999	Of which: >=90 days past-due	999
Specific provisions and security	999	999	999	Well-secured	999
of which: Exposures in Australia	999	999	999	Not well-secured or unsecured	999
Non-performing to total exposures	999	999	999	Of which: Facilities in Australia	999
Specific provisions to total exposures	999	999	999	Restructured	999
Specific provisions to non-performing exposures	999	999	999	Provisions held	999
Specific provisions and security held to non-performing exposures	999	999	999	Non-performing	999
Number of entities <sup>a</sup>	999	999	999	Well-secured	999
				Not well-secured or unsecured	999
				Of which: >=90 days past-due	999
				Well-secured	999
				Not well-secured or unsecured	999
				Of which: Facilities in Australia	999
				Restructured	999
				Gross loans and advances	999
				Non-performing to loans and advances	999
				of which >= 90 days past due to loans and advances	999
				Provisions to non-performing	999
				Number of entities	999

<sup>a</sup> Domestic subsidiary ADIs are consolidated into their parents

Reference:

<https://www.apra.gov.au/proposed-changes-to-quarterly-authorized-deposit-taking-institution-statistical-publications>

### **3.8 Crisis Preparation**

APRA has released two draft prudential standards for financial contingency (CPS 190) and resolution planning (CPS900) for consultation with industry and other key stakeholders. The intent is to support organisations and the economy with recovery or dissolution if required.

APRA have identified a number of inconsistencies across the industry hence the need to introduce guidance. Australia is currently behind the G20 group of countries with respect to its preparedness.

# Strengthening crisis preparedness



## Objectives





Reducing the likelihood of entity failure and risks to financial system stability






Minimising the impact of entity failure on beneficiaries and the financial system

## Key features

<p><b>CPS 190</b> Financial Contingency Planning</p>	<p><i>Financial contingency plans respond to severe stress</i></p>	<ul style="list-style-type: none"> <li>Entities must develop credible financial contingency plans</li> <li>Requires entities to maintain capabilities to support timely responses</li> <li>Enhanced requirements for larger or more complex entities</li> </ul> 
<p><b>CPS 900</b> Resolution Planning</p>	<p><i>Resolution plans protect beneficiaries and minimise disruption to the financial system</i></p>	<ul style="list-style-type: none"> <li>APRA develops plans for large and complex entities</li> <li>Entities must assess their resolvability</li> <li>Entities must remove barriers to orderly resolution</li> </ul> 

## Key outcomes for the community

	<p><b>Prepared</b></p>	<p>APRA-regulated entities will be prepared for stress that may threaten their viability</p>
	<p><b>Protected</b></p>	<p>Where an entity fails, it will be resolved in an orderly manner, protecting financial promises made to beneficiaries and preserving system stability</p>
	<p><b>Not reliant on public funds</b></p>	<p>Minimise the likelihood that public funds would be used in resolving a failed entity</p>

## Implementation

<p><b>Banking and insurance industries</b></p>	<p>CPS 190: 2024 CPS 900: 2024</p>	<p><b>Superannuation industry</b></p>	<p>CPS 190: 2025 CPS 900: 2024</p>
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APRA intends to consult on guidance for all industries in 2022.

→ Existing CoreBIS clients should not be impacted by CPS900 given this is targeted at larger organisations (systematic risk). CPS190 will however impact to some degree with a principles-based approach to be used for its application.

Reference:

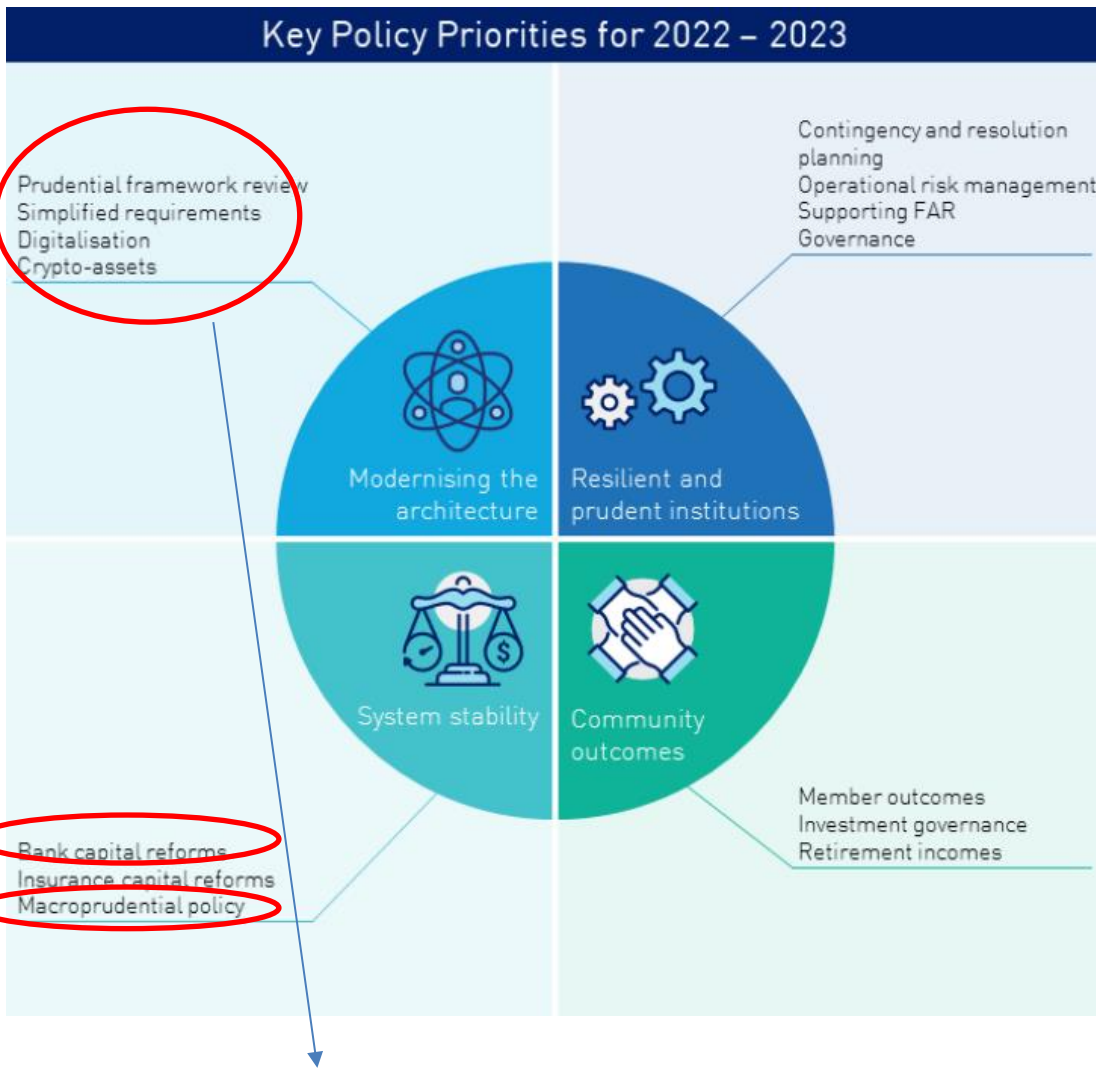
<https://www.apra.gov.au/sites/default/files/2021-12/Discussion%20Paper%20-%20Strengthening%20crisis%20preparedness.pdf>

Commercial – in – Confidence

2022 Qtr 1 CoreBIS CAB.docx



### 3.9 Policy Priorities



**Modernising the prudential architecture**  
**Maintaining financial safety in a digital world**

APRA

**Better regulation**

Prudential rules that are easy to understand, find and navigate

**Digital first**

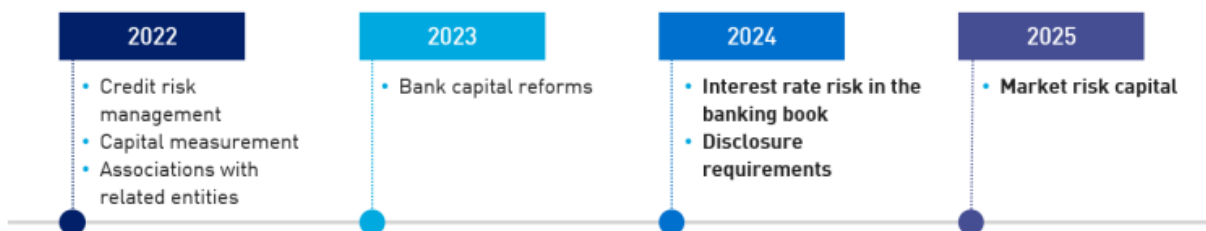
Enabling emerging technologies: supotech, regtech and AI

**New risks, new rules**

Ready for innovation in the digital economy



## Upcoming effective dates



Policy priority	Objectives and focus	Next steps
<b>Capital reforms</b>	<p>APRA's bank capital reforms will embed an unquestionably strong level of capital in the industry, and update Australian standards to align with the internationally agreed Basel framework. The reforms will also enhance flexibility, risk sensitivity, competition, transparency and proportionality.</p> <p>In 2021, APRA released final prudential standards and draft PPGs for capital adequacy and credit risk capital.<sup>5</sup> The final standards will come into effect from 1 January 2023.</p>	<p>APRA is now moving to the implementation phase of the reforms, including finalising the guidance, reporting and other related standards.</p> <p>Over the course of 2022, APRA plans to finalise the PPGs for capital adequacy, the standardised approach to credit risk and the internal ratings-based approach to credit risk.<sup>4</sup> APRA will also progress revisions to capital reporting requirements.</p> <p>In the second half of 2022, APRA intends to finalise <i>Prudential Standard APS 117 Interest Rate Risk in the Banking Book</i> (APS 117), and consult on revisions to the market risk capital standards to implement the Basel Committee's fundamental review of the trading book.<sup>7</sup></p>

Policy priority	Objectives and focus	Next steps
		on revisions to the market risk capital standards to implement the Basel Committee's fundamental review of the trading book. <sup>7</sup>
<b>Macroprudential policy</b>	<p>In 2021, APRA released an information paper setting out its framework for macroprudential policy, and a proposed new attachment to <i>Prudential Standard APS 220 Credit Risk Management</i> [APS 220].<sup>8</sup></p> <p>The proposed attachment, <i>Macroprudential policy: credit measures</i>, is intended to strengthen the transparency, implementation and enforceability of macroprudential policy, requiring ADIs to be ready to implement measures if needed to address systemic risks.</p>	APRA expects to finalise its response to the current consultation on the proposed attachment to APS 220 in the first half of 2022. As set out in the macroprudential policy framework, APRA continues to closely monitor the outlook for systemic risks, in consultation with the other agencies on the CFR.
<b>Disclosure requirements</b>	<p>APRA plans to update ADI disclosure requirements in 2022, through revisions to <i>Prudential Standard APS 330 Public Disclosure</i> (APS 330). The updated requirements will reflect the Basel Committee's revised Pillar 3 standards, as well as consequential amendments arising from the capital reforms.</p> <p>A key objective in revising APS 330 will be to minimise burden for industry, in particular for smaller entities, while maintaining transparency.</p>	<p>APRA intends to consult on draft APS 330 in the first half of 2022.</p> <p>APRA is, concurrently, developing a centralised publication that will provide entity-level key prudential and financial data.<sup>9</sup></p>
<b>Liquidity review</b>	<p>In the first half of 2022, APRA will conduct a post-implementation review of the core requirements of <i>Prudential Standard APS 210 Liquidity</i> [APS 210]: the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).</p>	APRA plans to consult with industry as part of the post-implementation review in early 2022. The aim of the review will be to understand the costs and benefits of the LCR and NSFR, and evaluate the need to update and revise APS 210 in 2023.

## Cross-industry

Standards and guides	Q4 2021	2022	Expected effective
Contingency planning and resolution	Consult	Finalise	2023
Operational resilience	<del>Consult</del>	Consult	<del>2023</del> 2024
Stress testing PPG	<del>Consult</del>	Consult	-
Climate risk PPG	Finalise		-
Governance (CPS 510)		Consult	<del>2023</del> 2024
Risk management (CPS 220)		Consult	<del>2023</del> 2024
Remuneration disclosure requirements (CPS 511)*	<del>Finalised</del>	Consult	2023
Fit and proper (CPS 520)		Consult	TBC
NOHC authorisation guidelines	<del>Finalise</del>	Finalise	-

\* Note: Remuneration guidance (CPG 511) will be finalised in Q4 2021

## Banking

Standards and guides	Q4 2021	2022	Expected effective
Overall approach to capital requirements (APS 110)	Finalise		2023
Standardised Approach to Credit Risk (APS 112)	Finalise		2023
Internal Ratings-based Approach to Credit Risk (APS 113)	Finalise		2023
Interest Rate Risk in the Banking Book (APS 117)	<del>Finalise</del>	Finalise	<del>2023</del> 2024
Disclosure requirements (APS 330)	<del>Consult</del>	Consult	<del>2023</del> 2024
Credit risk management (APS 220)	Finalise		TBC
Stored-value facilities	<del>Consult</del>	Consult and finalise	2023

### 3.10 Carried forward from previous CAB

#### 3.10.1 APS 220 – Credit Risk Management (March 2022)

## Appendix: High Level Timeframe - 220 Strategic Collection

Timeframe	Activity
Q3 2021	<ul style="list-style-type: none"><li>• Pilot collection (pilot group only)</li><li>• Release of high-level data expectations to industry</li></ul>
Q4 2021	<ul style="list-style-type: none"><li>• Pilot collection (pilot group only)</li></ul>
Q1 2022	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
Q2 2022	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
Q3 2022	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li></ul>
Q4 2022	<ul style="list-style-type: none"><li>• Quarterly incremental collections</li><li>• Release of finalised standards</li></ul>
Q1 2022	
Q2 2023 (March quarter end)	<ul style="list-style-type: none"><li>• First formal collection</li></ul>
Q3 2023	<ul style="list-style-type: none"><li>• Tactical standards cease</li></ul>

**Table 1: Exposures and provisions**

Complete Table 1 for all financial instruments subject to *AASB 9 Financial Instruments*.

Report data as at the end of the *reporting period*.

	Context	Name	Unique identifier	Applicable to:	Valid values	Description
1	Loan Characteristic	Loan identifier	Y	All ADIs	Free text	Report the loan identifier. This should be a unique identifier assigned by the lender for each individual loan. It must not include any personal details such as names, addresses or date of birth.  The loan identifier should be consistent across collections.
23	Loan Characteristic	Gross carrying amount of credit exposures		All ADIs	Dollar values	Report the <i>gross carrying amount of credit exposures</i> .
28	Capital adequacy	Credit RWA		All ADIs	Dollar values	Report the value of <i>credit risk-weighted assets</i> .

As we shift to the data space, there are significant opportunities going to present.:

- *“APRA is designing new data collections which are based on data models that can be used for multiple purposes”*
- *“Future collections... will move away from form-based returns to concept-dimension models ”*
- *“The data collected by ARS 220.0 will form the basis of an ADI financial instrument data model which will be extended at a future date to include topics such as capital adequacy for credit risk amongst other areas of interest.”*

- ➔ Possibility to form a sub-working group on what the data release will tell us, primarily in consideration for:
  - summary dashboards / ratios
  - augmented intelligence for compliance approvals
- ➔ Real opportunity for leveraging this to drive:
  - significant enhancements to your internal credit reporting capabilities
  - integrated management reporting suite

### 3.10.2 Capital Revision Framework

APRA expects ADIs to be fully compliant with the revised capital framework from 1 January 2023

Key dates are listed below:

Policy	Timing
Targeted QIS	Released July, due August 2021
Release of final Prudential Standards	November 2021
Release of draft Prudential Practice Guides (PPG)	November 2021
APRA to notify ADIs on their eligibility for the simplified framework	November 2021
Release of final PPGs	Q2 2022
Consequential amendments to related standards	Q3 2022
Attestation from accountable person that the ADI will be compliant with the updated standards	December 2022
Capital standards effective	1 January 2023

Reporting	Timing
Initial details on reporting requirements provided to ADIs	August 2021 (Q4 2021 for ARS 117)
Release of interim reporting standards (draft)	Q1 2022
Release of interim reporting standards (final)	Q3 2022
Parallel run of September 2022 quarter end	Q4 2022
Parallel run of December 2022 quarter end	Q1 2023
Attestation from accountable person that the ADI will report accurate regulatory capital data	March 2023
Interim reporting requirements effective	Q1 2023
Release of final reporting standards	Q2 2024
Reporting requirements effective	Q2 2024

### 3.10.3 APS110 Summary Impacts:

- Definition of Small ADI incorporated:



(b) small ADI – means a standardised ADI, that is not a foreign ADI, **foreign-owned ADI** or PPF provider, that:

- (i) has total assets less than \$20 billion at Level 1, or where relevant Level 2;
- (ii) does not operate a trading book;
- (iii) has immaterial non-centrally cleared derivative exposures; and
- (iv) has domestic activities only and does not source any of its funding offshore;

- Which impacts operational risk calculation:

(d) either:

- (i) for small ADIs, 10 per cent of the sum of RWA calculated under subparagraphs (a) and (b) as capital held against operational risk; or

- Leverage Ratio Introduced

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:

1. An ADI must calculate its leverage ratio as follows:

$$\text{Leverage ratio} = \frac{\text{Tier 1 Capital}}{\text{Exposure Measure}}$$

where:

- (a) Tier 1 Capital is determined in accordance with APS 111; and
- (b) the exposure measure is determined in accordance with this Attachment and is calculated as the sum of:
  - (i) on-balance sheet exposures;
  - (ii) non-market related off-balance sheet exposures;
  - (iii) derivative exposures; and
  - (iv) securities financing transaction (SFT) exposures.

Key definitional considerations need to be given to balance collateral positions for your derivatives, and non-market off balance sheet related positions. (Attachment D, worth reviewing for your own impact statement).

### 3.10.4 APS111 Summary of Impacts

Primarily definitional changes. Several changes on convertible instruments require a review.

### 3.10.5 APS112 Summary Impacts

Many definitional changes that require independent consideration and impact assessments on items like:

- your credit policy e.g., the 2.5% buffer on interest rates for mortgages is being removed
- officially incorporating the First home deposit scheme to treat as if 80% LVR
- definition of what is included in a non-standard loan

Key changes are going to be in the RW% as seen below:

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



## 4. Other Updates

### 4.1 Taxonomy updates

There are a number of taxonomy changes that are being released in November for the commencement of Qtr 1 reporting in 2022, especially surrounding the changes to APS220.

Please view these changes through your CoreBIS Return Management Screen and be aware of tagging changes that may be required in Qtr 1 2022.

Count of ConceptID	APRA_Attribute	SBR_EXT_Dimension	DimensionName	xbrlMemberTREF	xbrlName_Text	APRA_Form_Version	ARF_112_1Av10	ARF_112_1Av9
	CS01957	DM329	CreditRiskWeightingDimension	DV4642	OneHundredPercent		1	1
		DM355	BalanceTypeDimension	DV4531	CurrentBookValue		1	1
		DM401	AssetQualityDimension	DV4383	NotPastDue90DOrImpaired			1
				DV9096	Performing		1	

### 4.2 CoreBIS Features Document, Benefits realisation and Controls Listing

As Cortell continues investing in value to be provided to clients, we believe it is a good idea to undertake collaborative sessions with CAB members to understand the extent of the features that are being used and where Cortell can provide additional support to clients.

Cortell is proposing to take 1-1 sessions with all clients to:

- Understand how they are using CoreBIS
- Identify whether the benefits realisation opportunities are being met
- Ensure customers understand the full functionality available to them
- Receive any specific feedback from clients
- Ensure that CoreBIS controls are aligned to client control frameworks and vice versa



FEATURE	DESCRIPTION	CONTROL	BENEFIT
<b>WORKFLOW</b>			
Workflow Administration	Create and manage workflow versions. Allows workflow to be copied from previous period for submission or resubmission purposes.	Formal data retention strategy to ensure all workflow versions are maintained for future reference and analysis. Enables resubmissions to be prepared whilst maintaining the integrity of each submission version.	Effective management of submission process whilst maintaining integrity of historically submitted data in case where resubmission is required.
Data user assignments	Allows assignment per user per tagged data source to be assigned security access level of read or write and assigns the user per tagged data source the task of reviewer or approver.	Separation of duties with accountability over review and approval of source data.	Asigns designated owner or owners so that responsibilities are clearly understood.
Form selection	Required forms to be submitted for a specific period are pre-populated in CoreBIS from APRA data and this can be reviewed to confirm inclusion. Forms can be removed if not required. Additional forms can be manually entered on form selection to generate additional forms, as an example the ability to prepare a quarterly form on monthly basis.	Automated load from APRA of required forms to be submitted ensures complete data set for accuracy, completeness and timeliness.	Direct feed from APRA detailing which forms to be submitted each period results in complete data capture and eliminates risk of omitting a form to be submitted for that period.
Form user assignments	Workflow administrator assigns a user by entity, per form to one task within a three tier review process. The review process consists of Reviewer, Approver and Submit to APRA. A task cannot be approved until it is reviewed, or Submit to APRA until it has been approved. Completing the Submit to APRA task within the workflow will lock the data for data retention purposes before actual submission through Return Management.	Separation of duties clearly defined with accountability over tasks for review, approval and submitting forms direct to APRA. The three tier review process reduces the potential for an individual to compromise data integrity. Locking of submitted workflow versions ensures accurate data retention for audit purposes.	Asigns designated owner or owners so that responsibilities are clearly understood and accountability for completion of allocated tasks.
Workflow Dashboard	Workflow dashboard is a graphical representation of task status for specified workflow version. This allows for high level review of status of workflow for current period to allow follow up if required.	Up to date monitoring of workflow status in a format that can be quickly reviewed to ensure tasks are on track and forms are submitted within required timeframes.	Enhanced visibility of status of workflow results in time saving.
Detailed Task Listing	Detailed task listing provides a summary table of forms to be submitted for the current workflow period, the due date for the data to be submitted to APRA and the current workflow status. A notes section allows for comments to be added for additional information to be provided to the reviewer regarding workflow status.	Allocation of formal roles and responsibilities and reporting mechanism to track status of workflow tasks to ensure timely delivery of APRA forms.	Detailed task listing ensures users are aware of tasks to be completed and due dates for the purposes of time management. Allows for follow up of owner assigned to a task to ensure on time completion.
Daily Workflow	Daily workflow provides a summary table of APRA forms and due dates to assist with management of day to day workloads.	Allocation of formal roles and responsibilities and reporting mechanism to track status of workflow tasks to manage tasks daily to ensure timely delivery of APRA forms.	Detailed task listing ensures users are aware of tasks to be completed and due dates for the purposes managing tasks on a daily basis. Allows for follow up of owner assigned to a task to ensure on time completion.

It is envisaged this line of work will support clients with their internal controls, better prepare clients for audit work, and also provide Cortell with good understanding as to enhancements Cortell can make to support our client base e.g. SOC audits.

Commercial – in – Confidence

2022 Qtr 1 CoreBIS CAB.docx

➔ Cortell will organise sessions with respective organisations starting in November

### 4.3 Data Quality Reporting – RPG 702

Following on feedback from previous CAB, Cortell lodged an enquiry with APRA to confirm the latest DQ reporting that CoreBIS should contain.

The list of deltas between the APRA and correspondence and what CoreBIS contains is listed below.

The bottom section includes those data points that were not found in the DQ excel file forwarded by APRA but are on the latest Forms (there are discrepancies between the excel file on the website and Forms when they are updated). The yellow highlighted cells are attributes that have been added to Forms and Cortell believes they should be a High Priority item, given the consistency with the data points surrounding them.

Cortell will need to await the update by APRA on these new data points.

<u>Attributes not found in CoreBIS</u>			
ARF_720_0Av8	BSL22022	Very High Priority	
ARF_720_0Av8	BSL22023	High Priority	
<u>Attributes disappeared from Forms</u>			
ARF_720_3v6	BSAO28022	High Priority	ARF_720_3v6BSAO28022High Priority
ARF_723_0v6	Missing	High Priority	ARF_723_0v6MissingHigh Priority
ARF_723_0v6	Missing	High Priority	ARF_723_0v6MissingHigh Priority
<u>Attributes not in DQ Forms</u>			New Data Points not found in the DQ Excel file APRA forwarded
ARF_720_0Av8	BSL23076		
ARF_720_0Bv4	BSL23076		
ARF_720_0Av8	BSAO30205		
ARF_720_0Bv4	BSAO30205		
ARF_730_0V5	PL20042		
ARF_720_1Av5	BSAO30308	High Priority	This is an assumption as APRA have not updated DQ data
ARF_720_1Av5	BSAO30309	High Priority	This is an assumption as APRA have not updated DQ data
ARF_720_1Av5	BSAO30314	High Priority	This is an assumption as APRA have not updated DQ data
ARF_720_1Av5	BSAO30319	High Priority	This is an assumption as APRA have not updated DQ data

CoreBIS was historically applying a \$25million threshold for the DQ minimum, this will be changed to \$10m to reflect paragraph 15 of RPG702.

#### Application of benchmarks to series with zero value or near-zero value

- Where a **data item** is at or very close to zero, percentage benchmarks are unlikely to be helpful for determining whether a **reporting error** is outside agency expectations for data quality. As a general rule, misreporting of less than \$25 million for a large institution and less than \$10 million for a reporting entity that is not a **large institution** would not be considered as being outside the **agencies'** expectations for data quality irrespective of the benchmarks in Table 1a and Table 1b.

## 5. Demonstrable assets

### Enhancements to existing features

#### New Features

##### New mapping report

There have been several requests from clients to have a report that allows users to see where a particular dimension is used in mapping, this report is in development and expected to be released for Qtr 1 2022 period end.

Map Version: /N/5		DataSource: All INT_DataSource (n)		Mapped Dimension: SRR_LB_Interest_Rate_Type		All Mappings <input type="radio"/> Individual Mappings <input checked="" type="radio"/>				
Data Source	Dimension	APRA Form Version	APRA Attribute	Description	Mapping					
TAGGED_Loan_Book	SRR_LB_Interest_Rate_Type	ARF_720_1Av2	BSAO27654	2.1.1.1. Fixed interest rate - Owner-occupied housing	Fixed					
			BSAO27655	2.1.1.1. Fixed interest rate - Investment housing	Fixed					
			BSAO27657	2.1.1.1. Fixed interest rate - Personal	Fixed					
			BSAO27668	2.1.1.2. Variable interest rate - Owner-occupied housing	Variable					
			BSAO27669	2.1.1.2. Variable interest rate - Investment housing	Variable					
			BSAO27671	2.1.1.2. Variable interest rate - Personal	Variable					
			BSAO27736	5.1.1.1.1.1. Fixed interest rate	Fixed					
			BSAO27737	5.1.1.1.1.2. Variable interest rate	Variable					
			BSAO27739	5.1.1.1.2.1. Fixed interest rate	Fixed					
			BSAO27740	5.1.1.1.2.2. Variable interest rate	Variable					
					ARF_720_1Av3	BSAO27654	2.1.1.1. Fixed interest rate - Owner-occupied housing	Fixed		
						BSAO27655	2.1.1.1. Fixed interest rate - Investment housing	Fixed		
						BSAO27657	2.1.1.1. Fixed interest rate - Personal	Fixed		
						BSAO27668	2.1.1.2. Variable interest rate - Owner-occupied housing	Variable		
BSAO27669	2.1.1.2. Variable interest rate - Investment housing	Variable								
BSAO27671	2.1.1.2. Variable interest rate - Personal	Variable								
BSAO27736	5.1.1.1.1.1. Fixed interest rate	Fixed								
BSAO27737	5.1.1.1.1.2. Variable interest rate	Variable								
BSAO27739	5.1.1.1.2.1. Fixed interest rate	Fixed								
BSAO27740	5.1.1.1.2.2. Variable interest rate	Variable								

## 6. Other Feedback

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What would you like to see in the product?

How can we help?

## 7. Appendix 1: Terms of Engagement for CAB

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### 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

## Appendix 2: Minutes and ACTION ITEMS FOR NEXT MEETING

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### Meeting with APRA

- Roadmap to APRA connect to be released end of March
- Closed form – likelihood of change is minimal – legislative approval process completed – Existing EFS and 110
- Open table form – 220 and 112 changing materially
- Testing and development on going in CoreBIS as more artefacts are released – ideally tested completed by end of Q2 but subject to APRA information for release in Q3 for go live for Sept Qtr end
- Regression and end to end tested completed by Cortell
- Some form of support required from each organisation for testing and work required for tagging of new data set
- Submitting ARS220 through APRA connect for Sept and December with go live for March 2023

### Credit Reporting 220

- Working prototype for each dimension – 27 on first table alone
- Manual Adjustments process on each data point – provided demonstration – need assistance to determine best way for presenting and user interface
- Need data to derive credit RWA – can be derived out of CoreBIS assuming required level of data available
- Prudential drivers in the front end of credit risk management screen – reporting mechanism – trajectory and triggers
- Controls for Residential and commercial property targets – growth caps

### Points to note:

- 220.5 is going to continue to operate
- APS330 labelling not yet changed for Impaired and Past Due

### Capital Changes:

- Still not finalised new template but highly likely no change
- Data set requirement – needs to be on an account level – new dataset cube that is tagged
- For Credit and Capital likely to create new cube
- Old cube can keep going in parallel
- Consolidated off and on balance sheet position
- Timing of release hoped to be with APRA road map end of Q1

### Questions regarding Capital & Credit & Info from Hannah & Christina:

- 220 and 112 separate data sets
- Output of capital calculation will be included in Credit at an account level
- Standard Asset Class for 220 comes from 112
- 220 has definition table
- Rules about standard asset classes in APS standard – 20 different categories
- 220 Done as Asset Class by Asset Class release – detailed data set – Residential mortgages first

- 112 Interim report before strategic report through APRA connect

#### **APRA Policy Priorities:**

- CPS190 released this quarter
- Prudential rules are easy to find and navigate – better regulation – digital first – new risks, new rules

#### **Other Updates:**

- Taxonomy updates
- Benefits realisation in CoreBIS
- ➔ Cor: going to continue with qtrly meeting with all clients 1-1 to ensure benefits are being realised

BB: RPG702 data quality items – guidance only not standard – **confirmed latest version April 2018**

#### **New CoreBIS Features:**

- New Mapping Report to be released shortly
- ➔ BA: is it possible to include the Base cube as well as tagged cube in mapping document
- ➔ Cor: noted, we will revert on this
- ➔ BA: can we add in a legend to the Trend Line

#### **Graph**

- ➔ BB: is it possible for graphs to be saved as templates and refreshed with data
- Cor – Yes, we will take a separate session with you on this to show you.