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General Manager, Policy Development
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Dear Sir/Madam

Discussion Paper: Counterparty credit risk for ADIs

The Australian Bankers' Association (**ABA**) appreciates the opportunity to provide APRA with comments on the Discussion Paper: *Counterparty credit risk for ADIs (discussion paper)*.

With the active participation of its members, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

Current APRA policy on membership of central counterparties

On 4 June 2013 APRA wrote to all ADIs regarding the membership of central counterparties.

The discussion paper states¹, "*The June 2013 letter will cease to apply to locally incorporated ADIs when the new requirements in APS 180 take effect.*"

The ABA requests the paragraph below be removed from that letter² and the letter reissued without waiting for APS 180 to take full effect, as it was intended to be an interim measure and is overly conservative regarding treatment of default fund exposures.

"APRA requires that in calculating its capital due to membership of the central counterparty, any contingent liability associated with default exposures is to be treated as if it were a pre-funded contribution to a default fund under paragraph 28 of Attachment C to Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112), and risk-weighted assets calculated accordingly. APRA notes that this capital treatment is an interim measure until the Basel Committee on Banking Supervision releases further guidance on exposures to central counterparties."

Variation margin of centrally cleared trades

The US Regulatory Authorities recently ruled³ on the treatment of the variation margin (**VM**) for centrally cleared trades with the key paragraph copied below:

"Accordingly, for the purpose of the regulatory capital rules, if, after accounting and legal analysis, the institution determines that (i) the variation margin payment on a centrally cleared Settled-to-Market Contract settles any outstanding exposure on the contract, and (ii) the terms

¹ APRA's response to comments on 'membership of CCPs' in the discussion paper (p19) released on 3 August 2017

² <http://www.apra.gov.au/adi/PrudentialFramework/Documents/130604-Letter-to-ADIs-re-CCPs.pdf>

³ <https://www.occ.gov/news-issuances/bulletins/2017/bulletin-2017-27a.pdf>



are reset so that fair value of the contract is zero, the remaining maturity on such contract would equal the time until the next exchange of variation margin on the contract.”

The ABA would welcome APRA’s confirmation that they agree with the approach taken by the US Regulatory Authorities. We also seek APRA’s view on the potential implication to regulatory capital treatment of centrally cleared trades, and impact on derivative exposure calculations in the leverage ratio from the treatment of the VM as settled-to-market rather collateralised-to-market.

Foreign ADIs

The ABA would also welcome further guidance from APRA on the proposed margin reporting requirements for foreign ADIs. Typically, foreign ADIs would consolidate positions to a single name at the regional head office. For instance, various branches of a foreign ADI in the Asia Pacific region may have derivative positions to Australian domestic ADIs, some in the money and some out of the money. The foreign ADI’s head office would consolidate all those country positions into a net position which may result in a margin call. Given the described consolidation it would be challenging to report country specific margins.

Leverage Ratio

In the ABA’s submission dated November 2016 on the SA-CCR, we sought explicit confirmation that APRA does not require ADIs to continue using the current exposure method (**CEM**) for the leverage ratio (**LR**) even when they are using SA-CCR for capital. In the 15 September 2016 SA-CCR discussion paper in Section 2.3.2 Timetable, APRA did confirm that SA-CCR would not be required to replace CEM in the LR until it is required for capital. However, this does not cover our request for confirmation that there would be no requirement for the CEM to be used for the LR after the commencement of APS 180.

The ABA would welcome clarification from APRA on how the CEM based exposure used in the LR calculation will be impacted after APRA’s SA-CCR rules become effective.

Implementation date

“This Attachment is effective from 1 January 2019” - APS 180 Attachment A.

In the ABA’s 2016 submission on the SA-CCR, it is stated that, *“The ABA understands that other comparable jurisdictions have not sought to implement SA-CCR in isolation of the other BCBS reforms. The ABA requests APRA considers adopting the same pragmatic approach to minimise the regulatory costs and burden on the Australian banking industry.”*

This is still a valid concern for the ABA. ADIs are working hard to meet the 1 January 2019 deadline, however, the ABA strongly recommends that APRA considers, and allows, a transitional period of one year to allow any ADI with substantial system and process changes time to build the modelling and reporting functionality and obtain necessary governance sign-offs.

Reporting periods and due dates

The information required by the draft reporting standards (ARS 112.2, ARS 118.1, ARS 180.0 and ARS 226) must be provided to APRA within 28 calendar days after the end of each quarter. This is in contrast to other existing reports which must be provided within 30 business days. The movement to a 28 calendar day submission period will pose significant challenges due to the reduction of available business days to prepare the submissions. The reduced time to prepare data and complete returns may negatively impact data quality, nor is the opportunity for cross form validations prior to submission available. Therefore, this significant reduction in business days to finalise submissions may lead to an increase in the number of re-submissions. For example, based on the analysis of the March 2018 quarter reporting period, there is an approximate reduction of 12 business days in the time available to prepare the submissions as compared to the current requirements.



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The ABA acknowledges the intent of APRA in bringing due dates forward. However, ARS 180.0 has co-dependencies on other reporting forms aimed at capital adequacy, such as ARS 110, ARS 113 and others, which all have due dates of 30 business working days post quarter-end. For related returns, it makes sense to have alignment and consistency in due dates to facilitate internal cross validations and sign offs. The ABA would suggest remaining with a sufficient working day requirement, i.e. 30 business working days.

Prudential Standard APS 180 Capital Adequacy: Counterparty Credit Risk

APRA's proposed policy settings for transactions with mandatory breaks

The ABA recommends that APRA confirms that mandatory break dates can be used as the maturity date parameter and is consistent with the definition provided in the draft APS 180.

With respect to mandatory breaks, page 14 of the discussion paper sets out APRA's position that mandatory breaks should not be treated as a contractual maturity date on the basis that, "*there is no certainty that the break will occur as the parties may choose to restructure the transaction prior to the break date*".

The ABA would like to highlight that, unlike other styles of rights-to-break, mandatory breaks represent a contractual obligation on both parties to terminate the transaction by the break date.

Given that:

- a) There is legal certainty that the break will occur, and
- b) The possibility that the parties may choose to restructure the transaction prior to the end of the contract is common across all transactions, whether they have a right-to-break or not. The ABA believes a consistent approach involves representing transactions based on their legal configuration as of the calculation date and, as such, we would like to reiterate our recommendation that, where relevant, the maturity date parameter may be set to the mandatory break date of the underlying transaction.

Composite contracts

For a single contract which is readily and logically decomposed into discrete instruments for both risk and revaluation purposes, the ABA proposes that the following treatment would be allowed under the standards:

- Where there is no legal netting agreement with the counterparty, the constituent instruments may nevertheless be taken to form their own discrete netting set to reflect their legal form as a single deal. Hedging set offset rules would apply within this 'contract defined' netting set.
- If the bank has a legally recognised closeout netting agreement with the counterparty, the constituent instruments may be placed into hedging sets of that overall netting set according to their individual characteristics.



Examples

FX swaps: The two FX legs in this contract may be treated separately in the calculation process? Where one leg is on the spot date, this would provide for transparently disregarding this leg (consistent with the SA-CCR treatment for spot FX) and focussing on the forward leg only. Where both legs are forward, this would remove ambiguity in both (a) the adjusted notional, in the case the two legs have different principals for one or both currencies, and (b) the maturity date. If this decomposition is not allowed, the ABA would welcome APRA’s guidance on calculating the adjusted notional where principals differ.

Index CDS: The single names may be broken out as separate single-name CDS with notional proportional to their membership of the index? An established precedent exists in the handling of index CDS hedges in the SCVA capital calculation (see draft APS 180 Attachment A paragraph 21).

Caps/floors: These may be recognised as a string of caplets/floorlets, which would permit the supervisory delta calculation to be made on each separate caplet/floorlet. If this decomposition is not allowed, the ABA would welcome APRA’s guidance on calculating the supervisory delta in the case of caplets/floorlets.

Option strategies: For example, cylinder forwards (sold put and bought call at different strikes) or calendar spreads (two bought options with different maturities combined into one contract). These may be decomposed into the vanilla options which make them up. This would again allow more straightforward processing and calculation of supervisory delta.

Recommendation

The ABA recommends that ADIs may (at their discretion and where applicable) decompose contracts into discrete instruments that fit more naturally into the SA-CCR capital calculation framework. Further, where there is no legal netting agreement in place to support this single contract we recommend that ADIs may treat constituent instruments of such a contract as being within their own distinct netting set.

Attachment A — Counterparty credit risk requirements for bilateral transactions

CVA risk capital charge (Attachment A, paragraph 17)

For the calculation of the CVA risk capital charge, the ABA would welcome APRA’s clarification that the method of determining the counterparty level value of MD [Exposure] ^{total} outlined in paragraph 17(a), where there is an implicit summation at the netting set level, applies equally to paragraphs 17(b) and 17(c).

Stating this more explicitly, in paragraphs 17(b) and (c), the ABA interprets the term $M_i D_i Exposure_i^{total}$ as

$$\sum_{j=1, \dots, n_i} M_{i,j} D_{i,j} EAD_{i,j}$$

where:

n_i is the number of netting sets for counterparty i ,

$M_{i,j}$ is the weighted average maturity within netting set j for counterparty i ,

$D_{i,j}$ is the supervisor duration for netting set j in counterparty i , and

$EAD_{i,j}$ is the exposure for netting set j in counterparty i .



Attachment D - The standardised approach for measuring counterparty credit risk exposures (SA-CCR)

EAD scaling factor (Attachment D, paragraph 5)

The ABA believes that the scaling factor of 1.4 to be applied to both replacement cost (**RC**) and PFE is excessively punitive, particularly as applied to the RC.

On the understanding that the scaling factor represents a form of scale-up for model risk or stressed calibration, it is not required for RC given that it is a point in time calculation that is known with certainty.

The ABA agrees with the analysis conducted by the International Swaps and Derivatives Association (**ISDA**) in their recent letter to the Basel Committee on Banking Supervision (**BCBS**)⁴, including the view that the scaling factor is also excessively conservative for the PFE given that the SA-CCR parameters are already calibrated to a stressed environment.

The ISDA paper also discusses a number of issues raised by the ABA in our November 2016 submission. We would like to reiterate those concerns, including:

- **IM recognition:** The add-on exposure is floor at 5 per cent which is overly conservative and does not recognise full benefit of IM/VM regulation for uncleared derivative;
- **Multiple CSAs in one netting set:** The netting set needs to be divided into multiple sub netting sets based on CSAs, losing the netting benefit;
- **Cross-asset diversification:** No recognition of risk diversification across different assets for add-on terms; and
- **FX netting:** Does not allow netting of cash flows to a single amount for FX spot/forward transactions.

Recommendation

If the BCBS adopts the ISDA's suggestion, the ABA would recommend that APRA should also make a similar reduction in the Alpha factor for Australian banks.

Collateral haircuts (Attachment D, paragraph 10)

When calculating the replacement cost for an unmargined netting set, the haircut value of net collateral is required to be calculated with a fixed holding period of one year. The ABA holds that this treatment is punitive where the actual holding period is shorter, and therefore recommends that the holding period should be adjusted to reflect the maximum maturity within the netting set if it is less than one year.

Net collateral held (Attachment D, paragraph 12)

Paragraph 12 defines the current value of the net collateral held (C) as including "...all initial and variation margin posted and held by the ADI except for collateral held in a bankruptcy remote manner".

The ABA seeks confirmation that the exception should instead read '...except for collateral posted by the ADI in a bankruptcy remote manner'.

In line with the BCBS 239 para 143, collateral posted by the ADI to a segregated, bankruptcy remote account presumably would be returned upon bankruptcy of the counterparty. As such, it makes sense to exclude such collateral from the calculation of net collateral.

⁴ ISDA Letter to the BCBS on the Standardized Approach for Measuring Counterparty Credit Risk Exposures dated 21 March 2017, available at <http://www2.isda.org/functional-areas/risk-management/>



Attachment D, paragraph 12 (n)

The ABA would also welcome further guidance on how this concept will interact with the existing unsettled/failed trade? For example, assume that for an instrument, market standard settlement is T+2. Should a trade with contractual settlement day on T+5 be classified as a long settlement transaction that needs to be treated as an OTC derivative transaction and included in the appropriate netting set? If the trade is DVP and has not settled on T+10 (normal settlement day + 5), does this trade need to be treated as unsettled and failed transactions? If it does, the ABA would welcome APRA's confirmation that the trade can be excluded from exposure calculation within the netting set.

Under APS 180 Attachment D, paragraph 12(n), contracted settlement day is the lesser of a) 'the market standard for the particular instrument', and b) 5 business days.

Basis (Attachment D, paragraph 18)

In the current formulation of basis risk for the interest rate asset class, the ABA would welcome further clarification whether the basis risk hedging set should be broken down into maturity buckets? If so, the ABA seeks to understand which approach should be used to aggregate across the maturity buckets?

Volatility hedging set (Attachment D, paragraph 18)

Further clarification is requested as to how volatility hedging sets should be structured and aggregated in practice. Paragraph 18(b)(i) states that a hedging set of volatility transactions must use the same category definition set as applied to the asset class. The ABA takes this opportunity to outline its current interpretation of these standards and seeks APRA's confirmation that this interpretation is correct.

Such that:

- For the interest rate asset class, there will be a volatility hedging set per currency split into 3 maturity bands. The maturity bands can be considered as category k subsets within a j volatility interest rate hedging set and as such will receive partial benefit when aggregated according to Attachment D, paragraph 25(a).
- For the foreign exchange asset class, there will be one volatility hedging set per currency pair with no further categories defined within this single j hedging set.
- For the credit and equity asset classes, there will be one core j volatility hedging set, with further category k subsets for each reference entity. These category k subsets within a j volatility hedging set will be aggregated employing the same correlation parameter as for the core credit and equity asset classes.
- For the commodity asset classes, there will be four volatility j hedging sets, with further category k subsets for specific commodity types. Full offsetting will apply within a category k subset within a j volatility hedging set. Partial offsetting will apply between category k subsets contained within one of the four volatility j hedging sets. No offsetting is reflected between the four j hedging sets.
- In each case, the adjusted notional will be calculated per the specific asset class guidance in Attachment D with regard given to the requirements of Attachment D, Paragraph 42. The adjustments for maturity factor and supervisory delta will be applied to arrive at the effective notional.



Netting within FX hedging sets (Attachment D, paragraph 20)

The ABA recommends that the allocation of FX currency pairs into hedging sets within a given netting set should be amended to allow transactions to be allocated or offset as consistent with FX triangulation e.g. AUD/USD and USD/EUR currency pairs netting to AUD/EUR. This approach would allow for a) the simplification of the hedging set structure for FX, b) more complete recognition of netting between FX risk exposures, and c) more consistent capital outcomes for different manifestations of the same economic risk.

Interest rate diversification (Attachment D, paragraph 20)

The ABA holds that the assumption of perfect correlation between interest rate hedging sets is excessively punitive given the historically observed diversification between interest rates. This treatment is also inconsistent with the fundamental review of the trading book standardised approach, which applies a correlation factor of 50 per cent between different currencies. The ABA recommends that the SA-CCR treatment should be revised to allow for more recognition of the diversification across interest rates.

Interest rate offsetting rules (Attachment D, paragraph 25)

Paragraph 25 offers two alternatives for aggregating the effective notional amounts across the three interest rate maturity categories, where partial offsetting is recognised and where no offsetting is recognised. The paragraph is silent. However, on when to apply the no offsetting formula and, as far as we can ascertain, the no offsetting formula is never used.

The ABA would welcome APRA's confirmation that no offsetting formula should be removed from paragraph 25.

Transaction-level and supervisory parameters (Attachment D, paragraph 42(a))

The paragraph states, *“for transactions with multiple payoffs that are state contingent such as digital options or target redemption forwards, an ADI must calculate the trade notional amount for each state and use the largest resulting calculation; For a digital option, the PFE must be set equal to the payoff amount;”*

The ABA believes that paragraph 42(a) should be altered to remove the reference to digital options from the first sentence. This guidance has been replaced by the second sentence which we consider in more detail below.

The ABA believes that to set the PFE equal to the payoff amount will not result in an accurate reflection of the potential exposure at default. We believe that the true reflection of this potential exposure would be to set the EAD equal to the payoff amount. This is the maximum potential exposure of the digital option trade. Given this, if any proportion of the payoff is captured by positive trade mark-to-market, to then capture the entire payoff amount in the PFE would represent an overstatement. This overstatement will be significant as where a digital option is in-the-money, it will have a mark-to-market approaching the payoff amount. This will effectively result in an EAD which, allowing for the alpha multiplier, is almost three times the maximum potential exposure of the digital option.

Principal resetting cross-currency swaps (Attachment D, paragraph 42(f))

Paragraph 42(f) allows transactions which periodically reset to a fair value of zero to have the remaining maturity based on the next reset date, with footnote 35 specifically highlighting the example of principal adjusting cross-currency swaps.

Paragraph 42(f) and footnote 35 presents an extremely difficult qualifying test for principal resetting cross-currency swaps and does not allow recognition of the primary risk factor of the instrument, FX, being completely reset to zero. A typical principal-resetting cross-currency swap is at each reset date, the outstanding principal FX exposure settles at the prevailing exchange rate. The effect of this reset is that it removes the MTM attributable to the primary risk factor and reduces the fair value of the swap



substantially (but not exactly) to zero. Apart from principal resetting cross-currency swaps, this section is also difficult to apply to other instruments with the resetting feature, e.g. single currency basis swap also displays similar behaviour.

The ABA proposes that 42(f) and footnote 35 be altered to read:

“42(f) for a derivative contract that is structured such that on specific dates any outstanding exposure is settled and the terms are reset so that the fair value of the contract is substantially close to zero³⁵, the remaining maturity equals the time until the next reset date.

Footnote 35. For example, a principal resetting cross-currency swap where, at each reset date, the principal of the swap is reset to the prevailing market exchange rate (thereby settling outstanding exposure attributable to exchange rate movements), which reduces the fair value of the contract substantially close to zero.”

The ABA would also welcome APRA’s confirmation that the next reset date can be used for:

- Maturity date M_i
- End date E_i
- Maturity category for IR derivative transactions

where terms M_i , E_i and Maturity category are as defined in APS 180 Attachment D, paragraphs 22 and 23.

Multiple margin agreements apply to a single netting set (Attachment D, paragraph 49)

This states:

“Where multiple margin agreements apply to a single netting set, the netting set must be divided into sub-netting sets, each aligning with its respective margin agreement. The EAD of the original netting set must then be obtained by taking the sum of the EAD of each sub-netting set. The EAD for each sub-netting set is calculated according to paragraphs 42 to 47 of this Attachment using the relevant sub-netting set-level (i.e. margin agreement-level) parameters”.

The ABA proposes the following change (highlighted in bold) to this paragraph to allow netting of relevant add-on terms:

*“Where multiple margin agreements apply to a single netting set, the netting set must be divided into sub-netting sets, each aligning with its respective margin agreement. The EAD of the original netting set must then be obtained by taking the sum of the EAD of each sub-netting set. **In the case that both margin agreements have the same margining frequency, the effective notionals for add-on computations may be aggregated across both margining sets.** The EAD for each sub-netting set is calculated according to paragraphs 42 to 47 of this Attachment using the relevant sub-netting set-level (i.e. margin agreement-level) parameters”.*³⁸

The ABA also seeks APRA’s clarification why derivatives falling under one single legal netting agreement, but different margin agreements, are not allowed to have their exposure netted noting this is allowed by the netting agreement at counterparty default.

Multiple netting sets within a single margin agreement (Attachment D, paragraph 50)

The standard specifies that, where a single margin agreement applies to multiple netting sets, the PFE for the margin agreement is calculated as the sum of all netting set-level PFE factors, which must be calculated according to the methodology for unmarginated transactions. While it may not be possible to accurately allocate the combined collateral to each netting set in this case, the ABA holds that calculating each netting set PFE as unmarginated is excessively punitive.

The ABA recommends that the PFE for these netting sets should be calculated using the methodology for marginated transactions, which may be adjusted by an appropriate factor, e.g. 10 per cent, to recognise the sharing of margining conditions between the netting agreements.



Minor corrections

- Attachment A, paragraph 8(b): there is an extra 'or'
- Attachment A, footnote 8: there is an error in the description of the formula in 17(a), which is not the 5 per cent continuously compounded discount factor
- Attachment A, paragraph 9: is missing 'a' preceding 'clearing member ADI'.

Prudential Standard APS 112: Capital Adequacy: Counterparty Credit Risk

Minor corrections

Missing headline in APS 112 (page 46, the paragraph number goes from 8 to 1).

Reporting Standard ARS 112.2: Standardised Credit Risk – Off-balance Sheet Exposures

No comments.

Reporting Form ARF 112.2A: Standardised Credit Risk – Off-balance Sheet Exposures – Instructions

No comments.

Reporting Standard ARS 118.1: Other Off-balance Sheet Exposures

No comments.

Reporting Form ARF 118.1: Other Off-balance Sheet Exposures – Instructions

No comments.

Reporting Standard ARS 180.0: Counterparty Credit Risk

Reporting transitional arrangements

In the past, APRA has provided transitional arrangements to support the implementation of new standards. The ABA strongly recommends that APRA considers allowing a transitional period to prepare these new reporting requirements and would welcome the opportunity to participate in further discussions on the practical implementation of this approach.

Definition of scope and coverage of related returns

APRA proposed in the draft ARS 180.0 that the scope of reporting form ARF 180.2 covers all off-balance sheet market related exposures that are subject to the IRB approach. Currently the exposures defined by that scope are covered by ARS 113. With the introduction of ARS 180.0, the same exposures and associated risk-weighted amounts will be reported in two different forms. This represents an overlap and potential for confusion in the aggregation of risk-weighted amounts to arrive at a total for the bank.

The ABA seeks APRA's clarification that the overlap between the reporting standards ARS 180.0 and 113 series (ARS 113, section B captures derivatives and SFT transactions in the off-balance sheet risk-weighted assets, the new reporting standards, ARS 180 also captures counterparty credit risk and off-balance sheet exposures) is intended and/or whether the ABA's members are likely to expect



consequential impacts to the ARS 113 series of returns and if so what are the expected timelines for such changes.

Proposed reporting due dates in draft ARS 180.0

APRA proposed in the draft ARS 180.0 that the reporting forms are due 28 calendar days post quarter-end. ARS 180.0 have co-dependencies on other reporting forms aimed at capital adequacy, such as ARS 110, ARS 113 and others, which all have due dates of 30 business working days post quarter-end. For related returns, it makes sense to have alignment and consistency in due dates to facilitate internal cross validations and signoffs.

Recommendation

For consistency and ease of validation, the ABA suggests APRA considers keeping the same due date for all capital related returns at the current requirement of 30 business days.

Reporting Form ARF 180.1: Standardised - Counterparty Credit Risk and CVA Risk – Instructions

No comments.

Reporting Form ARF 180.2: IRB - Counterparty Credit Risk and CVA Risk – Instructions

Residual IRB and specialised lending

The ABA would welcome clarification of where to report in ARF 180.2 exposures that are subject to residual IRB and specialised lending treatment, for example:

- a) Residual IRB exposures subject to the specified risk-weights under APS 113 Attachment E.
- b) Specialised lending subject to slotting risk-weights under APS 113 Attachment B.

Total collateral posted to central counterparties

ARF 180.2, section C, item 5 requires the total posted collateral to central counterparties in column 6. In Appendix 1 of the discussion paper the response on “posted collateral in trade exposure” (p17) states “APRA does not intend to require disclosure of posted collateral that is embedded in the EAD under SA-CCR.” This is not clear in the instructions relating to item 5 which require total exposures arising from collateral posted to the named CCP. The ABA would welcome APRA’s confirmation that column 6 is intended to reflect only collateral posted in a bankruptcy remote manner that is not included in the trade exposure calculation under SA-CCR and that the instructions will be amended accordingly.

Default fund contributions to a qualifying central counterparty

As per ARF 180.2, section C, item 7, the requirement is for the Kccp to be calculated in accordance with paragraph 8 of APS 180 Attachment C. Due to jurisdictional differences in the implementation schedule of SA-CCR, there may be a period of time during which certain QCCPs do not produce the required SA-CCR based capital inputs. In these circumstances, an additional section in the return would be required for reporting an alternative default fund capital requirement or if not in the returns, would APRA require this to be reported?



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Minor corrections

There appears to be some minor drafting errors in the instructions.

- ARF 180.2, Section A, Item 2, says the exposure weighted average LGD should be calculated using the EAD which is determined using the SA-CCR approach. The ABA would welcome confirmation that this is a mis-statement and that the adjusted exposure amount under APS 112 Attachment H is to be used, as SA-CCR does not apply to SFT transactions.
- ARS 180.2, Section C, Instructions (p38), specifies that items 7 and 8 relate to transactions with a non-qualifying CCP and yet the ARF 180.2 item 7 is in fact related to transactions with a QCCP.
- ARS 226, Item 3, Instructions (p50), specifies that the aggregate notional amount in column 2 whilst the ARF 226 item 3 specifies notional principal amount. The ABA would welcome confirmation that the instructions are correct and that they are referring to the same amounts.

Reporting Form ARF 226: Margining and risk mitigation for non-centrally cleared derivatives

No comments.

The ABA appreciates and thanks APRA for the additional time to respond to the discussion paper. If you would like any further information please contact me on 02 8298 0408.

Yours faithfully

Signed by

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