



24 May 2022

Advisor, Policy Development
Australian Prudential Regulation Authority

By email:
CC:

Dear ,

APS 117 Compliance cost estimates

The Australian Banking Association (**ABA**) welcomes the Australian Prudential Regulation Authority's (**APRA**) ongoing engagement with industry regarding the development and implementation of the revised prudential standard, APS 117 *Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs)* (**APS 117**).

Industry compliance cost estimates

To assist APRA's analysis of the proposed reforms, that ABA provides the following estimate of additional compliance costs associated with the proposals. These costs include, for example, one off costs and ongoing costs (costs above business as usual costs) to update and implement revised policies, processes, systems and controls to reflect changes to the Prudential Standard.

The estimated aggregate additional compliance cost to industry from the proposals is \$40 million.

Implementation timeline

APRA's 27 October 2021 letter to ADIs, *Review of ADI Market Risk Standards*, sets out a revised timeline for implementing a revised APS 117. Industry is appreciative of the revised timeline and continues to work towards the revised implementation date of 1 January 2024, with reporting to commence in March 2024.

However, the ABA notes the potential slippage of some of the stated interim deadlines, for example, release of the final APS 117, draft prudential practice guide and reporting specifications, and holding industry workshops, all scheduled for the second quarter of 2022. If there are material delays in the interim deliverables, such as those noted above, industry asks that APRA ensure industry continues to have sufficient time to implement the changes in a way that does not unnecessarily increase regulatory burden or operational risk.

IRRBB volatility

The ABA would also like to take this opportunity to reemphasise the impact of recent interest rate movements on IRRBB capital requirements. Industry appreciates APRA's consideration of the ABA's 28 April 2022 letter and looks forward to continued engagement to find a pragmatic solution.

If you require further information or would like to discuss any of the content of this letter, please do not hesitate to contact me.



Australian Banking
Association

Regards,

Policy Director
Australian Banking Association

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.