

Updates to the Economic and Financial Statistics Collection – RFCs

Background

On 23 August 2017, the Australian Prudential Regulation Authority (APRA), Reserve Bank of Australia (RBA) and Australian Bureau of Statistics (ABS) (together, the Agencies) have published a response to the feedback received on the Economic and Financial Statistics (EFS) collection, and simultaneously launched a new consultation on the data quality reporting practice guidance and a reporting standard specifically outlining the assurance requirements for Registered Financial Corporations (RFCs).

Which RFCs are required to comply with EFS reporting

The new EFS reporting standards and requirements will apply to RFCs who currently submit EFS data to APRA, and the specific forms needed are determined by thresholds, such as:

| | | | |
|---|--|---|---|
|  Total assets \$50m |  Repos & security lending \$1bn |  Margin lending \$150m |  Business credit \$2bn |
|  Housing credit \$6bn |  Personal credit \$500m |  Any deposit holdings | |

Challenges remain

Whilst the changes to the parallel run and extension to the timeline is welcome, the timeline is still tight and is compressed for the remaining phases.

In response to feedback received on the logistical challenges in sourcing specific data for EFS, there has been a significant broadening of the areas where proxy methodology can be applied by reporting entities to complete the reporting forms as a practical expedient and will reduce some of the implementation challenges. These numerous data points will still require significant investment in data sourcing from front-end systems and processes, and revisiting of internal data definitions to ensure alignment.

Easing of some reporting requirements

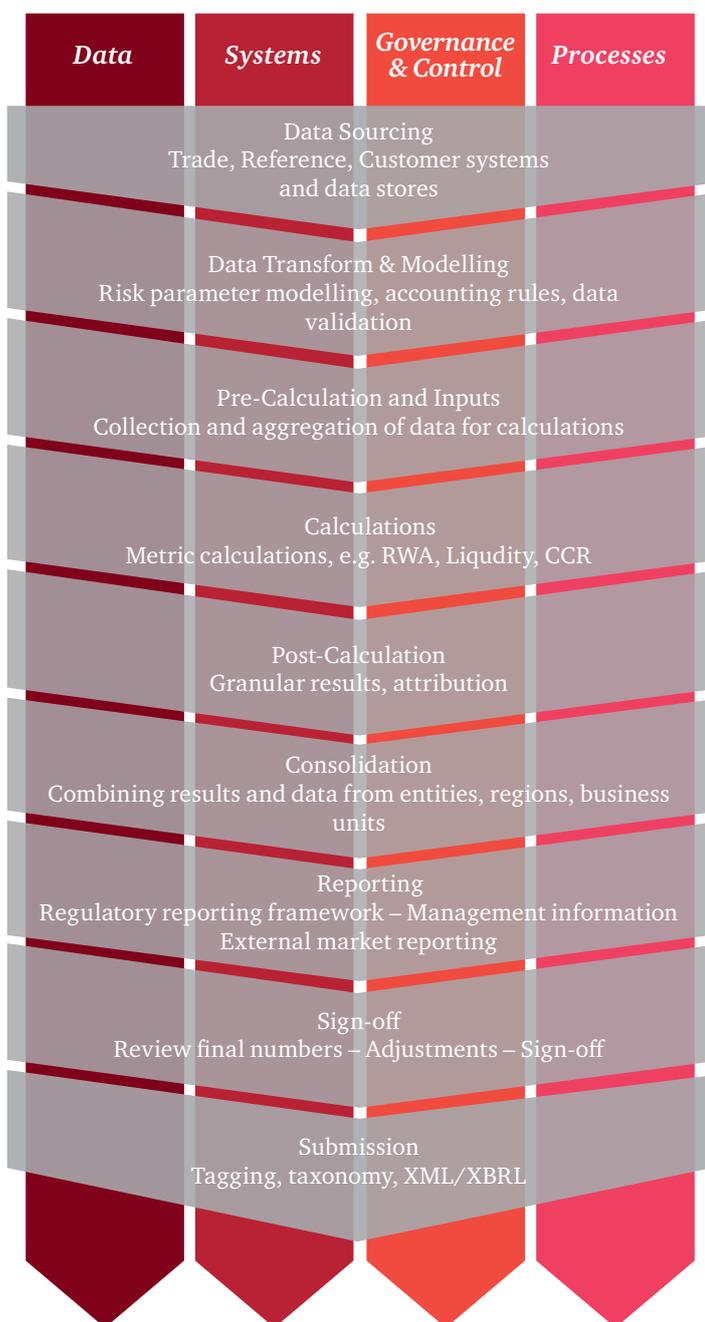
APRA has listened to the industry feedback and relaxed some of the more onerous EFS requirements from the initial consultation:

- The effective date has been pushed back to reporting periods ending 31 March 2019 for Phase 1, with Phase 2 and 3 following shortly thereafter, with a shortened parallel run periods of four months
- Reporting thresholds have been revised upwards for some reporting forms
- RFCs which have less than \$25 billion of deposits no longer need to submit the cost/value of funds and margin data in the revised 'Reduced' versions of the Stocks, Flows and Interest Rates form however those with greater than \$25 billion will still need to complete the 'Standard' reporting form which includes these data points
- Reporting entities can continue utilising existing ANZSIC codes where it is not feasible to upgrade to newer codes
- Data quality has moved into a new reporting practice guidance open for consultation with a stronger emphasis on data governance and controls design, and the removal of the 99% confidence level. There have also been revisions to the absolute dollar thresholds for Stock and Flow items, and the priority classifications of certain data items.



Assurance requirements for RFCs

A new standard, Reporting Standard RRS 710.0 Registered Financial Corporations Audit for the EFS Collection (RRS 710.0), has been released for consultation describing the new proposed assurance requirements over EFS reporting for RFCs. In conjunction with RPG 702.0, there is an emphasis on quality control in the preparation and submission of EFS reporting forms and compliance with prudential standards. It is recommended that RFCs consider the implementation of CPG 235 Managing Data Risk as sound practice to fulfil these requirements. There is still opportunity for further clarification on expectations by the Agencies on both internal and external assurance providers particularly around the guidance from CPG235 on data risk management assurance programs and good practice around the conducting of periodic themed deep-dive reviews of data and processes, taking into account the prioritisation of data items.



Data quality & data governance

The Agencies have responded to industry feedback and made significant changes to the EFS data accuracy aspects by restructuring it into a new reporting practice guide currently open for consultation. The guidance issued in relation of data governance draws heavily on CPG 235 'Managing Data Risk'. For many institutions, the expectations around the data risk management framework and data quality benchmarks in the design of controls throughout the data life-cycle will require significant effort in both defining the data governance as well as understanding data lineage for individual data points. This clarifies alignment with an entity's risk appetite, validated as fit for use, and the monitoring and management of data issues, emphasising the importance of a well-defined data taxonomies and controls around the data sourcing and transformation. Our end-to-end regulatory reporting process model is an example of how processes, systems, governance & control and data can be applied to an organisation to support the regulatory reporting function at each stage in the value chain.

How PwC can help?

PwC can help work with you to:



Consider the likely impacts of these changes on your portfolio and reporting processes



Provide you with readiness assessment and gap analysis against the new standards and CPG235 considering your current systems, processes and controls



Help you implement the new standards, requirements and data expectations in line with CPG235



Work with you to define a tailored target operating model for your organisation



Support your preparation of submissions to the APRA consultation on data quality (closing 18 October 2017)

Contacts

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