

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 203-208

Topic: Disclosure Practices

Hansard Page: Written

Senator BUSHBY asked:

203. In respect of disclosure, what expectations does APRA have for Australian based banks that collect deposits?
204. How do these expectations translate into customer needs?
205. Should depositors know the financial backing of their banks for example, and who owns them and what bank executives are being paid?
206. Is one of the expectations that the bank would publish on its web site a full set of financial accounts, along with standard disclosure of conflicts of interest and remuneration details for each of its directors and key directors?
207. Is APRA confident that all of its Australian based banks comply with these requirements?
208. If not which banks do not comply with all the disclosure that goes with an ASX listing?

Answer:

203. The Australian Prudential Regulation Authority's (APRA's) Prudential Standard *APS330 Capital Adequacy: Public Disclosure of Prudential Information* requires authorised deposit-taking institutions (ADIs) to make certain 'Pillar 3' disclosures on their risk profile, risk management and capital adequacy.

Most ADIs publish their Pillar 3 disclosures on their websites.

APRA also collects a comprehensive range of financial data from all ADIs under the *Financial Sector (Collection of Data) Act 2001* (FSCODA).

APRA makes some of the data on Australian banks public through:

- the *Quarterly Banking Performance* publication, which includes consolidated balance sheets and profit and loss statements in aggregate for each sector of the banking industry: major banks, other Australian banks, foreign subsidiary banks and branches of foreign banks. The interest paid on deposits is published and balances are broken down by demand deposits, term deposits and certificates of deposits;
- the *Monthly Banking Statistics* publication, which includes selected balance sheet information on individual banks. Deposit balances are broken down by counterparty sector for each bank; and

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- the annual *Points of Presence* publication, which includes information on bank services, such as ATMs and branches, for each bank. No information on deposits is included.

The *Corporations Act 2001* also requires banks (and other 'reporting entities') to publish annual and half-yearly reports. Each set of reports must comply with accounting standards and the associated disclosure requirements. The annual reports must be audited and the half-yearly reports reviewed by the auditor. The *Corporations Act 2001* is administered by the Australian Securities and Investments Commission (ASIC).

204. APRA's Pillar 3 disclosure requirements enable ADI customers (either borrowers or depositors) to obtain certain information on their ADI's risk exposures and capital adequacy. For ADIs authorised to use the 'advanced' Basel II methodologies, the qualitative and quantitative disclosure requirements are quite extensive. Pillar 3 information assists customers and the market more generally in deciding about their dealings with that ADI.
205. As mentioned in the answer to question 203 above, depositors have access to the financial reports and Pillar 3 disclosures of their ADIs. Further, the annual reports of listed ADIs contain disclosures on executive remuneration as well as ownership details (listing of top 20 shareholders) as required by the *Corporations Act 2001* and ASX Listing Rules.

In October 2011, APRA advised ADIs that it intended to incorporate the Basel Committee on Banking Supervision's new Pillar 3 disclosure requirements for remuneration as part of ADI Pillar 3 reporting requirements. APRA will consult on these requirements in the context of broader changes in Pillar 3 disclosure requirements under Basel III, which have just been finalised by the Basel Committee. APRA has encouraged ADIs to commence reporting on their remuneration practices in a manner consistent with the Basel Committee's requirements as soon as practicable, either in their annual reports or existing Pillar 3 disclosures.

206. The *Corporations Act 2001* requires banks, as 'reporting entities', to prepare financial accounts in accordance with accounting standards and sets out specific requirements with respect to access to financial reports. In addition, the ASX Principles of Corporate Governance (Principle 6) and ASX listing rules (4.10.3) set out specific requirements for shareholders.
207. Compliance with the *Corporations Act 2001*, ASX Listing Rules and Australian Accounting Standards is an area for which ASIC has responsibility. Compliance with the disclosure requirements in the *Corporations Act 2001* that apply to banks is therefore a matter for ASIC.

For the disclosure requirements that APRA has put in place, which are outlined in the response to question 203 above, APRA has power under section 65 of the *Banking Act 1959* to direct an ADI to comply with the disclosure requirements under *Prudential Standard APS330 Capital Adequacy: Public Disclosure of Prudential Information*.

208. Compliance with ASX listing requirements in relation to disclosure is a matter for ASIC, as noted above.