Australian Banking Association

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Ms Alison Bliss
General Manager, Data Analytics
Cross-Industry Insights and Data Division
The Australian Prudential Regulation Authority (APRA)
By email: dataconsultations@apra.gov.au

Dear Ms Bliss

Small and Medium Enterprise Recovery Loan (SMERL) Scheme reporting requirements

Thankyou for the opportunity to provide feedback on the following proposed reporting requirements:

1) *Reporting Standard ARS 920.6 Australian Government Small and Medium Enterprise (SME) Recovery Loan Scheme* – JobKeeper (ARS 920.6)

2) *Reporting Standard ARS 920.8 Australian Government Small and Medium Enterprise (SME) Recovery Loan Scheme* – Flood Relief (ARS 920.8).

Due to the late receipt of the consultation papers from Treasury, the ABA wishes to make a late submission to the consultation process, as agreed with Treasury.

Proposed approach to the proposed SMERL reporting

The ABA understands the importance of collecting data to monitor the progress and effectiveness of the SMERL scheme. To aide the frequency and quality of the data which is reported on SMERL, the ABA suggests:

- The values in the field ‘loan purpose’ align with the values in other EFS reporting fields
- Proposed ARFs 920.7 & 920.8 be combined into a single form
- Submission of the combined form occur on a monthly basis
- Submission of reporting forms covering closed schemes should be extended to quarterly
- The proposed reporting form/s accept information on a ‘best endeavours’ basis; and
- Provide additional guidance.

New reporting fields

The proposed reporting field “loan purpose” differs from what is collected in APRA’s Economic and Financial Statistics (EFS) returns by excluding internal and external refinancing. The ABA recommends the “loan purpose” category be consistent with EFS returns such as ARF 741 *ABS / RBA Business Finance*.[1] Consistency with current reporting requirements ensures ADIs are able to report these fields speedily and accurately.

[1] https://www.apra.gov.au/sites/default/files/efs_082017_ars_741_0_absrba_business_finance.pdf

Further, not all ADI's will be able to provide information on whether a refinanced loan was part of a previous SME loan guarantee scheme. Consequently, we recommend removing the 'Refinanced from' field or allow it on a 'best endeavours' basis.

Combine reporting on JobKeeper and Flood Relief

ADIs have not collected specific information on which eligibility criteria is being used for the loan (i.e JobKeeper or Flood Relief). Given the two reporting standards only differ in terms of whether the loan eligibility is met through the JobKeeper or Flood Relief requirements, and this is not collected by all ADIs, we recommend integrating the two forms into one form. This single form could provide an additional field which allows those ADIs that have collected this information to report it.

Reporting frequency and best endeavours

The ABA suggests that reporting frequency be extended to monthly reporting. ADIs are already using substantial resources to meet APRA's new reporting requirements. Compiling this information comes at a high cost to ADIs. Weekly reporting requires weekly data gathering and quality control. Making this reporting monthly alleviates some cost to ADIs while still meeting Treasury's oversight requirements.

The ABA does not consider that the case for a frequent and costly approach has been made as part of the consultation. Given this, the ABA strongly recommend that SMERL reporting move to monthly.

Reduce reporting frequency of closed schemes

Further, the reporting frequency should have a sunset date aligned with the closure of the SMERL scheme. Following the closure of the scheme to new applications, any reporting should be made on a quarterly basis. Given this, the ABA recommends that the Phase 1 and Phase 2 of the SME Guarantee Scheme be moved to a quarterly basis in the same way to reduce the costs on industry.

Best endeavours reporting

Finally, the proposal does not set out the expectation that this reporting be undertaken on a "best endeavours basis". In the absence of such a provision, Prudential Standard APS 310 Audit and Related Matters requirements apply.[2] These processes of internal review, quality control and authorisation are unable to be completed within the proposed ten business day timeframe.

Required guidance

The ABA requires further guidance on the following issues to enable compliant implementation:

- When will the final reporting requirements be released?
- When will reporting commence?
- How will loans that have a split or multiple purpose be reported? Is it appropriate to only report the predominate (i.e 50 per cent or more) of the loan?

Please contact Karen O'Brien, Policy Director by phone on 0450 615 148 or by email karen.obrien@ausbanking.org.au if you have any queries regarding this submission.

Yours sincerely

K. OBrien

Karen O'Brien
Policy Director

[2] https://www.apra.gov.au/sites/default/files/prudential_standard_aps_310_audit_and_related_matters_-_clean.pdf

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