

EXPOSURE DRAFT



Banking Executive Accountability Regime (Size of an Authorised Deposit-taking Institution) Determination 2018

I, SCOTT JOHN MORRISON, Treasurer, make the following determination.

Dated

SCOTT JOHN MORRISON **EXPOSURE DRAFT ONLY**
Treasurer

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1 Name

This instrument is the *Banking Executive Accountability Regime (Size of an Authorised Deposit-taking Institution) Determination 2018*.

2 Commencement

This instrument commences on 1 July 2018.

3 Authority

This instrument is made under subsection 37G(3) of the *Banking Act 1959*.

4 Definitions

In this instrument:

ARS 320.0 means Reporting Standard ARS 320.0 Statement of Financial Position (Domestic Books), which is set out in the *Financial Sector (Collection of Data) (reporting standard) determination No. 14 of 2018* or the *Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2008*, whichever is applicable at the relevant time.

ARS 323.0 means Reporting Standard ARS 323.0 Statement of Financial Position (Licensed ADI), which is set out in the *Financial Sector (Collection of Data) (reporting standard) determination No. 23 of 2018* or the *Financial Sector (Collection of Data) (reporting standard) determination No. 40 of 2008*, whichever is applicable at the relevant time.

final report means a report to APRA pursuant to ARS 320.0 or ARS 323.0 in relation to the final reporting period in a financial year.

financial year, in relation to an ADI, means the ADI's financial year (see section 323D of the *Corporations Act 2001*) and includes financial years that begin before the commencement of this instrument.

lower threshold: see section 7.

threshold day: see subsection 5(5).

total resident assets value: see section 6.

upper threshold: see section 7.

5 Size of an ADI

- (1) An ADI whose total resident assets value as of the threshold day for a financial year is or exceeds the upper threshold as of the threshold day is a **large ADI** for the duration of that financial year.

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- (2) An ADI whose total resident assets value as of the threshold day for a financial year exceeds the lower threshold, and is less than the upper threshold, as of the threshold day is a **medium ADI** for the duration of that financial year.
- (3) An ADI whose total resident assets value as of the threshold day for a financial year does not exceed the lower threshold as of the threshold day is a **small ADI** for the duration of that financial year.

Note: The lower threshold is \$10 billion. The upper threshold is \$100 billion. These amounts are subject to indexation. See section 7.

- (4) If an ADI has no threshold day for a financial year (for example, because it has never given a final report to APRA), the ADI is a **small ADI** for the duration of that financial year.
- (5) In this instrument, the **threshold day**, for a financial year of an ADI, is worked out in accordance with the following method:

Method statement

- Step 1. Identify the first day of the financial year.
- Step 2. Identify the most recent day, before the day identified in Step 1, on which the ADI gave a final report to APRA. That day may be before or after the day on which the final report was required to be given. Ignore any revisions or resubmissions of the final report.
- Step 3. If a day is identified in Step 2, the **threshold day** is the day after that day.

The threshold day for a financial year may be before the commencement of this instrument.

For example, the threshold day for a financial year beginning on 1 July 2018 will in many cases be a day in July 2017, in which case the ADI will need to work out its status for 2018-2019 by reference to its total resident assets value as of July 2017. That in turn will require examination of the ADI's total assets for 2016-2017, 2015-2016 and 2014-2015.

6 Total resident assets value

- (1) An ADI's **total resident assets value** as of the threshold day for a financial year is to be worked out in accordance with this section.

General rule: 3-year average

- (2) If, as of the threshold day, the ADI has given a final report for the 3 most recent expired financial years, the ADI's total resident assets value as of the threshold day is worked out in accordance with the following method:

Method statement

- Step 1. Take the final report for those 3 financial years and, for each report, identify the amount specified in the report as 'total assets'.
- Step 2. Sum the 3 amounts.
- Step 3. Divide the sum by 3.

Where there are not 3 years of reports

- (3) However, if the ADI has given a final report for only the 2 most recent expired financial years, the ADI's total resident assets value as of the threshold day is worked out in accordance with the following method:

Method statement

- Step 1. Take the final report for those 2 financial years and, for each report, identify the amount specified in each report as 'total assets'.
- Step 2. Sum the 2 amounts.
- Step 3. Divide the sum by 2.

- (4) If the ADI has given a final report for only the most recent expired financial year, the ADI's total resident assets value as of the threshold day is the amount specified in the report as 'total assets'.

7 Lower and upper thresholds and indexation

- (1) Subject to this section:
 - (a) the **lower threshold** is \$10 billion; and
 - (b) the **upper threshold** is \$100 billion.
- (2) The lower threshold and upper threshold are indexed in accordance with this section on 1 January 2020 and each 1 January thereafter.
- (3) The amounts mentioned in subsection (1) are indexed by:

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- (a) first, multiplying the amount by its indexation factor mentioned in subsection (5); and
 - (b) next, rounding the result in paragraph (a) down to the nearest multiple of \$1 billion.
- (4) An amount is not indexed if the indexation factor is 1 or less.
- (5) The indexation factor is:

$$\frac{\text{relevant GDP number}}{\text{base GDP number}}$$

where:

base GDP number is the annual estimate of the Gross Domestic Product: Current Prices-Original series most recently published by the Australian Statistician for the financial year ending on 30 June 2018.

relevant GDP number is the first-published annual estimate of the Gross Domestic Product: Current Prices-Original series for the financial year that precedes the 1 January on which the indexation occurs. Disregard any revisions of that estimate.

- (6) The indexation factor applied for paragraph (3)(a) is to be no more than 3 decimal places, rounding up if the fourth decimal place is 5 or more.