13 November 2017

Mr Pat Brennan

Executive General Manager, Policy and Advice Division

Australian Prudential Regulation Authority

ADIpolicy@apra.gov.au

Dear Pat,

**PROPOSED REVISIONS TO PRUDENTIAL STANDARD APS 330 PUBLIC DISCLOSURE**

In response to the recent request for submissions on the draft changes to the prudential standard, I would like to offer the following comments and suggestions, some of which are elaborated upon in the attached document.[[1]](#footnote-1) They focus primarily upon the risk and capital adequacy disclosures.

First, the prudential standard does not require ADIs to provide this information in a format which facilitates ready analysis and comparison across institutions – thereby impeding potential benefits from having public disclosure and market discipline. While data is provided according to a standard template, most banks do not provide the data in a form which can be readily copied into an spreadsheet or other software program in a format suitable for analysis. Further manipulation is required. Two recommendations are as follows.

*Recommendation 1: Banks should be required to provide APS 330 Public Disclosure information in a form which enable direct copying of the tabular data into a table format in spreadsheets and other software without need for further formatting.*

*Recommendation 2: APRA should provide on its website the historical and current disclosures of all ADIs in a form which is convenient for analysis and comparison across ADIs.*

Second, banks are required to provide disclosures within 40 days of the end of the relevant quarter. My calculations indicate that the typical lag in provision by the major banks is in the order of 38 days. This long lag reduces the potential value of the information for analysis. While there may be time lags involved in collating relevant data, it is doubtful that with modern systems and the importance of the disclosed information for bank internal management analysis and decision making that the appropriate lags are anywhere near this length. Hence:

*Recommendation 3: The required reporting time for publication of APS330 Public Disclosures should be significantly reduced from 40 days.*

Third, the disparate financial year dates of the Australian banks means that the quantity of disclosures are misaligned for any quarter (since required financial year-end and semi-annual disclosures differ from those for other quarters). This impedes contemporaneous analysis across banks. Hence:

*Recommendation 4: The required quarterly disclosures should be the same as required for the semi-annual disclosures (and possibly also for the annual disclosures).*

In conclusion, I would note that while I am supportive of the disclosure requirements, it is difficult to find any evidence that the disclosure regime has increased the level of market discipline of Australian banks – which is the primary objective of the requirements.

I am, of course, happy to discuss any of the above matters should you wish to do so.

Yours sincerely

Kevin Davis

Professor of Finance, The University of Melbourne

Research Director, Australian Centre for Financial Studies and Professor, Monash University

1. “Bank disclosures could be better” Australian Centre for Financial Studies, Financial Policy Brief 2017-02 <https://australiancentre.com.au/publication/bank-disclosures-better/> [↑](#footnote-ref-1)