



21 December 2011

To all locally incorporated Authorised Deposit-taking Institutions (ADIs)

HOLDINGS OF SUBORDINATED TRANCHES OF NON-ORIGINATED SECURITISATIONS

APRA's discussion paper *Covered bonds and securitisation matters* sought the views of ADIs and others in relation to a proposal to clarify the prudential treatment of subordinated tranches of securitisations held by an ADI other than the originator of the instruments. It also foreshadowed APRA's proposal that the changes be incorporated into *Prudential Standard APS 120 Securitisation* (APS 120) from 1 January 2012.

APRA has received a number of submissions, both formal and informal, in relation to these proposals. APRA will fully consider the feedback it has received before finalising the proposed changes to the prudential standards. Accordingly, APRA has decided to defer implementation of these changes until early in 2012. The final proposals will be released and implemented when the proposed changes to APS 120 in relation to covered bonds are finalised, which is expected to be in the first quarter of 2012. APRA does not intend to extend the transitional period for existing holders of affected tranches beyond 1 January 2013.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C.W. Littrell'.

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