2 September 2015

To: All locally-incorporated authorised deposit-taking institutions (ADIs) other than purchased payment facility providers

MINOR CLARIFICATION – COUNTERCYCLICAL CAPITAL BUFFER

The Australian Prudential Regulation Authority (APRA) has released today for consultation a draft version of Prudential Standard APS 110 Capital Adequacy (APS 110). The proposed amendments relate to the countercyclical capital buffer requirements which commence on 1 January 2016.

APRA has identified some potential ambiguity in the wording of the countercyclical capital buffer requirements in APS 110. To address this, APRA proposes minor amendments to APS 110 to clarify the requirements. The proposed changes are consistent with, and do not alter, APRA’s policy intent in relation to the countercyclical capital buffer requirements, as set out in the September 2011 Discussion Paper and March 2012 and September 2012 Responses to Submissions, Implementing Basel III capital reforms in Australia.

APRA invites feedback on the draft edits to the prudential standard, as marked-up in the document issued today. Submissions should be provided by 2 October 2015 by email to adi.policy@apra.gov.au and addressed to:

Mr Pat Brennan
General Manager, Policy Development
Policy and Advice
Australian Prudential Regulation Authority

APRA intends to finalise the revisions to APS 110 and provide guidance to ADIs on the calculation of the countercyclical capital buffer in late 2015.

Yours sincerely

Sarah Goodman
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Policy and Advice