17 December 2015

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

Re: Countercyclical capital buffer — notification of Australian jurisdictional buffer

The countercyclical capital buffer was included within the ADI capital framework as part of APRA’s 2013 Basel III reforms and comes into effect from 1 January 2016. The countercyclical capital buffer requirements are set out in Prudential Standard APS 110 Capital Adequacy (APS 110).

APRA has determined that the Australian jurisdictional countercyclical capital buffer applying from 1 January 2016 will be zero per cent of risk-weighted assets. This rate will remain in force until APRA determines otherwise.

Further information on APRA’s approach to determining the Australian jurisdictional countercyclical capital buffer is found in the APRA Information Paper, The countercyclical capital buffer in Australia¹.

In calculating the ADI-specific countercyclical capital buffer in accordance with Attachment C to APS 110, an ADI must include all jurisdictions in which it has private sector credit exposures, including jurisdictions that are not members of the Basel Committee such as New Zealand. It is an ADI’s responsibility to remain abreast of regulatory requirements in all jurisdictions in which it operates, including any countercyclical capital buffer measures. All member countries of the Basel Committee are required to submit information on their countercyclical capital buffers to the Bank for International Settlements’ webpage, http://www.bis.org/bcbs/ccyb/index.htm. This webpage also publishes information on countercyclical capital buffers in place in non-Basel Committee member jurisdictions, but may not capture all such jurisdictions with a countercyclical capital buffer. Further guidance on calculating the ADI-specific countercyclical capital buffer is provided in draft Prudential Practice Guide APG 110 Capital Buffers (APG 110)².

APRA will publish any changes to the Australian jurisdictional countercyclical capital buffer on its website. APRA will also notify the Basel Committee for publication on the Bank for International Settlements’ website as discussed above. APRA has created a webpage with information on Basel III capital buffers, including publication of the Australian jurisdictional countercyclical capital buffer, available at http://apra.gov.au/adi/PrudentialFramework/Pages/capital-buffers.aspx.

¹ Refer to http://apra.gov.au/adi/PrudentialFramework/Pages/capital-buffers.aspx
APRA will consult at a later date on reporting requirements relating to the countercyclical capital buffer.

Please contact your responsible supervisor if you have any queries.

Yours sincerely

Sarah Goodman  
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Policy and Advice Division