



28 September 2012

To: All locally incorporated authorised deposit-taking institutions

Basel III capital: interim arrangements for Additional Tier 1 and Tier 2 capital instruments

APRA has today released final prudential standards implementing the Basel III measures to raise the quality, consistency and transparency of the capital base, including *Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (APS 111)*¹.

This letter sets out APRA's treatment of new Additional Tier 1 and Tier 2 capital instruments issued before the new standard comes into effect on 1 January 2013.

To be eligible for inclusion in regulatory capital, all capital instruments that have not been submitted to APRA for review before close of business today must comply with the final version of APS 111 issued today.

Instruments that have been submitted to APRA up to and including today's date and that were intended to be issued under the current transitional arrangements (including APRA's letters to industry dated 27 May 2011² and 30 March 2012³), will be assessed against these criteria. To be counted as eligible regulatory capital, instruments approved by APRA under these criteria must be issued before close of business on 31 December 2012.

Any questions in relation to this letter should in the first instance be directed to your Responsible Supervisor.

Yours sincerely

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¹ <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-capital-reforms-in-Australia-September-2012.aspx>

² http://www.apra.gov.au/adi/Publications/Documents/Basel-III-interim-Tier-1-criteria_FINAL.pdf

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http://www.apra.gov.au/adi/PrudentialFramework/Documents/Interim_arrangements_AT1_and_T2_capital_instruments_30_March_2012.pdf