15 February 2017

TO: ALL LOCALLY INCORPORATED AUTHORISED DEPOSIT-TAKING INSTITUTIONS OTHER THAN PURCHASED PAYMENT FACILITIES PROVIDERS

CONSULTATION ON PROPOSED REPORTING REQUIREMENTS FOR THE COUNTERCYCLICAL CAPITAL BUFFER

APRA is proposing to make a minor amendment to its reporting framework to capture the countercyclical capital buffer requirement for authorised deposit-taking institutions (ADIs).

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

One element of the buffer framework is the ‘ADI-specific buffer’, which is calculated by an ADI and is the weighted average of the jurisdictional countercyclical buffers applying in each jurisdiction in which the ADI has private sector credit exposures. For ADIs with exposures in Australia only, their ADI-specific buffer is equal to the Australian jurisdictional countercyclical buffer (currently zero).

The ADI-specific buffer is held in the form of Common Equity Tier 1 capital (CET1) and is applied to an ADI’s total risk-weighted assets (RWA) as an extension of its capital conservation buffer. Further information about the countercyclical capital buffer framework is available at: [http://apra.gov.au/adi/PrudentialFramework/Pages/capital-buffers.aspx](http://apra.gov.au/adi/PrudentialFramework/Pages/capital-buffers.aspx).

Under Attachment A to Prudential Standard APS 330 Public Disclosure (APS 330), an ADI is required to disclose its ADI-specific buffer concurrently with its financial statements. As foreshadowed in its 17 December 2015 letter to industry, APRA is now proposing that ADIs also report this buffer directly to APRA.¹

APRA’s proposal is to amend Reporting Standard ARS 110.0 Capital Adequacy (ARS 110) to capture the ADI-specific countercyclical capital buffer ratio (that is, CET1 as a proportion of RWA). ADIs will not be required to report the breakdown of their private sector credit exposures, which will, however, continue to be subject to the disclosure requirements in APS 330.

As with other key regulatory capital requirements, reporting would be on a quarterly basis and at Level 1 and Level 2 (as appropriate). APRA’s intention is to introduce the new requirement concurrently with consequential amendments to ARS 110 arising from APRA’s

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proposed changes to the securitisation framework, anticipated to come into effect from 1 January 2018\(^2\).


Written submissions on the proposal, including information about its potential costs, should be sent to ADIpolicy@apra.gov.au by 31 March 2017 and addressed to:

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Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

Yours sincerely,

Pat Brennan  
Executive General Manager  
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**Important disclosure notice - publication of submissions**

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.

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