



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>.

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.<sup>1</sup>

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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<sup>1</sup> APRA's letter is available at <http://www.apra.gov.au/adi/Documents/151217-CCyB-letter-on-Australian-buffer.pdf>

proposed changes to the securitisation framework, anticipated to come into effect from 1 January 2018<sup>2</sup>.

A draft of the revised *Reporting Form ARF 110.0 Capital Adequacy* is available on the APRA website at [http://www.apra.gov.au/adi/PrudentialFramework/Documents/20170215-Draft-ARF\\_110\\_0.pdf](http://www.apra.gov.au/adi/PrudentialFramework/Documents/20170215-Draft-ARF_110_0.pdf).

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

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Yours sincerely,



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### **Important disclosure notice - publication of submissions**

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<sup>2</sup> APRA's consultation on these proposals is available on APRA's website at <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Revisions-securitisation-reporting-standards-Feb-2017.aspx>