



6 January 2021

TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS (ADI)

AGGREGATE COMMITTED LIQUIDITY FACILITY AVAILABLE TO ADIs

The Australian Prudential Regulation Authority (APRA) has today announced a \$46 billion reduction in the aggregate amount in the Committed Liquidity Facility (CLF) established between the Reserve Bank of Australia (RBA) and certain locally incorporated ADIs that are subject to the Liquidity Coverage Ratio (LCR) from the amount as at 1 December 2020.

The LCR is a minimum requirement that aims to ensure that ADIs maintain sufficient unencumbered high-quality liquid assets (HQLA) to survive a severe liquidity stress scenario lasting for 30 calendar days. The LCR is part of the Basel III package of measures to strengthen the global banking system.

The CLF is intended to be sufficient in size to compensate for the lack of sufficient available HQLA, which in Australia consists of mainly Australian Government Securities and securities issued by the borrowing authorities of the states and territories (AGS and semis).

Updated Committed Liquidity Facility

Due to the material improvements in ADIs' funding and liquidity along with substantial HQLA increases due to unforeseen increases in government debt since the January 2020 CLF allocations, all locally incorporated LCR ADIs were invited to apply for a reduction in their CLF. Further to last round of reduction which were effective from 1 December 2020, seven ADIs applied for a reduction, reducing the aggregate CLF allocated to ADIs from \$188 billion to \$142 billion effective on or before 1 February 2021.

(\$ billion)	2015	2016	2017	2018	2019	1-Jan-20	1-Dec-20	1-Feb-21
Total Net Cash Outflows	410	402	400	387	381	378	440	450
Available AGS and semis	175	195	220	226	225	243	362 ¹	446 ²
Total CLF made available	275	245	223	248	243	223	188	142

The amount of Australian Government Securities and Semi-Government securities issued by the State and Territory governments (AUD HQLA) has increased significantly and is projected to increase further. As a result, APRA CLF allocations will likely decrease further. While APRA expects to ensure measured CLF reductions to avoid financial market disruptions, it would be

¹ This is the RBA's assessment of the amount of AGS and semis that can reasonably be held by locally incorporated LCR ADIs at the end of 2020.

² This is the RBA's assessment of the amount of AGS and semis that can reasonably be held by locally incorporated LCR ADIs at the end of 2021.

reasonable to expect that if government securities outstanding continue to increase beyond 2021, the CLF may no longer be required in the foreseeable future.

Further to this round of reductions, the applications for 2021 CLFs will be assessed in early 2021 for implementation on 1 April 2021. APRA expects further reductions to CLFs at this time. APRA will endeavour to announce the aggregate results of those applications by the end of first quarter of 2021.

Yours sincerely,

Therese McCarthy Hockey
Executive Director
Banking Division