



19 February 2021

**TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS (ADI)**

**AGGREGATE COMMITTED LIQUIDITY FACILITY AVAILABLE TO ADIs FROM 1 APRIL**

The Australian Prudential Regulation Authority (APRA) is today releasing updated aggregate amounts for the 2021 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).

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 consist of mainly Australian Government Securities and securities issued by the borrowing authorities of the states and territories (AGS and semis).

**Committed Liquidity Facility for 2021**

APRA invited all LCR ADIs to apply for their 2021 CLF allocation effective as at 1 April 2021. Due to the material improvements in ADIs' funding and liquidity along with substantial increases in government securities, ADIs have reduced their CLF allocations. Including the reductions which were effective on or before 1 February 2021, the total CLF amount allocated for 2021 is approximately \$139 billion.

(\$ billion)	2015	2016	2017	2018	2019	1-Jan-20	1-Dec-20	1-Feb-21	1-Apr-21
<b>Total Net Cash Outflows</b>	410	402	400	387	381	378	440	450	450
<b>Available AGS and semis</b>	175	195	220	226	225	243	362 <sup>1</sup>	446	446 <sup>2</sup>
<b>Total CLF made available</b>	275	245	223	248	243	223	188	142	139

The amount of AGS and semis (AUD HQLA) has increased significantly and is projected to increase further. As a result, future CLF allocations will likely decrease further. While APRA expects to ensure measured CLF reductions to avoid financial market disruptions, it would be

<sup>1</sup> 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.

<sup>2</sup> 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.

Yours sincerely,

Therese McCarthy Hockey  
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Banking Division