

18/08/2021

Submission received via email.

Good afternoon,

In response to your letter dated 12 July 2021 regarding APRA's expectations for ADIs to prepare for zero and negative interest rates we wish to provide the following comments:

Victoria Teachers Limited acknowledges the material risks that arise from zero and negative interest rates and the potential implications across a range of risk management areas. These risks are formally recognised within the organisation's enterprise risk register.

For Victoria Teachers Limited's products that fall within the current scope of APRA's expectations we are confident in our ability to implement tactical solutions that can account for zero or negative rates. We are working to ensure our tactical solution is fully developed before 30 April 2022, with an assessment of technical and operational matters covering all elements currently in progress.

We welcome the exclusion of lending products that do not reference the cash rate or a market rate from the scope of the expectation. Negative rates for retail lending products is a complex matter that would require substantial investment and time to re-engineer, test and implement. This is further complicated by the likelihood of needing to account for both negative and positive rate products at the same time. Accordingly, we would request APRA to provide as much notice as reasonably possible should retail lending products be brought into scope of the expectations.

Development of longer term, permanent solutions for negative rates present a more complicated challenge, with significant resourcing implications. We are considering these longer term solutions as we develop our tactical solutions for April 2022.

Please don't hesitate to contact me if you would like further information.

Regards

**Alison Hill**  
Chief Risk Officer

