



**14 NOVEMBER 2022**

**TO: PROVIDERS OF PURCHASED PAYMENT FACILITIES (PPF PROVIDERS)**

**CONSULTATION ON MINIMUM CAPITAL REQUIREMENTS FOR PPF PROVIDERS**

In November 2020, the Council of Financial Regulators published a review of the regulation of stored-value facilities (SVFs). Reforms to the regulatory framework for SVFs are being considered as part of the Government's broader reforms to the payments licensing framework.<sup>1</sup>

Following the finalisation of these reforms, APRA will review and revise its current prudential standard for PPF providers, who are a particular type of SVF provider, *Prudential Standard APS 610 Prudential Requirements for Providers of Purchased Payment Facilities (APS 610)*. As an interim step, APRA is consulting on changes to minimum capital requirements for PPF providers, to align more closely with the broader capital framework for other APRA-regulated entities.

### **Proposed amendments**

APS 610 sets out capital requirements for PPF providers, including the requirement for PPF providers to identify, measure, monitor and manage the risks arising from their activities to ensure that adequate capital is held at a level consistent with their risk profile.

The current minimum capital adequacy requirement, as set out in paragraph 9 of APS 610, is for a PPF provider to maintain Tier 1 Capital equal to 5 per cent of total outstanding stored value liabilities (or minimum start-up capital as determined by APRA, if higher).

APRA proposes the following amendments:

- Move the capital measurement basis to Common Equity Tier 1 Capital (CET1) rather than Tier 1 Capital, which will simplify the approach and focus on the highest quality of capital;
- Reduce the minimum capital requirement from 5 per cent to 4 per cent of total outstanding stored value liabilities, to reflect better a PPF provider's risk profile (this may be varied further as part of the subsequent broader review of APS 610); and
- Provide for APRA to vary minimum capital adequacy requirements for individual PPF providers as a proportion of total outstanding stored value liabilities or set minimum capital requirements as a dollar amount, consistent with the approach for other APRA-regulated entities.

The specific proposed revision to APS 610 is set out in Annex A. APRA will provide an update on the planned broader review of APS 610 as part of its annual Policy Priorities update in early 2023.

---

<sup>1</sup> [Regulation of Stored-value Facilities in Australia: Conclusions of a Review by the CFR](#) (November 2020). See also a [brief update](#) in the Quarterly Statement by the Council of Financial Regulators (March 2022).

## **Next steps**

APRA invites feedback on the proposed revisions to APS 610 by 14 February 2023. Written submissions on the proposed revision should be sent to <mailto:policydevelopment@apra.gov.au> addressed to the General Manager, Policy Development, Policy and Advice Division, APRA. Subject to this consultation, APRA expects to revise APS 610 in early 2023.

Yours sincerely,

Renée Roberts  
Executive Director, APRA

## ANNEX A. PROPOSED REVISIONS TO CAPITAL REQUIREMENTS FOR PPF PROVIDERS

### Current APS 610 (paragraph 9)

*A PPF provider must, as a minimum, have at all times **Tier 1 Capital** equal to:*

*(a) the minimum start-up capital as determined by APRA (Note: minimum start-up capital is ordinarily a condition on authorisation for PPF providers with stored value at risk. Refer to APRA's Guidelines on Authorisation of Providers of Purchased Payment Facilities); or*

*(b) 5 per cent of total outstanding stored value liabilities,*

*whichever is the larger figure.*

### Proposed APS 610 (paragraph 9)

*A PPF provider must maintain **Common Equity Tier 1 Capital** above its prudential capital requirement (PCR) at all times. The minimum PCR for a PPF provider is 4 per cent of total outstanding stored value liabilities.*

*APRA may determine a higher PCR for a PPF provider and may change a PPF provider's PCR at any time, including on account of a supervisory review. APRA may express a PCR as a minimum dollar amount. A PPF provider must not publicly disclose its PCR.*

### 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.