



28 September 2022

Australian Prudential Regulation Authority  
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**Minimum Liquidity Holdings (MLH) Requirements Contingent Liquidity:  
Proposed Guidance**

The Australian Financial Markets Association's (AFMA) membership includes a number of Authorised Deposit Taking Institutions (ADI) subject to minimum liquidity holdings (MLH) requirements and welcomes the opportunity to comment on APRA's proposed guidance for MLH requirements.

The action taken by APRA during the market related stress from the COVID-19 pandemic in 2020 with guidance that MLH ADIs should hold a higher level of self-securitised assets as contingent liquidity from 10 per cent to no less than 20 per cent of the ADI's total deposits and short-term wholesale liabilities under the requirements of Australian Prudential Standard 210 (APS210), was understood as appropriate in the context of the situation. This is because, from time to time it may be prudent to raise contingent liquidity requirements when markets become volatile and liquidity is strained. Such action is expected to be a passing phase.

The difficult market and economic conditions induced by the pandemic have now abated and it is appropriate that APRA has reviewed its contingent liability requirements. AFMA has not received any member feedback expressing any concerns about APRA's revised level of contingent liquidity that MLH ADIs are expected to hold nor any concerns on the guidance for ADIs to be able to establish the operational capability to increase their self-securitisations to at least 20 per cent within one month. AFMA members welcome the decision by APRA to return the level of contingent liquidity MLH ADIs are expected to hold to at least 10% of an ADI's total deposits and short-term wholesale liabilities.

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As an industry body concerned with the efficient functioning and operation of Australia's financial markets, AFMA welcomes this indication that more normal market conditions are now seen to prevail by APRA.

Yours sincerely

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**Head of Markets.**