

- (g) distributions are paid only after all legal and contractual obligations have been met and payments on more senior capital instruments have been made;
 - (h) each mutual equity interest absorbs losses on a going concern basis proportionately, and *pari passu*, with all other mutual equity interests.
2. Issue documentation and marketing material for mutual equity interests must clearly and prominently state that:
- (a) the mutual equity interest is not a deposit liability of the ADI;
 - (b) the mutual equity interest is neither covered by the Financial Claims Scheme nor guaranteed by the Australian Government;
 - (c) the principal amount of the mutual equity interest is perpetual and never repaid outside liquidation (other than discretionary repurchases subject to APRA's approval);
 - (d) the holder of a mutual equity interest may only be entitled to a claim on the issuing ADI's residual assets after other more senior claims (including Additional Tier 1 Capital and Tier 2 Capital instruments) have been paid;
 - (e) neither the issuer nor the holder of the mutual equity interest is allowed to exercise any contractual rights of set-off in relation to the mutual equity interest; and
 - (f) the ADI has full discretion over the timing and amount of any distributions paid on the mutual equity interest, including not paying a distribution.
3. An ADI must obtain APRA's approval prior to issuing mutual equity interests, or Additional Tier 1 Capital or Tier 2 Capital instruments that convert to mutual equity interests in accordance with Attachment F and Attachment H to this Prudential Standard.
4. The principal amounts of all mutual equity interests on issue (determined in accordance with paragraph 1(c)(ii) of this Attachment) are eligible for inclusion in Common Equity Tier 1 Capital up to a maximum limit of 25 per cent of the ADI's total Common Equity Tier 1 Capital before applying regulatory adjustments under paragraph 31(g) of this Prudential Standard.
5. The principal amounts of all mutual equity interests on issue (determined in accordance with paragraph 1(c)(ii) of this Attachment) are eligible for inclusion in Tier 1 Capital and Total Capital.