

11 November 2019

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Sydney, NSW, 2000

By E-mail: [ADIpolicy@apra.gov.au](mailto:ADIpolicy@apra.gov.au)

CC: [REDACTED]

Dear Ms Richards,

### **APRA Consultation on the capital treatment of mortgages under the First Home Loan Deposit Scheme**

I refer to your letter of 28 October 2019 and the opportunity to provide feedback on APRA's proposal to adjust its capital requirement for ADIs to support the Government's First Home Loan Deposit Scheme (FHLDS).

IBAL's initial view and key concerns in relation to APRA's proposal are summarised below.

- Complexity and costs associated in implementing the underlying processes to identify, process and report on the FHLDS segment, including:
  - Challenges in separately identifying these loans from other accounts such as FHOG;
  - Making allowance for the operational complexity in underwriting and impact on back end collection processes (e.g. investment in system changes, introduction of an interim manual process and its impact on data quality); and
  - Challenges in reporting due to differential treatment of this segment for Local versus Global purposes, including implications on treatment of capital and provisioning purposes.
- APRA's letter refers to capital benefits through the standardised approach, however there appears to be no reference to the advanced approach.

Should you have any further queries relating to the above, please do not hesitate to contact Pia Nykanen, Head of Regulatory Risk on [REDACTED].

Kind regards,

[REDACTED]

Michael Witts  
Interim Chief Risk Officer