



**TAIWAN
COOPERATIVE
BANK**

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12 May 2016

Mr Pat Brennan

General Manager, Policy Development

Policy and Advice Division

Australian Prudential Regulation Authority

By e-mail: Basel3liquidity@apra.gov.au

RE: **Discussion Paper -Basel III liquidity**

Dear Mr Brennan,


Thank you for giving us the opportunity to provide comments on APRA's 31 March 2016 Discussion paper on *Basel III liquidity-the net stable funding ratio and the liquid assets requirement for foreign ADIs*.

As you understand, Taiwan Cooperative Bank Ltd (TCB) is a foreign ADI, and we strongly support APRA's view on the proposed foreign ADI liquid assets requirement (FALAR) option. We strongly believe that the proposed FALAR will best meet our requirements specifically with the wide range of qualified HQLA assets. This will greatly assist Foreign ADI's in meeting compliance with its High Quality Liquid Asset requirements in a more cost effective and profitable manner. The reasons for supporting FALAR option are as follows:

1. It appears that the proposed FALAR model is operationally friendly. It would be simple to follow and better fit-in-purpose than the current LCR model.
2. Cost effective and profitable. We always value RBA-repo eligible securities as critical liquid assets. RBA-repo eligible securities are not only secure and stable, but profitable while enhancing our liquidity capacity. Since the current LCR does not recognise RBA-repo eligible securities as eligible HQLA, we rely heavily on Government or Semi-Government bonds which are not as profitable in terms of the yield (relatively low yield). Furthermore, we face with high cost of adjustments to our longer funding term to meet LCR requirements. We are pleased to note that under the proposed FALAR, the definition of Australian dollar liquid assets includes wider range of high quality liquid assets.
3. In our ordinary course of business, we accommodate securities issued by financial institutions into our balance sheet, especially RBA-repo eligible securities, which dominates our securities portfolio. Therefore, additional compliance cost for incorporating FALAR would be minimal as it is always in line with our current business strategy. Therefore compliance cost assessment is not included.

Thank you again for giving us the opportunity for this submission.

Yours faithfully,

Wen-Ching Wang 
Vice President and General Manager

Taiwan Cooperative Bank, Ltd.