



LARGE EXPOSURES

Approval and notification to APRA
(effective 1 January 2019)

DECEMBER 2018

Disclaimer Text

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Large exposures notification to APRA

Under Prudential Standard APS 221 Large Exposures (APS 221), an ADI must provide prior notification or obtain approval from APRA in the following circumstances.

Approval

Under paragraph 36, an ADI must obtain APRA's prior approval:

- for exposures to an unrelated counterparty or group of connected counterparties (other than Governments, Central banks and ADIs or equivalent overseas deposit taking institutions) that exceed 25 per cent of the ADI's Tier 1 Capital;
- for exposures to foreign governments or central banks that receive zero percent risk-weight in accordance with Attachment A of APS 112 that exceed 50 per cent of the ADI's Tier 1 Capital;
- where the ADI has been determined by APRA to be a domestic systemically important bank (D-SIB), exposures to another APRA determined D-SIB that exceed 20 per cent of the ADI's Tier 1 Capital; and
- for exposures above any limits set by APRA in writing under paragraph 31.

The form in Attachment 1 should be used by an ADI to initiate the approval process referred to in paragraph 36 of APS 221. When using this form, ADIs are to complete one form for each new exposure and submit the completed form(s) to the Responsible Supervisor at APRA. APRA supervisors may require further information from the ADI to carry out a comprehensive assessment.

For all commercial or refinancing (either individual or commercial refinancing) transactions, APRA requires that an ADI submit a full copy of its own credit submission.

An ADI must not fund an exposure referred to APRA for approval under paragraph 36 of APS 221 unless it receives an approval from APRA in writing.

A decision is normally given within ten business days.

Notification

Under paragraph 34 of APS 221, an ADI must notify APRA prior to committing to any exposures to non-government, non-ADI counterparties that are greater than or equal to 10 per cent of the ADI's Tier 1 Capital (at either Level 1 or 2), unless APRA has set a higher threshold or waived the consultation requirements under paragraph 35.

The form in Attachment 2 should be used by an ADI for notifying APRA under paragraph 34 of APS 221.

An ADI may fund an exposure that is subject to a prior notification requirement, at its discretion, once APRA has been notified of the proposed exposure. Should APRA have any concerns about the aggregate large exposures for the ADI, such issues will be addressed with the ADI in normal supervision process.

An ADI may fund the exposures which are to be notified once the notification is lodged with APRA.

Attachment 1: FORM - Approval to exceed large exposure limits (under paragraph 26 of APS 221)

Name of the ADI	[Text here.]		
Name of Applicant(s)			
For commercial applications include names of key individuals, shareholders and/or related parties. For loans to individuals please indicate if the individual is a director or employee of the ADI.			
[Text here.]			
	Proposed	Current exposure (cumulative)	Total exposure
Loan type	[Text here.]	[Text here.]	[Text here.]
Loan balance (\$)	[Text here.]	[Text here.]	[Text here.]
Interest rate	[Text here.]	[Text here.]	[Text here.]
Fixed/variable	[Text here.]	[Text here.]	[Text here.]
Security & ranking	[Text here.]	[Text here.]	[Text here.]
Mthly repayments (\$)	[Text here.]	[Text here.]	[Text here.]
Loan-to-value ratio	[Text here.]	[Text here.]	[Text here.]
Net income surplus	[Text here.]	[Text here.]	[Text here.]
No. of months to discharge of loan	[Text here.]	[Text here.]	[Text here.]
Status (arrears/advance) (\$)		[Text here.]	[Text here.]
Term of the exposure	[Text here.]	[Text here.]	[Text here.]

Applicant's credit history

Outline the nature and history of the applicant's credit history. Include commentary on the borrower's track record with the ADI, and any related-party considerations.

[Text here.]

Purpose of loan

Provide a brief explanation of the purpose of the loan and how the proposal was originated.

[Text here.]

ADI's current Tier 1 Capital adequacy ratio prior to this transaction (include as at date)

[Text here.]

Proposed risk weighting for the proposed exposure

[Text here.]

ADI's expected Tier 1 Capital adequacy ratio should this transaction proceed

[Text here.]

Risk appetite

Outline how this proposed transaction aligns to the ADI's credit risk appetite, credit strategy and credit policies.

[Text here.]

Serviceability

Outline the basis on which serviceability has been ascertained. Include commentary on the evidence provided by the applicant and the assumptions used by the ADI to determine serviceability.

[Text here.]

Security

Outline the security being provided against the exposure, including the value, date and basis of its valuation. Discuss any adverse comments that were noted in the valuation report. Where the valuer is not a member of the ADI's panel of valuers, provide the reason why they were used.

[Text here.]

Estimated date when the exposure will cease being a large exposure

[Text here.]

Credit statistics for the ADI (include as at date)

1. Loans which are greater than 30 days past due

Value (\$)

[Text here.]

% of total loans

[Text here.]

2. Ratio of residential loans to total loans where LVR>90 per cent

[Text here.]

3. Ratio of residential loans to total loans where LVR>80 per cent<90 per cent

[Text here.]

4. Ratio of commercial loans to total loans

[Text here.]

5. Ratio of fixed interest loans to total loans

[Text here.]

6. Ratio of interest only loans to total loans

[Text here.]

7. Number, value and % of credit exposures > 10 per cent of Tier 1 Capital (including the proposed exposure)

Number

[Text here.]

Value (\$)

[Text here.]

%

[Text here.]

Excessive risk

Outline the reasons supporting why this exposure is not considered an excessive risk for the ADI.

[Text here.]

Governance process

Outline the governance process for this loan, including details of who is responsible for approval

[Text here.]

Connected counterparties

Outline the process undertaken by the ADI to ensure that the provisions of paragraph 20 are complied with in relation to connected counterparties.

[Text here.]

Contact Details

Name and position

[Text here.]

Date

[Text here.]

Contact number

[Text here.]

Attachment 2: FORM – Large exposure notification

(under paragraph 34 of APS 221)

Name of the ADI	[Text here.]		
Name of Applicant(s)			
For commercial applications include names of key individuals, shareholders and/or related parties. For loans to individuals please indicate if the individual is a director or employee of the ADI.			
[Text here.]			
	Proposed	Current	Total
Exposure size (\$AUD)	[Text here.]	[Text here.]	[Text here.]
Exposure size (% of Tier 1 Capital)	[Text here.]	[Text here.]	[Text here.]
Term of the proposed exposure			
[Text here.]			
Aggregate exposure (% of Tier Capital)			
<u>Prior</u> to the proposed exposure	[Text here.]		
<u>After</u> the proposed exposure	[Text here.]		
Risk weighting to be applied to the proposed exposure			
[Text here.]			
Does the proposed exposure comply with all relevant risk management policies and procedures?			
[Yes/No – If no, provide justification]			
Is the proposed exposure within the ADI's risk appetite?			
[Yes/No – If no, provide justification]			
Current Tier 1 Capital (as at most recent APRA reporting date)	\$		

Contact Details

Name and position

[Text here.]

Date

[Text here.]

Contact number

[Text here.]



 APRA