



BPR ID 19640

12 December 2016

Tanja Cvijanovic
First Assistant Secretary
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Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
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Dear Ms Cvijanovic,

Regulation Impact Statement – final assessment second pass

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for APRA's proposals concerning the introduction of the Net Stable Funding Ratio requirement for authorised deposit-taking institutions (ADIs) and proposals for the future application of a liquid assets requirement for foreign ADIs. The regulatory burden to business, community organisations and/or individuals has been quantified and offsets have been identified and quantified using the Regulatory Burden Measurement framework. These have been agreed with your office.

I am satisfied that the RIS addresses the concerns raised in your letter of 3 November 2016. Specifically, APRA has made a number of changes and additions to the RIS as noted in the Attachment to this letter.

Accordingly, I am satisfied that the RIS now meets best practice consistent with the *Australian Government Guide to Regulation*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'L. Ryan'.

ATTACHMENT**OBPR FINAL ASSESSMENT FIRST PASS****Accessibility**

1. Explanation of technical terms has been added where not included previously - typically by way of footnote. Explanation of terms considered self-explanatory or which are intended to have their plain English meaning have not been further explained.
2. APRA has added a one page summary at the start of the RIS.

Problem

3. APRA has provided further reasoning for its approach to the options chosen as set out in paragraphs 23 and 24 of the RIS.
4. APRA has added two graphs (refer to pages 9-10), and an associated explanation, to show the funding composition of banks to demonstrate the nature and size of the problem.
5. New paragraphs (refer to paragraphs 17-19) have been included which explain the different funding sources for ADIs and a summary assessment of likely NSFR placement by ADI size.
6. Additional information has been included in paragraphs 48-53. This information reflects that set out in APRA's March discussion paper on the key matters where discretion has been exercised and how APRA has done so.
7. APRA notes that paragraphs 20-22 addresses this matter. Currently, there are no existing requirements on industry with respect to meeting a net stable funding ratio requirement. Likewise, details of existing liquid asset requirements are set out in paragraph 25. Some additional text has been included to provide further clarity. Paragraph 26 clarifies the need for government intervention.

Options

8. Please refer to response to 6 above.
9. Additional text has been included in paragraphs 36 and 43 in relation to the net stable funding ratio. For the liquid assets requirement, details on what a foreign ADI would need to do to comply is set out at paragraph 59, 64 and 65.

Impacts

10. We have separately provided detailed costings to the OBPR. APRA notes that it is not in a position to estimate likely, if any, impacts on the money supply. We have added commentary on the possible cost of funding impacts on bank profitability to paragraph 54 to make clearer the estimated impact. In addition, new paragraphs 55-56 to provide further details on wholesale funding and profitability impacts for ADIs have been added.
11. Additional explanation has been added to paragraph 37 reflecting that funding costs may increase.

12. Further details have been included at paragraph 37 to address this issue (last dot point).
13. The RIS notes in paragraph 25 that the options for foreign ADIs are concessionary relative to those for locally incorporated ADIs, reflecting the different nature of their operations. Further, paragraph 24 has been amended to provide additional clarity.
14. APRA has advised the Treasury of the costs of the proposals in this RIS. The Treasury has agreed that cost offsets will be found within the Treasury portfolio (refer to paragraph 98).
15. A summary of key issues from submissions has been included in the RIS at paragraphs 79-85.
16. Additional information included in the RIS as outlined above, in APRA's view, supports the conclusions reached in the RIS.