



JOHN LONSDALE

Deputy Chair

29 July 2021

OBPR ID: 25564

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: helpdesk-obpr@pmc.gov.au

Dear Mr Lange,

CERTIFICATION OF APRA’S REVIEW: PRUDENTIAL STANDARD: APS 111 CAPITAL ADEQUACY: MEASUREMENT OF CAPITAL

I am writing to certify that APRA’s development of its revised *Prudential Standard: APS 111 Capital Adequacy: Measurement of Capital* (APS 111) has followed a similar process to that required under a Regulation Impact Statement (RIS). APRA has addressed all seven RIS questions, as set out in the attachment to this letter.

As set out in the attachment, APRA considered a number of policy options in developing APS 111 reforms. These ranged from no changes to APS 111 to options that would reinforce financial system resilience, simplify capital issuance and clarify existing expectations. In developing the revised APS 111, APRA also considered additional alternative options that were put forward by industry during consultation. These are discussed in APRA’s May 2021 response paper (see attached).

Using the regulatory burden measurement framework, APRA estimates that locally-incorporated Authorised Deposit-taking Institutions (ADIs) will incur additional compliance costs from APRA’s APS 111 reforms. In aggregate, APRA estimates these costs at around \$740,000 per year, over the next 10 years (see Table 1 below). In APRA’s view, these costs will be more than offset by the benefits from APRA’s reforms, which seek to reinforce financial resilience, simplify capital issuance structures and improve international comparability.

Table 1 Estimate of additional compliance costs

Annual regulatory costs, averaged over 10 years (\$)				
Change in costs	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$743,150	Nil	Nil	\$743,150

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

Yours sincerely,



Attachment

APRA letter to: All Authorised Deposit-taking Institutions, Response to submissions and final revised Prudential Standard: APS 111 Capital Adequacy: Measurement of Capital, July 2021

APRA Response to submissions - APS 111 Capital Adequacy: Measurement of Capital, May 2021

APRA Discussion paper - Revisions to APS 111 Capital Adequacy: Measurement of Capital, October 2019