

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

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To: All authorised deposit-taking institutions (ADIs)

AGGREGATE RESULTS ON THE COMMITTED LIQUIDITY FACILITY

The Australian Prudential Regulation Authority (APRA) is today releasing aggregate results on the Committed Liquidity Facility (CLF) established between the Reserve Bank of Australia (RBA) and certain locally-incorporated ADIs that are subject to the Liquidity Coverage Ratio (LCR).

APRA implemented the LCR on 1 January 2015. The LCR is a minimum requirement that aims to ensure that ADIs have sufficient unencumbered High Quality Liquid Assets (HQLA) to survive a severe stress scenario lasting for 30 days. The introduction of the LCR is part of the Basel III liquidity package of measures to strengthen the global banking system.

In December 2010, APRA and the RBA announced that ADIs subject to the LCR will be able to establish a CLF with the RBA. The CLF is intended to be sufficient in size to compensate for the lack of sufficient HQLA (mainly Australian Government and semi-government securities) in Australia for ADIs to meet their LCR requirements. ADIs are required to demonstrate that they have taken 'all reasonable steps' towards meeting their LCR requirements through their own balance sheet management before applying for a CLF for LCR purposes.

Committed Liquidity Facility for 2017

All locally-incorporated LCR ADIs were invited to apply for a CLF amount to take effect on 1 January 2017. Fourteen ADIs chose to apply. Following APRA's assessment of the applications, the aggregate Australian dollar net cash outflow (NCO) of the fourteen ADIs projected for end-2017 under the stress scenario was calculated as approximately \$400 billion. The total CLF amount allocated for 2017 (including an allowance for buffers over the minimum 100 per cent requirement) is approximately \$223 billion.

Total CLF has decreased each year since the formal implementation of the LCR in 2015. The decreases have been primarily driven by the increased availability of Australian Government Securities and Semi-government Securities (AGS and semis) able to be held as HQLA.

(\$ billion)	2015	2016	2017
Total forecast NCO	410	402	400
Available AGS and semis	175	195	220
Total CLF made available	275	245	223

Yours sincerely,

Charles Littrell
Executive General Manager
Supervisory Support Division