

1 January 2016

Mr Pat Brennan
General Manager, Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority

Email: policydevelopment@apra.gov.au

Dear Mr Brennan,

Re: Margining and risk mitigation for non-centrally cleared derivatives

In brief:

AIST supports reforms aimed at mitigating systemic risk and reducing contagion in Australia's financial system. We support the timeframes and thresholds in this paper and recommend that APRA maintain regular and comprehensive discussions with RSEs during the transition.

Thank you for the opportunity to provide feedback on this discussion paper and draft prudential standard *CPS 226 Margining and risk mitigation for non-centrally cleared derivatives*.

AIST supports reforms aimed at mitigating systemic risk and reducing contagion in Australia's financial system. The new requirements to exchange margin, and collateral with regards to material activity in non-centrally cleared derivatives as well as adopting a framework to bring Australia in line with global margining standards will improve certainty for financial consumers, including the many Australians who are members of superannuation funds.

AIST supports the timeframes and thresholds in this discussion paper. We believe that the eventual threshold of \$12 billion to be reached in September 2020 is sensible, and provides adequate lead time for RSEs to comply. We recommend that APRA maintain regular and comprehensive discussions with RSEs and other parties affected by these proposals to ensure that the transition is as seamless as possible during the transition.

We point out that any additional costs resulting from changes to margining and collateral will be ultimately borne by members of superannuation funds. We note that the largest activity in derivative activity undertaken by funds is with regards to foreign currency hedging.

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If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on [redacted] or at [redacted].

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia
Chief Executive Officer

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the \$650 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.