6 February 2024

CUFSS Response to

APRA Letter on Changes to ADI Liquidity & Capital Standards

"The emergency liquidity support system for Australian Mutual ADI's"

FINAL

Version 5

6th February 2024

Contents

1 Introduction

This paper has been prepared in response to APRA's proposed targeted changes to ADI Liquidity and capital standards dated 15 November 2023.

While the paper takes into account feedback and views of others in the Mutual industry including CUFSS members, the opinions expressed in this paper are solely those of CUFSS.

CUFSS has a very strong interest in the changes being proposed by APRA and is keen to ensure that mutual ADIs adopt appropriate measures to enhance their capacity to manage liquidity risk and the consequences of extreme crisis events.

CUFSS has taken several steps in recent years to strengthen the liquidity management capacity of existing CUFSS members while also broadening the overall depth of the CUFSS support system by adding new CUFSS members. CUFSS has also had extensive discussions with APRA (and the RBA) regarding the above initiatives and is therefore especially supportive of APRA's current recommendations relating to the provision of "…exceptional liquidity assistance from the RBA".

As has been recognised by APRA, recent overseas liquidity events have amply demonstrated that "operational" stocks of ADI liquidity holdings (whether under the MLH or the LCR regimes) are unlikely to be sufficient to allow ADIs to manage their way through severe and sudden liquidity stress events. In such instances, and assuming the ADIs in question are otherwise solvent, it is highly likely that additional and "exceptional" liquidity assistance will be required, in Australia's case via suitable collateral-backed funding from the RBA. It is for this reason that CUFSS worked co-operatively with APRA and the RBA in the early Covid period to create a structure to enable CUFSS to source additional RBA funding for its members that would significantly exceed what they could obtain individually or directly from the RBA. Those important changes (subsequently certified by APRA via an amended Industry Support Contract) had the effect of increasing the potential emergency liquidity pool that CUFSS could draw on from around $1 billion to approximately $8 billion . If all mutual ADIs were members of CUFSS the available liquidity pool would be in excess of $36 billion – see detailed figures in Section 2 of the letter from CUFSS to APRA dated 14 November 2022 (Attachment 1).

CUFSS has included responses in Section 3 below with respect to each of the proposals on which APRA has sought comments, but we strongly believe that the most important aim of reforms to the liquidity regime ought to be to improve the likelihood that ADIs will have sufficient access to timely emergency liquidity assistance from the RBA, should that become necessary. The other two legs of APRA's proposals are also important and well-intentioned, but for the mutual ADI sector the most meaningful improvement to the sector's crisis management capacity will come from measures that enhance access to "exceptional" liquidity funding, whether directly from CUFSS or indirectly **via** CUFSS from the RBA, backed by suitable collateral from CUFSS members. In order to achieve that outcome, we strongly support measures that would be expected to expand CUFSS' membership – see **Recommendation 1** below.

a) About CUFSS

CUFSS is the Australian Mutual banking industry's self-funded and operated "emergency" liquidity support scheme under which members contractually guarantee to provide liquidity support to one another under the Industry Support Contract (ISC). The CUFSS support framework has been operating successfully since 1999 and remains the only APRA-certified Liquidity Support Scheme under s11CB of the *Banking Act 1959*. The ISC was re-certified by APRA in 2020 to incorporate the provision of an additional ”Special Loan” facility via access to Reserve Bank of Australia (RBA) funds secured collectively by members using their internally securitised assets[1].

Currently CUFSS membership includes 35 of the 55 Mutual ADIs.

While not an ADI, CUFSS plays a critical role in providing emergency liquidity to mutual ADIs generally, especially for the 25 of its members who do not have any form of direct access to exceptional liquidity assistance beyond that provided by CUFSS via:

1. **the industry self-funded scheme, and**
2. **the RBA via the Special Loan facility.**

Accordingly, while this submission responds to the three proposed revisions to the ADI liquidity and capital standard changes, CUFSS strongest interest is to ensure the continuation of a regulatory environment that supports mutual ADIs’ access to emergency liquidity (both industry self-funded and RBA funded).

b) Overview

Whilst CUFSS believes that the targeted changes proposed by APRA have merit, in our view they do not fully consider the numerous and potentially serious unintended consequences of the proposed changes.

Table 1 - Overview

APRA Proposal	Priority	CUFSS Response
Exceptional Liquidity assistance from the RBA.	Immediate - is the most pressing issue.	This is the most important proposal, but contains no detail on how it will be effectively achieved for ALL ADIs.
Accounting for unrealised losses.	Immediate – but partial.	Implement measurement but taking losses to balance sheet is unnecessary.
Reducing Contagion Risk.	Consider as part of complete review of APS 210 & APS 111.	Too many unintended consequences. Needs to be addressed as part of a more holistic review of the standards and practice guides.

[1] For further information on CUFSS – www. cufss.com.au

CUFSS acknowledges that the proposed changes may address some of the concerns APRA has raised regarding the ability of the current MLH regime to adequately protect ADIs and their depositors in a liquidity crisis event. However, CUFSS is concerned that the proposed changes:

I. are unnecessarily cumbersome to deal with the specific issues APRA has raised;
II. as currently proposed, would:
    a. create unnecessary complexity and cost;
    b. have unintended consequences that would increase risk in other areas; and
    c. potentially increase the specific risks that APRA is concerned about; and
III. do not adequately address the most fundamental issue of ensuring that all ADIs will have reliable access to "exceptional" liquidity in a crisis.

CUFSS believes it would be more appropriate for APRA to incorporate some of its proposed changes in its scheduled full review of APS210 and APS 111, as this would allow APRA to better assess the "knock on" implications and further changes that might be required to address those implications.

2 Summary of Recommendations

In response to APRA's proposed changes CUFSS makes 8 Recommendations. Those recommendations are briefly summarised below.

<table>
<tr><td>Recommendation 1</td><td>That more tangible benefits be included in APS 210 that fairly acknowledge the liquidity risk mitigation that stems from participation by ADIs in emergency liquidity schemes such as CUFSS. Such benefits/incentives should be based on the aggregate risk mitigation of access to multiple emergency liquidity arrangements (ie; RBA repo via self-securitisation and CUFSS via industry and RBA). These benefits/incentives could include:
lower MLH,
lower level of self-securitisation (ie: 20% down to 10%),
removal of the 30day top up requirement on self-securitisation programs to qualify for a lower minimum, and
allowance for higher wholesale funding due to having access to extensive emergency liquidity.
Rational

A fair level of Regulatory support will encourage full membership of CUFSS thus ensuring additional access to emergency liquidity for the mutual ADI industry and in particular small mutual ADIs who have no other access to RBA emergency liquidity.</td></tr>
</table>

Recommendation *2*	That Mark to Market valuations of liquidity investment be required as part of: • Quarterly APRA reporting, • Disclosure reporting under APS 330, and • Internal reporting to Board via Board Risk Management Committees. **Rational** Open disclosure will ensure that appropriate action can be taken to avoid/manage negative mark to market valuation in rising interest rate periods.
Recommendation *3*	That unrealised losses on liquidity investments are not deducted from Common Equity but are Marked to Market regularly as proposed in Recommendation 2. **Rational** Avoid unnecessary and unhelpful complexity for MLH ADI's balance sheet management, strategic planning and loan growth forecasting.
Recommendation 4	That for MLH calculation purposes there be no limit on the investment by mutual ADIs in other ADI securities that qualify for repurchase with the RBA. In particular, due to the size of their issuance programmes relative to the mutual sector's MLH level, the purchase of LCR ADI's debt securities does not represent a risk in a liquidity event. **Rational** ADI securities that are "repo eligible" <u>DO</u> create liquidity in an emergency event. Additionally, their removal from MLH liquidity would adversely affect issuing ADI's funding programs impeding their ability to manage an emergency liquidity event.
Recommendation 5	That the same 31 Day Notice Deposit requirement that applies to LCR ADIs be applied to MLH ADIs. **Rational** Reduce outflows in a liquidity event.

Recommendation 6	That any changes to ADI Liquidity and Capital standards need to be balanced and holistically based on the reasonable capability and risk management strategy of mutual ADIs. They must not encourage/drive mutual ADIs to increase their overall risk profile simply to reduce one topical area of risk. **Rational** As detailed in section 3 b) Complexity and Risk Level Impact, there are a variety of significant negative liquidity, interest rate, market, and operational risks that APRA's proposal has not considered. The unintended consequences could be significant for MLH ADIs and the Mutual ADI sector and, in fact, counterproductive to APRA's intended outcomes. Additionally, APRA could incur legal, political and community liability if these targeted changes were still introduced after it being advised of the risks.
Recommendation *7*	That due to the number of issues raised, APRA should consider incorporating these changes as part of the holistic review of APS210 and therefore the timetable will need to be reassessed. **Rational** More time is required to consider the full implications of the proposed targeted changes therefore the timetable is not relevant at this stage.
Recommendation 8	That any changes to ADI Liquidity and Capital standards should not impede or reduce MLH ADIs' ability to raise a diverse mix of funding including sourcing wholesale funds via Negotiable Certificate of Deposit (NCD) and Medium Term Note (MTN) programs. **Rational** This would increase liquidity risk by reducing the funding alternatives (volume and pricing, available today.

3 APRA's Three Proposed Changes

I. Exceptional liquidity assistance from the RBA

APRA Proposal

In times of stress, the RBA may provide exceptional short-term liquidity assistance to ADIs experiencing acute liquidity difficulties. When requesting exceptional liquidity assistance, ADIs must provide information to APRA and the RBA regarding their financial position.

To ensure that information can be provided in a timely manner, APRA is proposing that ADIs must be operationally ready to provide certain key information at the time of their request. APRA has provided additional guidance in draft APG 210 to assist ADIs in meeting this requirement. Accompanying this letter is a draft information request that APRA expects would be completed by an ADI requesting exceptional liquidity assistance and that could be submitted via a spreadsheet through APRA Connect.

CUFSS Response

CUFSS supports this proposal.

If recent overseas experience has highlighted one critical item, it is that funds can be withdrawn exceptionally rapidly in volumes that far exceed an ADI's holdings of "regulatory" liquidity, potentially within 24 to 48 hours. Accordingly, "tinkering" with the type of permitted liquidity investments is unlikely to adequately defend an ADI faced with a liquidity crisis event. As APRA points out, in a liquidity crisis it is access to emergency liquidity from the RBA that is the only solution that will provide sufficient time for regulators and others to resolve the issue and restore confidence.

CUFSS membership includes 25 ADIs who do not have direct access to RBA liquidity assistance in exceptional circumstances, other than via CUFSS. RBA assistance is dependent on other members of CUFSS who do have self-securitisation facilities agreeing to pledge their securities to secure the RBA liquidity support. CUFSS currently has 10 members with self-securitisation programs.

APRA has certified the CUFSS scheme, and we know that the RBA is supportive of the role CUFSS plays as a conduit between the RBA and mutual ADIs. CUFSS believes there needs to be a fair and demonstratable benefit for mutual ADIs (both small and large) to support this industry scheme and to provide incentives for an expanded membership.

From the time of CUFSS' establishment in 1999, APRA applied a 3% discount to MLH for those ADIs who were members of CUFSS, compared to the MLH level imposed on comparable ADIs who were not CUFSS members. APRA has also confirmed in its recent discussions and correspondence with CUFSS that it would consider setting higher minimum MLH ratios for ADIs where it considers they are "…exposed to elevated liquidity risk which may be evidenced by not having access to emergency liquidity, such as from membership of a liquidity support scheme". APRA also advised in its letter to CUFSS dated 16 February 2023 (see Attachment 2) that the above approach provides an incentive for mutual ADIs to join CUFSS, and noted that participation in the CUFSS system is already given special recognition and concessional treatment under APS 210, APS 112 and APS 221.

Although CUFSS appreciates the steps APRA has taken to support the CUFSS system (including by including specific recognition in the above prudential standards), our recent experience suggests that more could be done at the supervisory level of individual mutual ADIs. In particular, some of the mutual ADIs that remain outside the CUFSS framework have advised that their current prudential settings would not change should they join CUFSS. CUFSS will continue to emphasise the benefits of CUFSS participation in its discussions with potential members, but achieving the ultimate objective of having all mutual ADIs within the CUFSS system would be aided considerably if APRA were to take a more active role in ensuring that CUFSS membership delivers demonstrable and widely understood regulatory benefits.

In Recommendation 1 we have included a number of regulatory concessions previously discussed with APRA that CUFSS believes would encourage membership and thereby strengthen the mutual ADI sector's capability to manage a liquidity crisis, both individually and as an industry.

We have also previously advised APRA (see Attachment 1) that some mutual ADIs with Internal Securitisation programs are of the mistaken belief that such programs will **guarantee** them access to RBA funding in times of need. Although APRA and the RBA have consistently agreed that such access is not guaranteed for individual ADIs (see Attachment 3), CUFSS believes that APRA could play a more active role in clarifying any such limitations on access to RBA funding.

CUFSS Recommendation 1

That more tangible benefits be included in APS 210 that fairly acknowledge the liquidity risk mitigation that stems from participation by ADIs in emergency liquidity schemes such as CUFSS. Such benefits/incentives should be based on the aggregate risk mitigation of access to multiple emergency liquidity arrangements (ie; RBA repo via self-securitisation and CUFSS via industry and RBA). These benefits/incentives could include:

- lower MLH,
- lower level of self-securitisation (ie: 20% down to 10%),
- removal of the 30day top up requirement on self-securitisation programs to qualify for a lower minimum, and
- allowance for higher wholesale funding due to having access to extensive emergency liquidity.

Rational

A fair level of Regulatory support will encourage full membership of CUFSS thus ensuring additional access to emergency liquidity for the mutual ADI industry and in particular small mutual ADIs who have no other access to RBA emergency liquidity.

II. Accounting for unrealised losses

a. Using the market value of liquid assets for ADIs on the MLH regime.

APRA Proposal

Under the MLH regime, ADIs can currently measure the value of their liquid assets based on their accounting treatment, which often results in their inclusion at amortised cost rather than market value. This can present risks in stress, since unrealised losses may result in weaker liquidity positions than assumed.

Under APRA's proposed changes, liquid assets would be included at market value for ADIs subject to the MLH regime. This would ensure that the value of the liquid assets are regularly updated to reflect changes in market prices. This is already required of ADIs subject to the LCR regime, and would align with the valuation of liquid assets across all ADIs.

CUFSS Response

CUFSS supports this proposal.

As part of a robust risk management framework all ADIs should already be regularly valuing their liquidity portfolios as part of their overall balance sheet management. The fact that a few mutual ADIs were not able to readily and accurately do this during the 2023 special APRA reporting period was a disappointing surprise.

CUFSS Recommendation 2

That Mark to Market valuations of liquidity investment be required as part of:

- Quarterly APRA reporting,
- Disclosure reporting under APS 330, and
- Internal reporting to Board via Board Risk Management Committees.

Rational

Open disclosure will ensure that appropriate action can be taken to avoid/manage negative mark to market valuation in rising interest rate periods.

b. Deducting unrealised losses from capital.

APRA Proposal

Consistent with the treatment above, APRA also proposes that unrealised losses for liquid assets would be deducted from Common Equity Tier 1 Capital at Level 1 and Level 2, for both ADIs on the MLH and LCR regimes. This would provide a parallel treatment for capital and liquidity. It is important that unrealised losses flow through to capital positions in a timely manner, and that capital and liquidity ratios provide an accurate representation of financial resources available to absorb stress. The proposed treatment would be asymmetric – gains in value would not be recognised for capital purposes.

CUFSS Response:

CUFSS does not support this proposal.

Mutual ADIs hold all MLH liquid investments to maturity and therefore, in normal operating conditions, taking theoretical "point in time" valuations to the Capital Account distorts an ADI's financial position, unnecessarily complicating its capital adequacy impact assessment of planned loan growth and other important investment decisions. Unexpected and large rises in interest rates could also cause a mutual ADI to breach minimum capital requirements.

In periods of liquidity stress ALL ADIs in the Australian regulatory environment have potential access to repurchase agreements with other banks and the RBA using their MLH assets as collateral. While the funds available are discounted it means that it **is highly improbable** that an Australian ADI would be forced to liquidate MLH securities to fund outflows. They would instead seek to "repo" securities to the RBA while alternate funding was sourced.

Additionally, there will be "knock on" implications and complexity for the treatment of;

- Capital being used as a natural hedge for fixed rate home loans, and
- Managing the mark to market of securities repurchased with the RBA.

Accordingly, CUFSS believes this proposal is an overreaction to events in different regulatory environments overseas that would create unnecessary complexity. Further it seeks to add considerable complexity to balance sheet management for all MLH ADIs due to the actions of a few. Those few could easily be dealt with by APRA once a reporting requirement proposed in recommendation 2 is introduced.

CUFSS Recommendation 3

That unrealised losses on liquidity investments are not deducted from Common Equity but are Marked to Market regularly as proposed in Recommendation 2.

Rational

Avoid unnecessary and unhelpful complexity for MLH ADIs balance sheet management, strategic planning and loan growth forecasting.

III. Reducing contagion risk.

APRA Proposal

APRA is proposing to remove bank securities from eligible MLH liquid assets. This would seek to ensure that banks can draw down on their liquidity buffers, where needed in stress, without creating contagion risk.

APRA is seeking feedback on options to mitigate the potential impact of this proposal on MLH ADIs' funding and income.[4] APRA could, for example, provide MLH ADIs with an extended implementation timeline, such as that set out below. Under this approach, the proportion of bank securities included in eligible liquid assets would steadily reduce over a five-year period. This would support a more measured and gradual transition, smoothing the potential impact on funding and expenses.

	Current	*Year 1*	*Year 2*	*Year 3*	*Year 4*	*Year 5*
Maximum percentage of total MLH liquid assets held in bank securities	*60*	*40*	*30*	*20*	*10*	*0*

APRA is also open to considering other options to reduce the potential impact on ADIs. Options could include, for example, reviewing the calibration of the MLH ADI's minimum liquidity requirement, given this would be made up of a higher quality liquid assets.

As part of APRA's future planned comprehensive review of liquidity requirements, APRA will also consider additional changes to ensure that both the MLH and LCR regimes remain appropriate under a range of different scenarios, including a potentially lower stock of government bonds.

CUFSS Response

CUFSS does not support this proposal.

In assessing the value of APRA's proposed changes any assessment needs to understand the potential unintended consequences of the changes by taking a holistic view of the likely outcomes as MLH ADIs respond to such new restrictions.

CUFSS view is that there are significant negative consequences not only for the mutual ADIs' viability but also for the liquidity outcomes APRA is seeking to improve.

APRA references high levels of liquidity concentration and unexpected mark to market losses as reasons for the change. However, such concerns are not consistent with the detailed data reviewed by CUFSS during the pandemic and the more recent SVB crisis. Our view is:

1. that the mark to market losses were the exception with the overwhelming majority of mutual ADIs not having that risk (even after significant increases in interest rates).

2. while there might be a case for limiting the level of some forms of liquidity reinvestment within the mutual ADI sector, namely things like non liquid wholesale deposits, there is **no case for limiting it:**

   i. where the investment securities qualify as eligible securities for RBA repurchase. Regardless of the "reinvestment" nature (ie: a mutual ADI issues "repo eligible" securities to raise funds to invest in the "repo eligible" NCDs of another mutual ADI). This is because the liquidity investments of both mutual ADIs can be used to fund outflows via repurchase agreements with the RBA, and
   ii. in the broader banking sector mutual ADI liquidity represents a very minor percentage (under 3%) of total ADI industry liquidity, due to the market being dominated by the "Big 5" commercial banks who are all LCR ADIs.

Table 2 - Mutual ADI Liquidity versus Banking Sector Liquidity

Banking Sector Liquidity	*$550billion*
Mutual Sector Liquidity	*$ 15billion - less than 3%*

Source: based on estimate from RBA Data September 2023

A further unintended consequence would be to negatively impact on the funding programmes of other MLH ADIs by reducing the investor appetite for these securities. Attachment 5 shows a typical investor profile of a MLH ADI's issuance program. 82% of the investors are other ADIs. The impact of closing ADI MLH investors would shrink this pool by around 50% as only non-MLH liquidity could be used. The resulting reduced appetite would be higher cost and/or smaller volume. In some cases, the smaller volume would negatively impact on the remaining investors appetite due to their requirement for volume and liquidity in issuance programs.

CUFSS Recommendation 4

That for MLH calculation purposes there be no limit on the investment by mutual ADIs of other ADI securities that qualify for repurchase with the RBA.
In particular, due to the size of their issuance programmes relative to the mutual sector's MLH level, the purchase of LCR ADI's debt securities does not represent a risk in a liquidity event.

Rational

ADI securities that are "repo eligible" DO create liquidity in an emergency event. Additionally, their removal from MLH liquidity would adversely affect issuing ADIs' funding programs, impeding their ability to manage an emergency liquidity event.

a) Financial Impact

Loss of Earnings of MLH Investments.

The mutual industry financial impact of these changes (after transition) is estimated to be between $110 and $160 million in today's terms. That represents 18% to 27% of the mutual ADI sector's profit after tax (see Attachment 4). The implications of this are that mutual ADIs will need to reassess revenue and costs. The most likely outcome will be:

- increases in fees, charges and loan interest rates to members;
- reduction of services including community based activities and non-profitable products;
- branch closures,
- reduced levels of staffing; and
- where the above actions are insufficient, or not possible, some mutual ADIs will need to merge.

Improved Earnings due to deployment of improved Capital Adequacy.

The transfer of MLH securities from ADIs to solely government securities would have a positive impact on capital adequacy ratios due to the lower risk rating that applies to those assets. In theory this would increase an MLH ADI's lending limits which in turn would increase profitability. This would go some way to offsetting the negative financial implications detailed above. Based on a preliminary analysis (due to the short lead time we have had to collect and analysis data), Table 4 below shows that in theory there would be an improvement in net profit before tax (NPBT) in the region of $35.9million if the benefit of the reduction in Risk Weighted Assets (RWA) was fully deployed into new loans. Based on the calculation in Attachment 4 that would offset between 23% and 33% of the loss in investment income from MLH not being able to be invested in ADI securities.

Margin Give up less Capital Adequacy Gain

0.80% give up	\$107.8 - \$35.9 = \$71.9mil	33%
1.00% give up	\$154.0 - \$35.9 = \$118.1mil	23%

Table 4 – Capital Adequacy Impact on Profitability

Capital Adequacy Modelling

Typical Mutual MLH ADI		**Ave Risk Weighting**			
		Current	Post Changes		
Assets	$ 1,000,000,000		$ 1,064,166,667		
Capital	$ 80,000,000		$ 80,000,000		
RWA	$ 400,000,000		$ 361,500,000		
Reg Liq	$ 110,000,000	35%	0%	$ 110,000,000	
Loans	$ 850,000,000	50%	60%	$ 914,166,667	
MLH	11.00%		11.00%		
Capital Ad	20.00%		22.13%	$ 64,166,667	new loans
ROA	0.40%			$ 256,667	additional NPBT

Implications for Mutual Sector, if fully deployed*

Total Sector $140bil				**$ 35,933,333**	**additional NPBT**

* the reality is that all Mutual ADIs have surplus Capital Adequacy today (18% as at Sept 2023)
therefore there is a cap on the additional loans that could be written so the actual improvement in revenue would be much smaller that the $36mil the theroetical analysis shows

While helpful this still leaves a substantial financial decline that would need to be addressed.

A further concern on this offsetting analysis is that mutual ADIs have long had surplus Capital Adequacy (consistently over 18%) that they have not been able to deploy into additional home loans. It is entirely probable that there is a hard cap on an institution's ability to grow. If this is the case the improved Capital Adequacy would remain and the theoretical financial upside would, at best, only be partially realised.

Whatever the case the combination of the above will result in reduced competition and a convergence of business models away from the mutual ADI "member first" model to the commercial bank "customer pays" model.

b) Complexity and Risk Level Impact

In addition to the financial impact responses in a) above, mutual ADIs can be expected to take further action to ameliorate the loss of income. These actions may create higher levels of risk than mutual ADIs have traditionally needed to take and which in many cases they will not have the systems, policies or expertise to properly manage. These are discussed below.

Liquidity Risk

All ADIs hold excess liquidity. Mutual ADIs held on average 12% over and above the 9% minimum as at September 2023[2]. The expected response to a loss of earnings due to the proposed changes will

[2] Based on September 2023 CUFSS Data.

be to take more risk with excess liquidity. The result would be an aggregate decline in MLH ADIs' ability to respond to a liquidity crisis even allowing for APRA's proposed changes to MLH.

MLH ADIs have a greater exposure to deposit withdrawals than LCR ADIs due to the absence of the 31 Day Term Deposit Notice condition that would enable LCR ADIs to manage early redemption requests in a liquidity crisis.

Recommendation 5

That the same 31 Day Notice Deposit requirement that applies to LCR ADIs be applied to MLH ADIs.

Rational

Reduce outflows in a liquidity event.

Market Risk

The most obvious reaction would be for an ADI to chase yield by moving further up the credit curve resulting in higher negative mark to market outcomes in rising interest rate periods. This is one of the concerns APRA raised as the logic for the proposed change in the liquidity standard. It is highly probable that more MLH ADIs will incur larger mark to market losses in periods of rising interest rates.

This is counter to APRA's objective.

Interest Rate Risk

Currently most mutual ADIs use the permanent nature of Capital as a natural balance sheet hedge for fixed rate home loans. For unsophisticated ADIs this is a simple low-risk solution. As explained in the market risk point above, the probable reaction to the proposed liquidity changes will be for mutual ADIs to invest their liquidity longer. This will need to be either hedged against capital or managed by the use of derivatives. This added complexity will increase the probability of interest rate risk as derivatives in particular are difficult and expensive to purchase in small amounts and are seldom perfect hedges. If used as a hedge against capital the result will be to reduce or eliminate a mutual ADI's ability to offer fixed rate loans without increasing risk.

Operational Risk

CUFSS agrees with APRA's observation that the RBA will need to issue large volumes of debt securities into the future. The RBA funding program will be designed to optimise the Government's debt funding cost burden. This means that depending on the RBA's view on interest rates they will vary the mix of long and short dated bond issues. For mutual ADIs who need large volumes of shorter dated securities (1mth – 3 years) there are likely to be periods of supply shortage. This is the current situation after 2 years of rising interest rates. The supply shortage will:

- Push the price of these securities higher (lower interest rate return), and/or
- Force some mutual ADIs to invest longer than they would prefer.

General

Most mutual ADIs do not possess the skills and/or systems capability to manage more complex treasury operations and balances sheet structures. The current MLH regime has historically enabled MLH ADIs to run with low levels of Market, Interest Rate and Operational Risk with an acceptable and easily managed level of Liquidity Risk. While the APRA data collected at the start of the pandemic showed a few mutual ADIs were outliers in terms of having liquidity portfolios with sizable mark to market losses, these were exceptions and with the regular mark to market disclosures recommended by CUFSS these outcomes will be easily managed and addressed by ADI management, Boards and APRA.

CUFSS Recommendation 6

That any changes to ADI Liquidity and Capital standards need to be balanced and holistically based on the reasonable capability and risk management strategy of mutual ADIs. They must not encourage/drive mutual ADIs to increase their overall risk profile simply to reduce one topical area of risk.

Rational

As detailed in section 3 b) Complexity and Risk Level Impact, there are a variety of significant negative liquidity, interest rate, market, and operational risks that APRA's proposal has not considered. The unintended consequences could be significant for MLH ADIs and the mutual ADI sector and, in fact, counterproductive to APRA's intended outcomes.

Additionally, APRA could incur legal, political and community liability if these targeted changes were still introduced after it being advised of the risks.

CUFSS Recommendation 7

That due to the number of issues raised, APRA should consider incorporating these changes as part of the holistic review of APS210 and therefore the timetable will need to be reassessed.

Rational

More time is required to consider the full implications of the proposed targeted changes therefore the timetable is not relevant at this stage.

c) Funding Impact

The major appetite for mutual ADI securities[3] is from other ADIs for inclusion in their liquidity portfolios as these securities qualify for repurchase as part of the RBA daily market operations. Under the proposed changes approximately half the Mutual ADI appetite for these securities would disappear.[4]

Typically, investors outside the mutual ADI market (ie; Super funds and other fund managers) require either/or both:

- Market issuance size to ensure good liquidity - most mutual ADI programs are not large enough to meet these criteria.
- Minimum external credit rating of 2 notches above the minimum investment grade rating – no mutual ADI is capable of meeting these criteria.

The result would compromise issuing mutual ADI funding programs due to reduced investor appetite and the resultant higher cost (higher interest rate) to issue to the remaining investor market.

CUFSS Recommendation 8

That any changes to ADI Liquidity and Capital standards should not impede or reduce MLH ADIs' ability to raise a diverse mix of funding including sourcing wholesale funds via Negotiable Certificate of Deposit (NCD) and Medium Term Note (MTN) programs.

Rational

This would increase liquidity risk by reducing the funding alternatives (volume and pricing) available today.

THE END

[3] Note a number of Mutual ADIs have NCD and MTN issuance programmes.
[4] Mutual ADIs hold around 20% total liquidity against MLH of 9% to 11% - half.

Attachment 1 – CUFSS Letter to APRA Dated 14 November 2022

CUFSS limited

"The emergency liquidity support system for Australian Mutual ADI's"

14 November 2022

[redacted]
Senior Manager – Banking Division
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

Dear [redacted]

Re: CUFSS Membership Drive and new APRA Contingent Liquidity Guidance

In advance of our next APRA/CUFSS meeting in November, I am writing to provide you with an update on our meetings with potential new CUFSS members, together with our thoughts on APRA's recently updated guidance on "Contingent Liquidity" requirements for MLH ADIs.
As you are aware, we are continuing to liaise with all mutual ADIs that are not currently members of CUFSS. Although some of those meetings have been encouraging (and may result in new CUFSS members by the end of the year), we are encountering some consistent themes which are hampering our efforts to expand the CUFSS membership.

1. **Feedback from Mutual ADI Discussions**

The mutual ADIs we have spoken to about joining (or re-joining) CUFSS all recognise the important role played by CUFSS in providing emergency liquidity support and system stability to the mutual ADI sector in times of stress.
However, the vast majority of the mutual ADIs that are not CUFSS members (and particularly the larger mutuals who were initially members but have since resigned) share a strong view that their own organisations would have adequate access to contingent liquidity without relying on CUFSS. Specifically, the latter cohort of mutual ADIs consider that their own internal securitisation pools effectively provide them with "guaranteed" access to additional liquidity from the RBA via repurchase agreements, should such access be required. In response to those views, we have made clear that access to emergency funding from the RBA is not "guaranteed" but rather is subject to RBA conditions and discretion, as noted in the RBA's published guidelines.
The second strong theme we have encountered is that many of the current non-members would seriously consider joining (or re-joining) CUFSS if we could better demonstrate the tangible benefits they would derive from membership. As part of our response to that issue, we have emphasised the additional liquidity sources that would be available to them as CUFSS members (including via the potential "Special Loan Facilities" sourced via CUFSS from the RBA), compared to what they could reasonably expect to access via their own individual arrangements.

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However, the related question that has consistently arisen is whether CUFSS membership would give rise to any differential or more lenient treatment by APRA in relation to the liquidity-related requirements for "MLH" ADIs (such as minimum MLH and internal securitisation levels), compared to what would otherwise be applied to non-members of a similar size and complexity?

The CUFSS Board has been reflecting on the above feedback, including in the context of APRA's recently updated guidance on "Contingent Liquidity", and considers that there are prudential and "system stability" reasons to warrant differential application of the supervisory requirements applied to CUFSS members v non-members. As we've discussed previously with you, we recognise that any such differential treatment would need to be applied on an individual (rather than sector-wide) basis. In our view such a risk-based approach would also be consistent with the underlying policy intent of APRA's Liquidity Standards and Prudential Guidelines, as indicated by the statement in the proposed revision to APG 210 that "*…APRA may also require the ADI to maintain higher minimum liquidity holdings under APS 210 where there are certain liquidity risk concerns"*. APRA's letter to ADIs of 15 September 2022 also noted that "…APRA may contact select MLH ADIs where a higher level of self-securitised assets that that proposed in the guidance is appropriate".

As a general principle, and for the reasons demonstrated by the data discussed in Section 2 below, the CUFSS Board considers that APRA's supervisory settings for individual mutual ADIs should take into account the following:

A. That the designated minimum MLH and "Contingent Liquidity" requirements (including the minimum quantum of self-securitised assets) for mutual ADIs who are CUFSS members ought to be lower than the level set for comparable mutual ADIs who are not CUFSS members, other things being equal; and

B. That CUFSS member ADIs should not need to demonstrate an ability to increase any APRA-required self-securitisation pool uplift within a one month timeframe (but rather should be granted a longer top-up period), as unlike non-members those CUFSS members have access to contingent liquidity within 24 hours notice which would provide them a buffer as needed while they increase their own self-securitisation pools to the required level.

We have provided further detail below on the justification for the above differential treatment. With reference to the latest mutual sector balance sheet and liquidity data, we've also sought to quantify the additional contingent liquidity that would be available across the mutual ADI sector following an expansion of the CUFSS membership. Based on the feedback we've received to date from potential new members, an APRA supervisory approach incorporating the two above principles would demonstrate the tangible benefits of the CUFSS system and would likely be viewed as a material incentive to them joining or re-joining CUFSS.

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2. ***Current CUFSS Structure & Potential Membership Expansion***

There are currently 34 members of CUFSS (out of the 58 mutual ADIs as at September 2022), comprising around 35% of aggregate mutual ADI sector assets. The CUFSS support framework has operated effectively since 1998 and remains the only APRA-certified Liquidity Support Scheme under s11CB of the *Banking Act 1959.* The objectives of CUFSS are to protect the interests of its members' depositors and to promote financial sector stability.

Of the 24 mutual ADIs that are not currently CUFSS members, around half were initially members but subsequently withdrew from the Scheme on the assumption that the establishment of their self-securitisation facilities provided them with "guaranteed" access to emergency RBA funding.

Although our objective is to strengthen CUFSS further by the addition of new members (see further below), the Scheme's **current** contingent liquidity capacity and overall benefit to members remains very substantial compared to what would be available individually to each of those member ADIs.

Following the changes made to the CUFSS system in 2021 and its re-certification by APRA, the total "contingent liquidity" capacity of CUFSS now comprises 2 components – (a) funding sourced directly from calls upon CUFSS members in accordance with their contribution obligations under the Industry Support Contract (ISC); and (b) funding sourced from the RBA under "Special Loan Facilities" secured by assets held in the self-securitisation structures of contributing CUFSS members. Based on the latest APRA and RBA data, the current aggregate of the contingent liquidity that could **potentially** be accessed by CUFSS from those two sources is approximately $8.0 billion, comprising approximately $900 million via direct funding calls on members and around $7.1 billion of Repo funding from the RBA (after required "haircuts").

Although the above **aggregated** funding amounts are unlikely to ever be drawn to that maximum extent, for an individual CUFSS member these 2 funding sources translate into tangible and timely avenues for accessing contingent liquidity. By way of example, one of the CUFSS members had total assets of $1.5 billion as at September 2022 and a total self-securitisation pool of $280 million. If that particular CUFSS member were to face an emergency liquidity crisis requiring an injection of $350 million, then CUFSS would have adequate capacity to assist. By contrast, however, a non-CUFSS member with similar balance sheet metrics and facing this same situation would in all likelihood not survive the liquidity event, even if the RBA were to exercise its discretion and agree to provide the maximum funding that the $280 million of its self-securitised assets would permit.

In the event that all 58 mutual ADIs were to become members of CUFSS, the aggregate pool of contingent liquidity would increase substantially from the above levels to a total of

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approximately $36 billion, comprising $2.7 billion of direct member contributions and around $33.3 billion of aggregated RBA Repo funding (after haircuts).

The above figures demonstrate that an expansion of the CUFSS membership (ideally to include all mutual ADIs) would provide a very substantial "contingent liquidity" buffer for the mutual sector that would be well supported by centralised oversight, proven speed of implementation, and the long established backing of Cuscal for the timely disbursement of any required funding.

Although it may be optimistic to expect that all mutual ADIs would join (or re-join) CUFSS, the feedback we've received has made clear that suitable incentives to encourage membership (or effective disincentives for not being a member) would materially influence the decision-making of the current non-members.
In summary, the CUFSS Board considers that an appropriate differentiation between the supervisory settings applied to CUFSS members (v non-members), in the manner described in points A and B in Section 1 of this letter:

- would be justified on prudential grounds, as it would reflect comparative risk assessments and be consistent with the principles of risk-based and proportionate regulation;

- would be economically justified and fair to the members of CUFSS who have taken active measures to broaden their access to contingent liquidity; and

- would create appropriate incentives that would facilitate an expansion of the CUFSS membership and hence a strengthening of the mutual sector's overall liquidity capacity.

We would appreciate APRA's consideration of the above proposition and look forward to discussing any questions you may have.

Yours Sincerely

[redacted]

[redacted]
CUFSS Chair

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CC. by email

[redacted]
Governor
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

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Head of Financial Stability
Reserve Bank of Australia
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SYDNEY NSW 2001

[redacted]
CEO
Customer Owned Banking
Association

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Attachment 2 – APRA Letter to CUFSS Dated 16 February 2023

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY
1 Martin Place (Level 12), Sydney, NSW 2000
GPO Box 9836, Sydney, NSW 2001
T 02 9210 3000 | W www.apra.gov.au

APRA

16 February 2023

[redacted]
Chair
CUFSS
Level 25, 201 Castlereagh Street
Sydney NSW 2000

TO: [redacted]

RE: CUFSS MEMBERSHIP DRIVE AND NEW APRA CONTINGENT LIQUIDITY GUIDANCE

I refer to your letter on the CUFSS membership drive and new APRA contingent liquidity guidance dated 14 November 2022 (**the letter**) and APRA's meeting with CUFSS on 13 December 2022 (**the meeting**) in relation to the letter. This letter formalises APRA's response to the topics covered in the letter and meeting.

In the letter you noted that CUFSS considers that APRA's supervisory settings for individual mutual ADIs should consider the following:

a. That the designated minimum liquidity holdings (MLH) requirement and "Contingent Liquidity" guidance for ADIs who are CUFSS members ought to be lower than the level set for comparable ADIs who are not CUFSS members, other things being equal; and

b. That CUFSS member ADIs should not need to demonstrate an ability to top-up their self-securitisation pool within a one month timeframe (but rather should be granted a longer top-up period), as unlike non-members those CUFSS members have access to contingent liquidity with 24 hours notice which would provide them a buffer as needed while they increase their own self-securitisation pools to the expected level.

We respond to both below.

a. Recognition of industry support schemes within the prudential framework

In determining the appropriate MLH requirement for an ADI, as outlined in Liquidity FAQ 22, APRA may consider an increase to an ADI's MLH requirement if the ADI is exposed to elevated liquidity risk which may be evidenced by not having access to emergency liquidity, such as from membership in an industry support scheme. This provides an incentive for ADIs without access to emergency liquidity to become a member of an industry support scheme. ADIs are welcome to contact APRA to better understand the approach to setting an ADI's MLH requirement.

You have also proposed that the contingent liquidity guidance should be lower for CUFSS members. As we discussed in our meeting, APRA will give this idea consideration over the medium term and will liaise further with ADIs and CUFSS as it does so.

It should also be noted that as a recognised industry support scheme, certified by APRA under section 11CB of the Banking Act, CUFSS is already recognised within the prudential framework, including:

- Per *Prudential Standard APS 210 Liquidity*, for the purpose of the MLH requirement, an ADI's liquid assets must be free from encumbrance. However, APRA allows CUFSS members to include the CUFSS minimum deposit requirement in the calculation of the MLH liquid asset portfolio;

- Per *Reporting Standard ARS 210 Liquidity,* CUFSS members' contingent commitment or obligation to the CUFSS scheme is excluded from the calculation of the liability base for the MLH ratio;

- Per *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* an ADI's irrevocable standby commitment under CUFSS receives a favourable credit conversion factor of 0 per cent; and

- Per *Prudential Standard APS 221 Large Exposures*, exposures to an ADI required as part of a CUFSS contract relating to liquidity are excluded from the calculation of large exposures.

b. Self-securitisation guidance

MLH ADIs with more than $1 billion in liabilities are expected to maintain a self-securitisation sized to at least 10 per cent of their total deposits and short-term wholesale liabilities. APRA considers it prudent for these ADIs to demonstrate the operational capability to increase their self-securitised assets within one month.

This guidance has been informed by several factors including lessons learnt from the COVID-19 stress, where it took longer than expected for most MLH ADIs to increase these facilities when asked to do so, and stress testing conducted by APRA.

The one-month timeframe strikes an appropriate balance between providing ADIs sufficient time to increase their self-securitised assets and ensuring that emergency liquidity is available, if required, at short notice.

APRA considers the above factors to be critical in setting the self-securitisation guidance for MLH ADIs and does not propose to change this approach at this time.

Other matters: RBA Exceptional Liquidity Assistance (ELA)

Thank you for bringing to APRA's attention that there is a cohort of ADIs that consider that their self-securitisations effectively provide them with guaranteed access to ELA from the RBA.

As you noted, access to ELA is at the absolute discretion of the RBA. The RBA notes on its website that it would consider providing ELA only if it was considered to be in the public interest.[1] Furthermore, it would need to be clear that the recipient was experiencing acute liquidity difficulties and had made reasonable efforts to obtain liquidity from private sources (including CUFSS where applicable), and that the entity was solvent.

1 https://www.rba.gov.au/mkt-operations/domestic-market-ops-and-standing-facilities.html#exceptional-liquidity-assistance.

APRA, in coordination with the RBA, will clarify this point through communications with COBA and other MLH ADIs that are not members of COBA.

APRA appreciates the continued open dialogue with CUFSS on these matters. Should you wish to discuss or clarify any matters raised please contact [redacted] at [redacted]

Yours sincerely,

[redacted]

[redacted]

Senior Manager
Australian Prudential Regulation Authority
02 9210 3878

Attachment 3 – RBA Terms & Conditions for Exceptional Liquidity Support

Extract from RBA Website Domestic Market Operations and Liquidity Facilities – 5 January 2024

RBA Terms and Conditions

Exceptional Liquidity Assistance

In rare circumstances, when an Eligible Counterparty is experiencing acute liquidity difficulties, but is solvent, the Reserve Bank may provide ELA if it is considered to be in the public interest. This would generally be done through a term repo for a short period of time. The Reserve Bank will consider requests for ELA from Eligible Counterparties, including those that do not settle repos across their own Exchange Settlement Account. The provision of liquidity and associated terms, including acceptable collateral, is at the absolute discretion of the Reserve Bank (see Liquidity Facilities Technical Notes).

In support of a request for ELA from the Reserve Bank, entities would be expected to:

- inform their regulator immediately of any liquidity concerns and their intention to request ELA, prior to approaching the Reserve Bank;
- have already made reasonable efforts to access private sector sources of liquidity; and
- present evidence of their solvency, including an attestation of positive net worth.[1]

Attachment 4 - Financial Impact

Yield Curves - 5 Jan 24								
	1mth	2 mth	3mth	6mth	1 yr	2 yr	3yr	5 yr
SWAP	4.30%	4.33%	4.35%	4.44%	4.20%	4.00%	3.92%	4.11%
Government	4.26%	4.27%	4.25%	4.28%	4.16%	3.88%	3.82%	3.85%
	-0.04%	-0.06%	-0.10%	-0.16%	-0.04%	-0.12%	-0.10%	-0.26%
Major Bank	4.30%	4.33%	4.35%	4.44%	4.60%	4.57%	4.72%	5.01%
(margin over)	0.00%	0.00%	0.00%	0.00%	0.40%	0.57%	0.80%	0.90%
BBB Banks	4.40%	4.53%	4.80%	4.94%	4.90%	5.00%	5.12%	5.51%
(margin over)	0.10%	0.20%	0.45%	0.50%	0.70%	1.00%	1.20%	1.40%

-0.10% **-1.12%** **-1.66%**

Probable earnings loss as a result of proposed changes would be in the order of 0.80% to 1.00% on a typical MLH portfolio. Based on a typical portfolio of bank securities predominantly BBB.

Financial Impact of Liquidity Changes					
		Sector	***ROA***	***CUFSS***	***ROA***
Total Liabilities *		$ 140,000,000,000		$ 51,000,000,000	
11% MLH**		$ 15,400,000,000		$ 5,610,000,000	
Margin give up	0.80% ***	$ 107,800,000	0.08%	$ 39,270,000	0.08%
	*1.00%*****	$ *154,000,000*	*0.11%*	$ *56,100,000*	*0.11%*
2023 after tax profit		600,000,000	0.43%	$ 244,191,618	0.48%
Adjusted Profit		$ 492,200,000	0.35%	$ 204,921,618	0.40%

* Total Liabilities including off balance sheet commited facilities

** Mutuals will require a buffer over regulatory minimum

*** Blended portfolio optimising margin on BBB FRNs

**** Ave margin give up for Mutuals is 0.70% for small Mutual ADIs it will be larger as they do not currently hold Gov securities

$110million to $160million financial decline represents 18% to 27% of 2023 after tax profit on the Mutual sector.

Attachment 5- Typical Mutual ADI MLH Book

(Based on 11%MLH)

Counterparty Long Name	GL Category	Amount	Term	Settle Rate
AMP Bank Ltd	ECD ISSUANCE	5,000,000	3m	4.87%
Australian Mutual Bank Ltd	ECD ISSUANCE	2,000,000	4m	4.96%
Australian Mutual Bank Ltd	ECD ISSUANCE	4,000,000	6m	5.13%
Australian Mutual Bank Ltd	ECD ISSUANCE	5,000,000	3.8m	4.83%
Australian Mutual Bank Ltd	ECD ISSUANCE	1,500,000	2.9m	4.74%
B & E Ltd T/A Bank of Us	ECD ISSUANCE	5,000,000	4.8m	4.76%
B & E Ltd T/A Bank of Us	ECD ISSUANCE	2,000,000	3.0m	4.86%
B & E Ltd T/A Bank of Us	ECD ISSUANCE	5,000,000	3m	4.83%
B & E Ltd T/A Bank of Us	ECD ISSUANCE	2,000,000	3.0m	4.83%
Betashares Australian Cash Plus Fund	ECD ISSUANCE	1,000,000	3m	4.90%
Challenger Bank Limited	ECD ISSUANCE	7,000,000	6m	4.87%
Citicorp Nom. P/L ATF Ord Minnet Cash Mgmt Trust	ECD ISSUANCE	5,000,000	6m	4.90%
Citicorp Nom. P/L ATF Ord Minnet Cash Mgmt Trust	ECD ISSUANCE	5,000,000	8.9m	4.90%
Coastline Credit Union	ECD ISSUANCE	2,000,000	3.0m	4.86%
Community First Credit Union	ECD ISSUANCE	2,000,000	3.0m	4.91%
Community First Credit Union	ECD ISSUANCE	2,500,000	3m	4.87%
Community Mutual Ltd (Regional Australia Bank)	ECD ISSUANCE	5,000,000	3.0m	4.86%
Community Mutual Ltd (Regional Australia Bank)	ECD ISSUANCE	3,000,000	3m	4.81%
First Choice Credit Union	ECD ISSUANCE	1,000,000	3m	4.90%
First Choice Credit Union	ECD ISSUANCE	500,000	3m	4.86%
First Option Bank	ECD ISSUANCE	2,000,000	3m	4.91%
First Option Bank	ECD ISSUANCE	1,000,000	3m	4.88%
Gateway Bank	ECD ISSUANCE	5,000,000	3m	4.89%
Gateway Bank	ECD ISSUANCE	5,000,000	3m	4.81%
Horizon Bank	ECD ISSUANCE	2,500,000	3m	4.85%
Horizon Bank	ECD ISSUANCE	2,500,000	3m	4.86%
Hume Bank Ltd	ECD ISSUANCE	2,000,000	3.0m	4.80%
Hume Bank Ltd	ECD ISSUANCE	2,000,000	3.0m	4.83%
Hume Bank Ltd	ECD ISSUANCE	2,000,000	3m	4.91%
IOOF Investment Services Ltd	ECD ISSUANCE	10,000,000	3.0m	4.86%
Judo Bank	ECD ISSUANCE	2,000,000	3m	4.92%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	5.9m	4.84%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.2m	4.88%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	4m	4.99%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.9m	4.97%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.1m	4.88%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.2m	4.92%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.9m	5.00%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	2,000,000	6.0m	5.17%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	3.0m	4.94%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	1,000,000	5.9m	5.17%
Link Fund Solutions ACF TPT Wealth Limited	ECD ISSUANCE	2,000,000	6m	5.13%
Macquarie Credit Union limited	ECD ISSUANCE	1,000,000	3.0m	4.80%
Macquarie Credit Union limited	ECD ISSUANCE	500,000	3m	4.90%
MyState Bank Ltd	ECD ISSUANCE	5,000,000	4.7m	4.78%
QPCU Limited T/A QBANK	ECD ISSUANCE	1,000,000	3.0m	4.85%
QPCU Limited T/A QBANK	ECD ISSUANCE	1,000,000	3.0m	4.86%
QPCU Limited T/A QBANK	ECD ISSUANCE	2,000,000	3m	4.86%
QPCU Limited T/A QBANK	ECD ISSUANCE	2,000,000	3m	4.88%
QPCU Limited T/A QBANK	ECD ISSUANCE	2,000,000	3m	4.81%
Qudos Mutual Ltd ,trading as Qudos Bank	ECD ISSUANCE	5,000,000	3.0m	4.88%
Qudos Mutual Ltd ,trading as Qudos Bank	ECD ISSUANCE	3,000,000	3m	4.81%
Queensland Country Bank	ECD ISSUANCE	5,000,000	3.0m	4.80%
Queensland Country Bank	ECD ISSUANCE	5,000,000	3.0m	4.86%
Queensland Country Bank	ECD ISSUANCE	3,000,000	3.0m	4.91%
Queensland Country Bank	ECD ISSUANCE	3,000,000	3m	4.89%
Southern Cross Credit Union Ltd	ECD ISSUANCE	2,000,000	3m	4.88%
Southern Cross Credit Union Ltd	ECD ISSUANCE	2,000,000	2.7m	4.90%
Summerland Credit Union	ECD ISSUANCE	1,000,000	3.0m	4.74%
Teachers Mutual Bank	ECD ISSUANCE	10,000,000	3.0m	4.83%
Teachers Mutual Bank	ECD ISSUANCE	10,000,000	2.9m	4.92%
Teachers Mutual Bank	ECD ISSUANCE	10,000,000	5.1m	4.99%
Unity Bank Limited	ECD ISSUANCE	3,000,000	4.0m	5.00%
Victoria Teachers Limited T/A Bank First	ECD ISSUANCE	5,000,000	6m	4.96%
WAW Credit Union Co-operative Limited	ECD ISSUANCE	1,500,000	3.0m	4.80%
WAW Credit Union Co-operative Limited	ECD ISSUANCE	1,500,000	3.0m	4.86%
TOTAL		**199,000,000**		