



6 February 2019

General Manager  
Resolution & Enforcement  
Policy and Advice Division  
Australian Prudential Regulation Authority  
By email: [ADIpolicy@apra.gov.au](mailto:ADIpolicy@apra.gov.au)

Dear Sir/Madam

**Re: APRA Discussion Paper: Increasing the loss-absorbing capacity of ADIs to support orderly resolution**

The Australian Financial Markets Association (AFMA) welcomes the opportunity to make comment on APRA's proposals in relation to increasing the loss-absorbing capacity of ADIs to support orderly resolution.

Minimum capital levels are fundamental matters for banks and increases in these requirements must be carefully calibrated to avoid excessive costs being passed onto the economy and the accompanying risks to economic growth.

Given the focus on the D-SIBs and the feedback provided on the likelihood of other ADIs being subject to additional capital requirements we will leave discussion of these more fundamental issues to other parties for the purposes of the consultation.

On this occasion AFMA is restricting itself to commenting on a more technical matter, specifically where APRA is a host authority of a subsidiary of a G-SIB.

Where APRA is a host authority of a subsidiary of a G-SIB, we would encourage APRA to ensure that any identification of an entity as subject to additional loss absorbency requirements is aligned with the identification of a material subsidiary or a material sub-group as agreed with the home authority and the Crisis Management Group (CMG).

The FSB's Guiding Principles on the Internal Total Loss-absorbing Capacity of G-SIBs ('Internal TLAC') published in July 2017 set out that if a host authority proposes to identify a subsidiary as material when the parent is not considered material by the home authority, such a proposal would need to be rationalised and consulted with the home authority prior to making such identification.

We believe that the list of material sub-groups/subsidiaries of a G-SIB should continue to be reviewed and agreed in the CMG on an annual basis. The result of such an analysis would then determine whether additional loss-absorbing capacity will be required and where it will be pre-positioned within the G-SIB.

We trust this submission is of assistance.

Please feel free to contact me for more information at [djeffree@afma.com.au](mailto:djeffree@afma.com.au) or on 02 9776 7993.

Yours sincerely

A handwritten signature in black ink that reads "Damian Jeffree". The signature is written in a cursive, slightly slanted style.

Damian Jeffree

Director of Policy and Professionalism