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**Prudential Standard APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (IRRBB)**

We welcome APRA's November 2022 release of the revised version of APS 117 and the exclusion of non-significant financial institutions (non-SFIs) from the qualitative requirements under the standard. In particular, we commend APRA for its exclusion of foreign ADI branches from the requirements of the standard, this being an efficient and proportionate response and the main theme of our submission in December 2019. We note that non-SFIs and foreign ADI branches remain subject to *Prudential Standard CPS 220 Risk Management* and as such are still required to appropriately manage their IRRBB risk in a proportionate way relative to their scale and complexity.

***New proposed revisions***

The proposed revisions are generally in response to the marked increase in ADIs' IRRBB capital requirements under the current APS 117, largely driven by the change in the interest rate environment and are intended to result in a more stable IRRBB capital charge.

***Timeline***

We note that the effective implementation of the revised APS 117 is targeted for 1 January 2025, and that the implementation date on a revised prudential standard for market risk (*Prudential Standard APS 116 Capital Adequacy: Market Risk*) is targeted for 1 January 2026. We further note that the Credit Valuation Adjustment (CVA) risk framework will be implemented through a revised *Prudential Standard APS 180 Capital Adequacy: Counterparty Credit Risk*, and that APRA will consult on the proposed revisions to these standards in 2023/24. We commend APRA to continue to be flexible in its timelines, allowing adequate time for ADIs to prepare once the revised standards are finalised.

Yours sincerely

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Director Policy and Markets