



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **13(b)**

Meeting Date: 12 September 2011

Subject: APRA releases discussion paper on implementation of Basel III capital reforms

Date: 6 September 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To bring to the attention of the AUASB APRA's timetable on implementation of Basel III capital reforms in Australia and any impact this may have on the timing of the future revision to GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions*.

Background

The Australian Prudential Regulation Authority (APRA) has released for consultation a discussion paper outlining its proposed implementation of the Basel III capital reforms in Australia. The discussion paper is a response to a package of measures released by the Basel Committee on Banking Supervision in December 2010, and revised in June 2011, to raise the level and quality of capital in the global banking system.

Following consideration of submissions received on this paper, APRA will undertake a second consultation in early 2012 on the detailed prudential and reporting requirements that will give effect to the Basel III capital reforms in Australia.

In APRA's view, ADIs in Australia are well placed to meet the new minimum capital requirements and APRA is therefore proposing to accelerate aspects of the Basel Committee's timetable. It is proposing to require ADIs to meet the revised Basel III minimum capital ratios and regulatory adjustments in full from 1 January 2013, and to meet the capital conservation buffer in full from 1 January 2016. APRA will adopt transitional arrangements for capital instruments that no longer qualify as Additional Tier 1 capital or Tier 2

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capital. For ADIs that wish to issue capital instruments prior to the new capital standards being finalised and implemented, APRA confirms that its existing guidance (as set out in its letters to ADIs of 17 September 2010 and 27 May 2011) is unaffected by these proposals and remains in force.

Matters to Consider

The Basel III reforms project and its timing were discussed by the AUASB with APRA at the 16 August quarterly meeting. It is likely that any changes stemming from the Basel III capital reforms will impact the reporting forms as specified in Appendix 1 of GS 012 and some of the guidance.

As previously discussed with the AUASB at the February 2011 meeting, any revision to GS 012 is scheduled for the medium/longer term (12 to 18 months) and is dependent on when the new APRA standards (end of 1st Qtr 2012) and forms (Jan 2013) are finalised and released for adoption.

Material Presented

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