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Proportionality and Significant Financial Institutions

The Australian Financial Markets Association (AFMA) welcomes the opportunity to make comment on APRA's above-referenced consultation. These comments are our general assessment of these factors and are provided on the basis that our ADI members will be directly presenting their views to APRA.

In our 14 April response to APRA's Post-implementation review of the Basel III liquidity ratios in Australia, we noted that the branches of foreign ADIs will be excluded from the definition of a significant financial institution (SFI).

This exclusion suggests that the nature, scale and complexity of a foreign ADI branch generally reduces the systemic importance in the Australian context, particularly as foreign ADI's business activities and associated liquidity management are ultimately constrained by the LCR and NSFR requirements that apply in the head office jurisdiction. We believe that in authorising a foreign ADI branch to conduct business in Australia APRA will have taken this into account.

On this basis we commend APRA to consider further extending the application of its SFI definition across a wider range of Prudential Standards, and particularly those relating to the Basel III liquidity ratios. For more information, or if you have questions in relation to this letter, please contact me at mregan@afma.com.au

Yours sincerely

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