30 October 2026

The Australian Treasury

Via upload

CONSULTATION ON THE BANKING REGULATIONS 2026

Dear Sir/Madam,

The Australian Financial Markets Association (**AFMA**) is supportive of the draft regulations to increase the covered bond issuance limit for authorised deposit-taking institutions (**ADIs**) to 12 per cent of an ADI's assets, up from the current limit of 8 per cent.

We recommend that the new cap come into effect with the passage of the change.

Additionally, we encourage Treasury to amend the *Banking Act (section 31A(1))* to increase the statutory overcollateralisation limit from 103% to 105%. Doing so would have limited to no impact on current practices but would align the Australian framework to the European requirements, supporting Australia's case for EU third-country equivalence.[1]

AFMA does not have any comments on the other aspects covered in the draft regulations.

If you have questions in relation to this letter, please do not hesitate to contact me at brendonh@afma.com.au or 0411 281 562.

Regards,



Brendon Harper

Head of Banks and Prudential
Australian Financial Markets Association

[1] Article 129(3a) of the EU's Capital Requirements Regulation 575/2013 requires qualifying European covered bonds to maintain at least 5% over-collateralisation.

> *In addition to being collateralised by the eligible assets listed in paragraph 1 of this Article, covered bonds shall be subject to a minimum level of 5 % of overcollateralisation as defined in point (14) of Article 3 of Directive (EU) 2019/2162*.

About AFMA and its members

The Australian Financial Markets Association is the peak industry body for Australia's financial markets industry – including the capital, credit, derivatives, foreign exchange, and other specialist markets. AFMA represents more than 140 industry participants from Australian and international banks, superannuation funds, leading brokers, securities companies, and government treasury corporations to asset managers, energy firms, carbon market participants, and industry service providers.

AFMA promotes efficiency, integrity, and professionalism in Australia's financial markets enabling the markets to continue to support the Australian economy, high skilled job markets and the energy transition.