

# ASF Evening Series

## APS 120

13 May 2014

# APRA's proposed approach

- **Key principles**
  - Principles based rather than rules based approach
  - Clear and simple framework
  - Recognition of funding only securitisations
  - Simpler requirements for capital relief
- **Explicit recognition of 2 categories of securitisation transactions**
  - Funding only
  - Capital relief

# Funding Only & Capital Relief – a brief comparison

	Funding Only	Capital Relief
Regulatory Capital Relief	No	Yes
Capital Structure	A1 } A2 } pari passu A3 } for credit } purposes  B    (ADI to hold 100%)	A1 } A2 } pari passu A3 } for credit } purposes  B1   (ADI to hold ≥ 20%) B2   (ADI to hold ≥ 20%) B3   (ADI to hold ≥ 20%)
Date-Based Call	Yes – at projected 10% level  (but not for warehouse transactions)	No

# Warehouse securitisations

- **Key points**

- Originating ADI may treat warehouse as a funding only or capital relief transaction
- Call options are not permitted
- If assets stay in warehouse  $\geq 1$  year, the assets will be deemed to be held on the balance sheet of the warehouse financier for prudential capital purposes

- **Some clarification may assist**

- Application only to assets  $\geq 1$  year
- Application only to capital relief transactions
- Treatment of warehouses with non-ADIs, where no capital leakage

# Master Trusts

- The good news

- Proposal to accommodate master trusts will be recognised in the revised APS 120 framework

- The bad news

- Date-based calls
- No early amortisation triggers – is that right ?