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Mr Michael Bath
Head, Global Markets and Business Strategy
Australian Office of Financial Management
Treasury Building
Newlands Street
PARKES ACT 2600

By email: absf@aofm.gov.au

Dear Michael

ASF response to Request for comment on draft ABSF investment principles

Thank you for the opportunity to review and comment on the draft ABSF guiding principles to be applied in the ABSF investment assessment process.

As you are aware, the Australian Securitisation Forum (ASF) is the peak industry association representing the Australian securitisation markets to local and global policymakers and regulators. We have sought the views of our constituents on the draft ABSF investment principles. The broad consensus is that owing to the non-prescriptive nature of the draft principles they are adequate and appropriate for the SME asset class which has a diverse lending base and market coverage.

We have the following specific comments:

1. We note that the AOFM does acknowledge that the ABSF investment should not undermine the existing market's approach to lending to SME lenders but assist with market development and increase competition for SME lending generally. There is clearly a desire for the AOFM to work collaboratively (where possible) with existing lenders to/investors in the SME sector.
2. We understand that the principles are to be used for identifying transactions that will meet the Government's policy objectives of increasing the availability of finance to SMEs and developing market infrastructure to facilitate securitisation of SME loans. We suggest some assessment guidance be provided to assist applicants with proposals. For example, there is reference to some key but somewhat undefined high level concepts (*demonstration of*

investment grade risk profile, compliance with related rules and directions) which may be challenging for potential applicants with little experience of this market to respond to effectively without more guidance as to what information is being sought.

3. On the risk management side, given the ABSF is a fund whose primary purpose is to invest in “securitisable” assets we would recommend the risk profile should also make reference to actual/expected asset quality and performance as a key consideration for the AOFM in assessing a proposal.

We look forward to further guidelines and explanations on the broader investment assessment process that the AOFM will undertake in considering transactions to invest in. In that regard, we understand that the AOFM will aim to publicize more detailed assessment criteria against which investment proposals will be evaluated at public information sessions in July.

Please do not hesitate to contact us to discuss our comments. We welcome the opportunity to engage with the AOFM in further discussions.

Yours sincerely

A handwritten signature in black ink that reads "Chris Dalton". The signature is written in a cursive, flowing style.

Chris Dalton