Olding, Marianna

From: Hyde, Matthew
Sent: Monday, 28 June 2021 10:10 AM
To: 'Holland, Gideon'
Cc: Lattimore, Ralph; CN Office; Leong, Anthony; Sharkey, Jane
Subject: RE: ABGF Competitive Neutrality Complaint - Request for information [SEC=OFFICIAL:Sensitive]

OFFICIAL:Sensitive

Hi Gideon

Thanks for providing APRA's response to our questions last week; we'll get back to you if we require any further clarification on those points

And thanks for confirming that we can share the letter with the complainant

Thanks
Matthew

From: Holland, Gideon <[redacted]>
Sent: Friday, 25 June 2021 6:40 PM
To: Hyde, Matthew <[redacted]>
Cc: Lattimore, Ralph <[redacted]>; CN Office <[redacted]>; Leong, Anthony <[redacted]>; Sharkey, Jane <[redacted]>
Subject: RE: ABGF Competitive Neutrality Complaint - Request for information [SEC=OFFICIAL:Sensitive]

OFFICIAL:Sensitive

Matthew,

You asked whether APRA would be happy for this letter to be shared with the complainant. I can confirm that we would be.

Thanks,
Gideon

From: Holland, Gideon
Sent: Friday, 25 June 2021 3:43 PM
To: Hyde, Matthew <[redacted]>
Cc: Lattimore, Ralph <[redacted]>; CN Office <[redacted]>; Leong, Anthony <[redacted]>; Sharkey, Jane <[redacted]>
Subject: RE: ABGF Competitive Neutrality Complaint - Request for information [SEC=OFFICIAL:Sensitive]

OFFICIAL:Sensitive

Matthew,

Thank you for these questions. Please see attached a written response from APRA. We would be very happy to discuss further if that would be helpful.

Kind regards,

Gideon

GIDEON HOLLAND
[redacted]
D [redacted] | E [redacted]

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY
1 Martin Place (Level 12), Sydney, NSW 2000
GPO Box 9836, Sydney, NSW 2001
T 02 9210 3000 | W www.apra.gov.au

From: Hyde, Matthew <[redacted]>
Sent: Friday, 18 June 2021 5:00 PM
To: Holland, Gideon <[redacted]>
Cc: Lattimore, Ralph <[redacted]>; CN Office <[redacted]>
Subject: ABGF Competitive Neutrality Complaint - Request for information [SEC=OFFICIAL:Sensitive]

OFFICIAL:Sensitive

Hi Gideon

Thank you for your return call this afternoon.

As discussed, the Australian Government Competitive Neutrality Complaints Office is investigating a complaint into the Australian Business Growth Fund (ABGF). We are currently preparing an in-house draft report that, once drafted, we will provide to APRA, the ABGF, the Treasury and the complainant for comment.

Before doing so, we would like to ensure that we are correct in our understanding of a few matters.

We are aware that APRA revised its capital treatment of ADI investments in the ABGF in its letter of 9 December 2019. The complainant saw this as attributable to the ownership stake of the Australian Government in the ABGF. In considering whether this is the case, we would appreciate a response to the following questions.

1) Are there (or have there previously been) any other investment funds similar in design to the ABGF in Australia: that is, joint equity investment funds co-owned by multiple ADIs — but without government involvement?
    - If so, were the relevant ADIs able to access the 250% risk weighting on their investments? If not, what was the reason for that?

2) Can APRA clarify whether any new funds similar in form and function to the ABGF would be eligible to receive the same capital treatment, or whether the capital treatment is limited *only* to investments in the ABGF?
    - If the treatment is limited to the ABGF only, why is that the case?
3) Our interpretation of APRA's testimony to the Senate Economics Committee, in scrutinising the ABGF legislation, is that APRA would have provided the same treatment to a fund akin to the ABGF had the Australian Government not held an ownership stake. (The phrasing used was that Australian Government ownership 'certainly wasn't a requirement'.)
    - Is our interpretation of this accurate?
4) Our interpretation of Section 8(2) of your Act, alongside testimony before the Senate Economics Committee, is that APRA is not required to consider competitive neutrality in relation to the ABGF, because the ABGF itself is not regulated by APRA.
    - Is our interpretation of this accurate?

As discussed, we'd appreciate a brief written response to these questions — but we're happy to meet next week to discuss this further.

And as for our process from here: we will produce a final report after we've received feedback from relevant parties on the draft report. The final report will be a public document, but we will provide APRA with a copy prior to publication.

Happy to discuss further to clarify

Regards,
Matthew Hyde
Australian Government Competitive Neutrality Complaints Office
Productivity Commission
4 National Circuit, Barton ACT 2600
ph. [redacted] | mob. [redacted] | [redacted] | www.pc.gov.au

The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.