



5 August 2021

Mr Matthew Hyde
Australian Government Competitive Neutrality Complaints Office
Productivity Commission
By email:

Dear Mr Hyde

Thank you for your email on 12 July 2021 seeking further information on APRA's approach to ADI investments in the Australian Business Growth Fund (ABGF). In your email, you requested documentation on "*the timing of when APRA made its decision concerning the treatment of ADI investments in the ABGF, relative to the timing of the Australian Government's decision to invest in the fund (and APRA's awareness of the Government's decision).*" You also requested APRA's views on Mr Bucknell's statement.

There are two key dates in relation to the specific question around APRA's awareness of the Government's decision to invest:

- **27 November 2018:** APRA determined the capital treatment for the ABGF, including the risk weighting level and limits on the size of ADI investments. APRA's policy governance committee endorsed the proposed capital treatment, but noted that APRA would not commit itself or announce before the ABGF was established. APRA was not aware at this time of the Government's decision to invest in the ABGF.
- **28 October 2019:** Given that there had been no changes to the ABGF, APRA finalised the capital treatment, and shared a draft of the letter outlining this treatment with Treasury.

In the period between November 2018 and October 2019, Mr Bucknell and Ms Kennedy met with APRA and outlined an alternative structure to the ABGF proposal (21 May 2019). APRA advised Mr Bucknell that the fund structure was a matter for Government, not APRA.

In summary, APRA determined the in-principle capital treatment based on the provisional structure of the ABGF in November 2018, and confirmed this in October 2019 as final once the Government established the Fund. APRA did not make changes to the capital treatment on account of the Government's intention to invest.

Please feel free to contact me if you wish to discuss further.

Yours sincerely,

Gideon Holland
General Manager
Policy and Advice