

## NZX release

For release: 20 August 2019

### **APRA confirms reduction in limits on ADIs' related entities exposures**

The Australian Prudential Regulation Authority (APRA) today confirmed it will implement its previously announced proposal<sup>1</sup> to reduce limits for Australian ADIs' exposures to related entities, reducing limits from 50% of Level 1 Total capital to 25% of Level 1 Tier 1 capital.

Australia and New Zealand Banking Group Limited's (ANZ) exposure to ANZ Bank New Zealand Limited (ANZ NZ) is impacted by this change. APRA's announcement means, all else being equal, ANZ could have limited capacity to increase exposures to ANZ NZ, although the final impact will be dependent on a number of factors, including the size and composition of ANZ's and ANZ NZ's balance sheets at the time of implementation.

While the change announced today is effective January 2021, ANZ NZ notes APRA's statement that they are open to providing entity-specific transitional arrangements or flexibility on a case by case basis. ANZ NZ expects this flexibility could include the timeframe available and the circumstances under which an exemption may be available, such as periods of funding market disruption.

As a result of the change, ANZ NZ may be required to retain a higher proportion of its earnings to meet any increased capital requirements.

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<sup>1</sup> APRA's Discussion Paper entitled "Revisions to the related entities framework for ADIs" issued in July 2018 together with a draft Prudential Standard APS222 (Associations with related entities).  
[ANZ Bank New Zealand Limited](#)