Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Department/Agency: Australian Prudential Regulation Authority
Question: 177
Topic: International banking system
Reference: Written
Senator: Ketter, Chris

Question:

1. The IMF has indicated it views Deutsche Bank as the most significant contributor to systemic risk. What is APRA's view of the systemic risk of a bank failure of that magnitude for the global financial system?

2. Is APRA aware of Australian banks or financial actors having any direct exposure to Deutsche Bank or any of its affiliates?

Answer:

1. In 2011, as part of reforms introduced following the GFC, the Financial Stability Board (FSB) published a set of policy measures to address the systemic risks associated with systemically important financial institutions. This included the identification of global systemically important banks (G-SIBs) using a methodology developed by the Basel Committee on Banking Supervision. Many of the reforms introduced by the FSB, BCBS and national regulators since the GFC are intended to reduce the systemic risk posed by G-SIBs. This includes addressing the issue of 'too big to fail', by introducing regimes intended to enable a failing G-SIB to be resolved in an orderly fashion on a cross-border basis. However, while these reforms provide a framework for reducing the impact of a failed G-SIB on the global financial system, such a failure would inevitably be disruptive and APRA's view is that further implementation and operational work is required before the international framework is reliably robust.

2. Deutsche Bank operates in Australia as a foreign branch ADI, primarily providing investment banking services to wholesale clients. It also has a number of non-APRA regulated operations that carry out a range of financial services in support of its investment banking activities. As a result, Australian ADIs and other counterparties may have exposures to Deutsche Bank. These are often mitigated through a range of common market practices, including, for example, collateral via margining arrangements.