

RBA TERM FUNDING FACILITY WORKED EXAMPLES

The following hypothetical examples illustrate how Funding Allowances are calculated under the Term Funding Facility (TFF).

Initial Allowance Calculation

Example 1

Bank A and Bank B extend credit, so are eligible to participate in the TFF. The Initial Allowance is equal to 3 per cent of their Total Credit Outstanding to Australian resident households and (non-related) businesses; credit extended to non-residents is excluded.

Bank A reports credit data to APRA monthly on form ARF_720_1A/B. Its Initial Allowance is calculated using the average of Total Credit Outstanding in the three months ending 31 January 2020.

Bank A: Initial Allowance Calculation

Item	Total Credit Outstanding		Initial Allowance
	A	B	
Month	Reported value at month-end	Average of A in past 3 months	3 per cent of B
Nov-19	\$980		
Dec-19	\$1,000		
Jan-20	\$1,020	\$1,000	\$30

Bank B reports credit data to APRA quarterly on form ARF_323_0. Its Initial Allowance is calculated using Total Credit Outstanding data for the quarter ending 31 December 2019.

Bank B: Initial Allowance Calculation

Item	Total Credit Outstanding	Initial Allowance
	A	
Quarter	Reported value at quarter-end	3 per cent of A
Dec-19	\$100	\$3

Additional Allowance Calculation

Example 2

Bank C and Bank D report their business credit data monthly, either to APRA on form ARF_742_0A/B or directly to the RBA. The Additional Allowance is equal to the sum of:

1. One times the dollar increase in Large Business Credit Outstanding from the three months ending 31 January 2020 to the three months ending 31 January 2021 (if there is a decline in Large Business Credit Outstanding, then this is zero); and
2. Five times the dollar increase in SME Credit Outstanding, where the dollar increase is the greater of:
 - (a) *First method*: the increase in SME Credit Outstanding from the three months ending 31 January 2020 through to the three months ending 31 January 2021 (if there is a decline in SME Credit Outstanding, then this is zero); or

- (b) Second method: the increase in SME Credit Outstanding from 29 February 2020 through to the three months ending 31 January 2021 (if there is a decline in SME Credit Outstanding, then this is zero).

Contribution of Large Business Credit to Additional Allowance

Bank C steadily increases Large Business Credit Outstanding from February 2020 through to January 2021. The contribution of Large Business Credit to Bank C's Additional Allowance increases each month.

Bank C: Large Business Contribution to Additional Allowance

Item	Large Business Credit Outstanding			Contribution to Additional Allowance
	A	B	C	
Month	Reported value at month-end	Average of A in past 3 months	Change in B since 31 January 2020	Greater of C and 0
Nov-19	\$100			
Dec-19	\$102			
Jan-20	\$104	\$102	\$0	
Feb-20	\$106	\$104	\$2	\$2
Mar-20	\$108	\$106	\$4	\$4
Apr-20	\$110	\$108	\$6	\$6
May-20	\$112	\$110	\$8	\$8
Jun-20	\$114	\$112	\$10	\$10
Jul-20	\$116	\$114	\$12	\$12
Aug-20	\$118	\$116	\$14	\$14
Sep-20	\$120	\$118	\$16	\$16
Oct-20	\$122	\$120	\$18	\$18
Nov-20	\$124	\$122	\$20	\$20
Dec-20	\$126	\$124	\$22	\$22
Jan-21	\$128	\$126	\$24	\$24

Bank D also increases Large Business Credit Outstanding from February 2020 through to January 2021. However, it declines for few consecutive months during the TFF reporting window, so the Large Business contribution to Bank D's Additional Allowance declines to zero for a period.

Bank D: Large Business Contribution to Additional Allowance

Item	Large Business Credit Outstanding			Contribution to Additional Allowance
	A	B	C	
Month	Reported value at month-end	Average of A in past 3 months	Change in B since 31 January 2020	Greater of C and 0
Nov-19	\$100			
Dec-19	\$102			
Jan-20	\$104	\$102	\$0	
Feb-20	\$106	\$104	\$2	\$2
Mar-20	\$108	\$106	\$4	\$4
Apr-20	\$105	\$106	\$4	\$4
May-20	\$102	\$105	\$3	\$3
Jun-20	\$99	\$102	\$0	\$0
Jul-20	\$101	\$101	-\$1	\$0
Aug-20	\$103	\$101	-\$1	\$0
Sep-20	\$105	\$103	\$1	\$1
Oct-20	\$107	\$105	\$3	\$3
Nov-20	\$109	\$107	\$5	\$5
Dec-20	\$111	\$109	\$7	\$7
Jan-21	\$113	\$111	\$9	\$9

Contribution of SME Credit to Additional Allowance

The contribution of SME Credit to Additional Allowances is calculated using two different methods, depending on which method produces the larger Additional Allowance:

1. Bank C's stock of SME Credit Outstanding **increased** in the three months to February 2020: the 'first method' for calculating the change in SME credit produces the larger Additional Allowance.
2. Bank D's stock of SME Credit Outstanding **decreased** in the three months to February 2020: the 'second method' produces the larger Additional Allowance.

Bank C: SME Contribution to Additional Allowance

Item	SME Credit Outstanding			Contribution to Additional Allowance
	A	B	C	
Month	Reported value at month-end	Average of A in past 3 months	Change in B since 31 January 2020	5 times the greater of C and 0
Nov-19	\$100			
Dec-19	\$102			
Jan-20	\$104	\$102	\$0	
Feb-20	\$106	\$104	\$2	\$10
Mar-20	\$108	\$106	\$4	\$20
Apr-20	\$110	\$108	\$6	\$30
May-20	\$112	\$110	\$8	\$40
Jun-20	\$114	\$112	\$10	\$50
Jul-20	\$116	\$114	\$12	\$60
Aug-20	\$118	\$116	\$14	\$70
Sep-20	\$120	\$118	\$16	\$80
Oct-20	\$122	\$120	\$18	\$90
Nov-20	\$124	\$122	\$20	\$100
Dec-20	\$126	\$124	\$22	\$110
Jan-21	\$128	\$126	\$24	\$120

Bank D: SME Contribution to Additional Allowance

Item	SME Credit Outstanding			Contribution to Additional Allowance
	A	B	C	
Month	Reported value at month-end	Modified average of A in past 3 months*	Change in B since 29 February 2020	5 times the greater of C and 0
Nov-19	\$112			
Dec-19	\$110			
Jan-20	\$108			
Feb-20	\$106	\$106	\$0	\$0
Mar-20	\$108	\$107	\$1	\$5
Apr-20	\$110	\$108	\$2	\$10
May-20	\$112	\$110	\$4	\$20
Jun-20	\$114	\$112	\$6	\$30
Jul-20	\$116	\$114	\$8	\$40
Aug-20	\$118	\$116	\$10	\$50
Sep-20	\$120	\$118	\$12	\$60
Oct-20	\$122	\$120	\$14	\$70
Nov-20	\$124	\$122	\$16	\$80
Dec-20	\$126	\$124	\$18	\$90
Jan-21	\$128	\$126	\$20	\$100

*Feb-20 is the February 2020 month-end value. Mar-20 is the average of March and February 2020. Apr-20 and subsequently is the average of the past 3 months.

Example 3

Bank E reports its business credit data to the RBA on a quarterly basis, using the TFF reporting template. The RBA will re-calculate Bank E's Additional Allowance on a quarterly basis. Nevertheless, the RBA will notify Bank E of the current and unused value of its Additional Allowance at the start of each month from April 2020 through to June 2021.

For ADIs that report business credit data quarterly, there is only one SME Credit calculation method for the Additional Allowance. The Additional Allowance is equal to the sum of:

3. One times the dollar increase in Large Business Credit Outstanding from the quarter ending 31 December 2019 to the quarter ending 31 December 2020 (if there is a decline in Large Business Credit Outstanding, then this is zero); and
4. Five times the dollar increase in SME Credit Outstanding from the quarter ending 31 December 2019 to the quarter ending 31 December 2020 (if there is a decline in SME Credit Outstanding, then this is zero).

Bank E: Large Business Contribution to Additional Allowance

Item	Large Business Credit Outstanding		Contribution to Additional Allowance
	A	B	
Quarter	Reported value at quarter-end	Change in A since 31 December 2019	Greater of B and 0
Dec-19	\$102	\$0	
Mar-20	\$108	\$6	\$6
Jun-20	\$114	\$12	\$12
Sep-20	\$120	\$18	\$18
Dec-20	\$126	\$24	\$24

Bank E: SME Contribution to Additional Allowance

Item	SME Credit Outstanding		Contribution to Additional Allowance
	A	B	
Quarter	Reported value at quarter-end	Change in A since 31 December 2019	5 times the greater of B and 0
Dec-19	\$102	\$0	
Mar-20	\$108	\$6	\$30
Jun-20	\$114	\$12	\$60
Sep-20	\$120	\$18	\$90
Dec-20	\$126	\$24	\$120

Supplementary Allowance Calculation

Example 4

Bank A and Bank B extend credit, so are eligible to participate in the TFF. The Supplementary Allowance is equal to 2 per cent of their Total Credit Outstanding to Australian resident households and (non-related) businesses; credit extended to non-residents is excluded.

Bank A reports credit data to APRA monthly on form ARF_720_1A/B. Its Supplementary Allowance is calculated using the average of Total Credit Outstanding in the three months ending 31 July 2020.

Bank A: Supplementary Allowance Calculation

Item	Total Credit Outstanding		Initial Allowance
	A	B	
Month	Reported value at month-end	Average of A in past 3 months	2 per cent of B
May-20	\$980		
Jun-20	\$1,000		
Jul-20	\$1,020	\$1,000	\$20

Bank B reports credit data to APRA quarterly on form ARF_323_0. Its Supplementary Allowance is calculated using Total Credit Outstanding data for the quarter ending 30 June 2020.

Bank B: Supplementary Allowance Calculation

Item	Total Credit Outstanding		Initial Allowance
	A		
Quarter	Reported value at quarter-end		2 per cent of A
Jun-20	\$100		\$2