



Structured Finance Support (Coronavirus Economic Response Package) (Delegation) Direction 2020

I, Josh Frydenberg, Treasurer, give the following direction.

Dated: 26 March 2020

Josh Frydenberg
Treasurer

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Part 1—Preliminary

1 Name

This instrument is the *Structured Finance Support (Coronavirus Economic Response Package) (Delegation) Direction 2020*.

2 Commencement

This instrument commences on the day it is made.

3 Authority

This instrument is made under subsection 18(4) of the *Structured Finance Support (Coronavirus Economic Response Package) Act 2020*.

4 Definitions

In this instrument:

Act means the *Structured Finance Support (Coronavirus Economic Response Package) Act 2020*.

ADI means an authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

debtor has the meaning given by subsection 204(1) of the National Credit Code.

smaller lender means:

- (a) an ADI that:
 - (i) is not able to access a term funding facility provided by the Reserve Bank of Australia because it does not have the capacity to provide collateral that is acceptable to the Bank for the purposes of that facility; and
 - (ii) is not a subsidiary of another ADI where the other ADI is able to access such a term funding facility; or
- (b) a non-ADI lender within the meaning of the *Banking Act 1959*.

subsidiary has the same meaning as in the *Corporations Act 2001*.

5 What this instrument does

Part 2 of this instrument sets out, for the purposes of subsection 18(4) of the Act, directions to delegates under subsection 18(1) of the Act about the exercise of the Minister's powers under section 12 of the Act.

Part 2—Directions

6 Investment strategies and policies

In making investments, a delegate must prioritise the following:

- (a) investments that provide support to smaller lenders that have lost access to reasonably priced funding due to the economic effects of the Coronavirus known as COVID-19;
- (b) investments that maintain and encourage investment by the private sector in the securitisation market for smaller lenders;
- (c) investments that are likely to promote competition in the securitisation market for smaller lenders;
- (d) investments that are structured so as:
 - (i) not to restrict renegotiation by smaller lenders and debtors of arrangements for making payments under contracts for credit; and
 - (ii) to allow smaller lenders to provide forbearance to debtors in respect of payments under contracts for credit;
- (e) investments that do not adversely affect the capacity of smaller lenders to provide credit.

7 Investment decision-making criteria

In making an investment, a delegate must consider the following:

- (a) whether making the investment will be consistent with the strategies and policies set out in section 6;
- (b) the potential of the investment to affect other participants or prospective participants in the securitisation market for smaller lenders, having regard to the strategies and policies set out in section 6;
- (c) if the investment would be made at a rate of return that is less than the market rate—whether the investment is reasonably required, having regard to:
 - (i) the strategies and policies set out in section 6; and
 - (ii) the other decision- making criteria in this section;
- (d) whether making the investment will be appropriate, having regard to the matters relating to risk and return set out in section 8;
- (e) whether making the investment will be consistent with the Act (including the objects of the Act).

8 Investment risk and return

In making investments, a delegate must:

- (a) ensure that the investments of the Fund have an acceptable level of risk, including risk to the Commonwealth balance sheet (noting that credit losses may be higher in the short to medium term due to the economic effects of the Coronavirus known as COVID-19); and
- (b) aim to achieve over the medium to long term a positive net financial return.

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