Attachment I

Criteria for capital issues involving special purpose vehicles

1. The following requirements must be met for capital instruments issued through an SPV to qualify as Regulatory Capital:

   (a) the SPV issuing the instrument is a single purpose non-operating entity established for the sole purpose of raising capital for the ADI[59] and the SPV would, in accordance with Australian Accounting Standards, be fully consolidated in the Level 2 group;

   (b) capital instruments issued by the ADI to the SPV, and capital instruments issued by the SPV, to investors must meet the requirements of this Prudential Standard for Additional Tier 1 and Tier 2 Capital set out in Attachment E and Attachment H of this Prudential Standard, as appropriate;

   (c) capital instruments issued by the SPV must not be funded, directly or indirectly, by the ADI or any other member of a group to which the ADI belongs. Similarly, the ADI or other member of a group to which it belongs may not provide any funding to the SPV itself, other than to cover its administrative operating expenses;

   (d) the only asset[60] of the SPV is its investment in capital instruments issued by the ADI for which it raises capital. The SPV must have no material liabilities other than its issued capital instruments;

   (e) instruments issued by the ADI to the SPV, and by the SPV to third party investors, must:

      (i) be of the same category of Regulatory Capital (e.g. both Additional Tier 1 Capital instruments, or both Tier 2 Capital instruments);

      (ii) if Tier 2 Capital instruments, have the same maturity; and

      (iii) have terms and conditions that mirror each other;

   (f) the proceeds from the issue of a capital instrument by the SPV must be immediately and directly invested in, and available without limitation to, the ADI.

   (g) where a loss absorption trigger point is reached (Attachment F) or a non-viability trigger event occurs (Attachment J), the instruments issued to the

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59 In this Attachment reference to an ADI includes a standalone ADI, an ultimate holding company or an operating subsidiary included in the Level 2 group.

60 Assets that relate to the operation of the SPV may be excluded from this assessment if they are *de minimis*.

SPV, and by the SPV to investors, must be subject to conversion or write-off into ordinary shares (or mutual equity interests) in accordance with the requirements in those Attachments. In such circumstances, investors in instruments issued by the SPV irrevocably cease to have any claims on the SPV or the ADI;

(h) where capital instruments issued by an SPV are converted into ordinary shares of the ADI (or mutual equity interests) or parent entity, such conversions are subject to the requirements (including limits) covering conversion set out in Attachments E, F, H and J; and

(i) the main features of the instrument issued by the SPV and the structure of the issue are transparent and capable of being understood by investors. An issue is not eligible for inclusion in an ADI's Additional Tier 1 Capital or Tier 2 Capital, at Level 1 or Level 2, where the complexity of its structure raises doubt over the legal and regulatory risk associated with it.

2. An SPV may be established to issue tranches of one instrument where the only change in the terms and conditions of the tranches is a variation in distribution or payments to be made on the instrument. An SPV may not issue different forms of an instrument even if they belong to the same category of capital instruments.

3. The amount of capital issued by consolidated subsidiaries to third parties through an SPV that may be included in Tier 1 Capital or Total Capital is to be determined in accordance with Attachment C of this Prudential Standard.