

Subject: AFGD Capital Adequacy Policy		Procedure Reference Number RM003
Date Approved: The Corporate Trustees of the Diocese of Grafton 16/11/2016		Revision Number – Revision 1 20/12/2018 – no change to version approved 16/11/2016
Policy Implementation Date: 16/11/2016	Review date and frequency 20/12/2020, every two years	Responsible for review AFGD Board

1. PURPOSE

To set an adequate level and a system of capital adequacy risk management after taking into account the risk characteristic in the placement of depositors' funds and fund equity. Capital adequacy serves to protect depositors' funds and provide confidence in the stability of the Fund.

2. SCOPE

This policy is to guide the Board of AFGD as to the management of the investment portfolio in such a way to ensure that there is sufficient asset backing for all investments after accounting for the risk inherent in each.

3. DEFINITIONS

- i. Capital Asset: A tangible asset arising from depositors' funds or equity of AFGD.
- ii. Risk Weighted Asset: The value of a specific tangible asset multiplied by a risk weighting to reflect the risk characteristic in the placement of those funds.
- iii. Capital Adequacy: The sum of Capital Assets divided by the sum of Risk Weighted Assets and multiplied by 100
- iv. Risk weightings: Anglican Funds Grafton Diocese have adopted the following risk weightings as recommended by the Anglican Church of Australia's Diocesan Financial Advisory Task Force on 25th May 2012.

Cash (Government Securities, A rated Australian Banks)	10%
Cash (Other Australian Banks and ADIs)	20%
Anglican Loans – Unsecured	100%
Anglican Loans – Secured	50%
Undrawn Anglican Loans – Secured	50%
Redraw funds available	50%
External Loans – secured Commercial	100%

Property	
Undrawn External Loans – Secured	100%
100%Commercial Property	
Equities	400%
Other Investments	300%
Other Claims/Debtors	100%

4. POLICY

- i. The Board of AFGD will monitor Capital Adequacy at each meeting.
- ii. The Board will make investment decisions such that Capital Adequacy reaches and is maintained at not less than 10%.

5. REPORTING

Management is to report to the AFGD board at each meeting the Capital Adequacy of the fund and any actual and likely breaches of the risk measure.

6. REFERENCES

- Diocese Governance Ordinance 2008 Chapter 18.
- General Synod's - Diocesan Financial Advisory Task Force (DFATF) - Anglican Development Fund Minimum Standards
- APRA Prudential Standard APS 110 Capital Adequacy