

*Mr BANDT: You mentioned directions since the GFC. During the GFC you got access to the wholesale funding guarantee at a rate cheaper than your competitors. Mr Narev: I am not sure that is right. I was the head of strategy at the bank at the time and I remember this very well. Every other government around the world had to provide the guarantee because, in most cases, its banks were not strong. The Australian government took a view that, for the avoidance of doubt, it should provide the same guarantee. As a result, the major banks paid, I think, \$6 billion of fees for that, and it was not drawn on by anybody.*

*Mr BANDT: Are you saying that it was not provided at a differential rate between the bigger banks and the smaller banks?*

*Mr Narev: I would need to go back and check exactly where it was provided and on what basis, and I am happy to do that. I do not recall at the time.*

ANSWER

When the Australian Government established the wholesale funding guarantee scheme for Australian banks it selected a tiered fee structure, based on the credit ratings of each bank using the scheme. We understand the government took the decision in consultation with foreign governments; New Zealand and Canada selected the same type of fee structure.

The fee tiers were based on the difference between:

- the market cost of wholesale funding for the banks; and
- the market cost of bond issuance for the federal government; noting that
- this difference is closely linked to wholesale credit ratings.

The result was that larger and better rated banks paid a lower percentage fee than the smaller banks because the relative benefit to those larger banks was smaller. In dollar terms, the larger banks paid far greater dollar fees than the smaller banks.

\$6 billion was Commonwealth Bank's projected aggregate Government revenue for the scheme. At the completion of the scheme the revenue raised by the Federal Government was \$4.5 billion, because many banks bought back government guaranteed debt prior to maturity, and consequently paid a lower than expected aggregate guarantee fee.