

Parliamentary Joint Committee on Corporations and Financial Services

ANSWERS TO QUESTIONS ON NOTICE

Oversight of the Australian Securities and Investments Commission, the Takeovers Panel and the Corporations Legislation No. 1 of the 46th Parliament

Agency: Australian Small Business and Family Enterprise Ombudsman

Question No:

Topic: Supply Chain Financing Review

Reference: Spoken p.13 (18 June 2021)

Member: Julian Hill

Question:

Mr HILL: One of a number of issues that's been drawn to our attention in relation to the Greensill collapse is the far more risky practice of funding future or prospective receivables and the risks associated with that. I'm curious: in your review of supply chain financing, did that particular issue come up as a systemic issue or as a discrete issue in the work that you had done?

Mr Billson: No. I think the model that fits behind it was not really the focus of our attention.

Ms Hordern: We weren't focusing on the funding model that Greensill had in place. It came up in the context of talking to other supply chain financiers and understanding how their models worked as opposed to different models. But we weren't looking specifically at how Greensill financed their organisation.

Mr HILL: So the issue of funding future or prospective receivables and that higher risk aspect of the SCF universe did come up through your work?

Ms Hordern: Just anecdotally in conversations with other supply chain financiers when we were trying to understand the different models, but we weren't focused on that.

Mr HILL: Could you can take it on notice. It might perhaps be a short note back, if you need to check the detail. I suppose I'm just curious, given it's been drawn to our attention that that's one of the particular, significant risk factors with Greensill. I don't have an empirical sense as to whether it's common or not, but it seems to be remarked upon as, 'That's a bit risky. Most of us wouldn't do that.' Is that a reasonable presumption? Could you take it on notice and give us any more information you can.

Mr Billson: We'll have a look if we have any material about it. The essence of our inquiry was around the impact on small and family businesses and the practice itself, not the models that sat behind the service providers.

Mr HILL: Sometimes, though, you collect data which you don't necessarily know might be useful for another purpose.

Mr Billson: There was an interesting contribution by Associate Professor Rob Nicholls, who looked at machine learning and its role and the background. But I can make sure through you, Chair, that the report that the agency did is available

Answer:

The work undertaken by my Office did not address the funding model of Greensill Capital or any other Supply Chain Financier.

In gathering information for our review some of the Supply Chain Finance (SCF) Companies we spoke to pointed to perceived risks in Greensill's model.

Media reports subsequent to Greensill's collapse have pointed to concerns about their funding model.¹

¹ Australian Financial Review, *Greensill's Achilles heel revealed as Lex breaks his silence*, May 12, 2021. <https://www.afr.com/companies/financial-services/lex-greensill-plays-a-dead-bat-on-a-sticky-wicket-20210512-p57r1m>