

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Parliamentary Joint Committee on Corporations and Financial Services

2020 - 2021

Division: Financial System Division
Topic: Circumstances leading to the collapse of Greensill
Reference: Written
Senator: Andrew Wallace

Question:

1. In March 2020 the Australian Small Business and Family Enterprise Ombudsman published its final report on Supply Chain Finance Review which recommended that Treasury and ASIC should review whether supply chain financing should be a regulated financial product with coverage of rate setting. In answers to questions on notice, ASIC indicated that it has deferred the matter to Treasury.¹
 - i. When does Treasury intend to respond to the recommendation of the ASBFEO?
 - ii. What work has Treasury undertaken in response to this recommendation?
2. Following the collapse of Greensills, the committee is seeking information on the status of supply chain financing in Australia, including:
 - i. How extensively is supply chain financing used?
 - ii. In which sectors of the economy is it used?
 - iii. What types of invoices are involved (e.g. goods, services, wages)?
3. Is supply chain financing used in public sector payments for wages or other services?
4. How common is it for supply chain financiers to provide:
 - i. factoring;
 - ii. reverse factoring; and
 - iii. both factoring and reverse factoring to the same client.
5. How common is it for supply chain financiers to finance prospective invoices
6. What are the advantages, disadvantages and risks of using supply chain financing?

¹ ASIC, answers to questions on notice, 24 March 2021 (received on 9 April 2021) See item 158 https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament/Additional_Documents p. 5.

7. How common is it for supply chain financiers to provide/use structured financing, such as securitisation?
 - i. What leverage levels are reached?
 - ii. What additional risks arise?
 - iii. How common is it for the trade insurance to be used in relation to supply chain financing?
8. For a client, how do the terms and conditions of supply chain financing differ from a business loan?
9. What are the implications of supply chain financing for transparency in financial reporting and accounting and auditing standards?

Answer:

1. Consideration of a response to the recommendations of the ASBFEO's Supply Chain Finance Review is a matter for Government.
2. Treasury does not hold data that relates specifically to the prevalence and operation of supply chain financing in Australia.
3. Public sector wage payments and procurement policy is a matter for the Department of Finance.
4. Treasury does not hold data that relates specifically to the prevalence and operation of supply chain financing in Australia.
5. Treasury does not hold data that relates specifically to the prevalence and operation of supply chain financing in Australia.
6. The suitability of a supply chain financing product to a particular business is dependent on the specifics of the product and the circumstances of the business.
7. Treasury does not hold data that relates specifically to the prevalence and operation of supply chain financing in Australia.
8. Terms and conditions will vary between lenders or products for supply chain financing and business lending.
9. The *Corporations Act 2001* requires financial statements to give a true and fair view of the financial position and performance of the relevant entity or consolidated entity.