



17 August 2023

Committee Secretary
Senate Economic Committee
Parliament House Canberra
ACT 2600

By email: economics.sen@aph.gov.au

Dear Secretariat,

Economic Legislation Committee – Inquiry into Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023

Thank you for inviting the Australian Banking Association (**ABA**) to appear before the Senate Economics Committee (**the Committee**) in relation to the Committee's inquiry into the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share-Integrity and Transparency) Bill 2023.

In this letter the ABA submits the responses to questions on notice.

1. How many of your members would have related party transactions, like this? (Hansard, p. 32)

A definitive response to the question will require a detailed audit of members' associated entities and their related party transactions. Further both historical use as well as potential future use scenarios would need to be considered. This is a significant undertaking that will take resources and time well beyond the allocated time to respond to questions under notice.

The two examples provided in the ABA's submission should provide the Committee with a sense of the impact this Bill would have. In addition, we note the Term Funding Facility (TFF) which was established by the Reserve Bank of Australia (RBA) during the COVID-19 pandemic required entities to provide collateral to the RBA in exchange for access to the facility. Had the TFF been operational under a DDCR regime, the arrangement between the RBA and the banks would have been caught and interest deductions denied. Once again, such a tax consequence would have had the effect of negating the policy intent of the TFF.

2. We would be interested in any other feedback you can provide on notice about the cost of capital and any other examples you might have to help illustrate this issue you've raised today (Hansard, p.32)

The ABA notes that funding costs are confidential to member banks. Further, given the composition of the funding pool, the cost of funds can change daily.



- 3. In what time frame might customers start to see the impact of those costs? Whether or not you are able to quantify that cost in terms of percentage point increases would be helpful if that is available and possible for the RBA (Hansard, p.33).**

The product pricing decisions of banks is dependent on several factors, of which funding mix is an element. As noted in the response to Question 2, the cost of funding is dependent on the relative mix of sources and costs of the funding sources. Additional factors that contribute to product pricing include economic environment, customer demand for housing, customer demand for borrowing, competitor rates. It is therefore not possible to provide the committee with a specific quantum increase in the price of retail banking products, in basis points or otherwise.

Kind Regards



Emma Penzo
Head of Economic Policy

