

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

10 – 11 February 2010

**Question: aet 44**

**Topic: Bank Guarantee**

**Hansard Page: Written**

**Senator Bob BROWN asked:**

1. The Mid Year Economic and Fiscal Outlook reported that, as of 18 September 2009, the level of wholesale funding covered by the guarantee was \$143.9 billion:
  - a) Which banks applied for the guarantee and which banks were successful in obtaining the guarantee?
  - b) How much money was guaranteed for each financial institution under the scheme? (list the amount and the name of each institution).
  - c) For each institution listed, what was the date each applied for and obtained the guarantee?
2. Did the government collect any information on how the wholesale funding guarantee was used by the financial institutions? If so, what information was collected?
3. Aside from paying a fee, were there any other conditions placed on wholesale funding of the financial institutions that obtained the government guarantee?

**Answer:**

- 1)
  - a) All authorised deposit taking institutions (ADIs) have applied for at least one eligibility certificate, which provides access to the Guarantee Scheme for Large Deposits and Wholesale Funding (Guarantee Scheme). All applications for eligibility certificates have been approved. All 610 eligibility certificates which have been granted are available for viewing on the Guarantee Scheme website: [www.guaranteescheme.gov.au/guaranteed-liabilities](http://www.guaranteescheme.gov.au/guaranteed-liabilities).
  - b) The eligibility certificates on the Guarantee Scheme website provide details of the total value of wholesale funding guarantees made available to each ADI. A summary of the total value of wholesale funding eligibility certificates granted for each institution is provided below. Note that, prior to the closure of the Guarantee Scheme on 31 March 2010, ADIs may not have exercised their option to make use of the guarantee to the full value of eligibility certificates granted.

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**Value of Eligibility Certificates for Wholesale Funding**

AUD millions

<b>Institution</b>	<b>Total</b>
AMP Bank Limited	870
Arab Bank Australia Limited	200
Australia and New Zealand Banking Group Limited	20,864
Bank of Queensland Limited	3,750
Citigroup Pty Limited	3,550
Commonwealth Bank of Australia	29,258
Heritage Building Society Limited	680
ING Direct	8,875
Investec Bank (Australia) Limited	1,350
Macquarie Bank Limited	14,803
Members Equity Bank	1,000
National Australia Bank	17,021
Suncorp-Metway Limited	18,995
The Royal Bank of Scotland NV	2,350
Westpac Banking Corporation	33,724
Bananacoast Community Credit Union Ltd	40
ING Direct (the trading name of ING Bank (Australia) Li	225
<b>Total</b>	<b>157,555</b>

Certificates denominated in foreign currencies converted to Australian dollars using exchange rates as at 31 March 2010.

As eligibility certificates for the large deposit guarantee pertain to account types rather than a specific security, they do not provide any indication of the value of deposits covered under the Scheme. However the Guarantee Scheme website provides summary information regarding the total value of guaranteed liabilities, including the total value of guaranteed large deposits. This information is provided below.

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**Average Daily Value of Guaranteed Liabilities, March 2010**

AUD billions

Large Deposits	11.3
Wholesale Funding	154.4
<i>of which: short-term</i>	14.3
<i>long-term</i>	140.1
<b>Total</b>	<b>165.7</b>

- c) The date on which eligibility certificates are granted is included on the certificates, which are posted on the Guarantee Scheme website:  
[www.guaranteescheme.gov.au/guaranteed-liabilities/](http://www.guaranteescheme.gov.au/guaranteed-liabilities/).

The RBA advises that, with the exception of the first month in which the Scheme was operating, when there was an exceptionally large volume of

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applications being received, processing of eligibility certificates took 1-2 business days. Therefore for eligibility certificates granted in 2009 or 2010, the date of application can be assumed to have been 1-2 days prior to the date printed on the eligibility certificate. For those granted in 2008 the date of application is likely to have been slightly more than 1-2 days prior to the date printed on the eligibility certificate.

- 2) The Government does not impose additional reporting requirements, beyond the Australian Prudential Regulation Authority's (APRA) ongoing prudential supervision, on Australian ADIs that used the Guarantee Scheme.

Foreign bank branches that used the Guarantee Scheme were required to provide a statement that guaranteed liabilities would not be used to support directly the foreign ADI outside Australia or the obligations of the parent or any non-Australian related entity of the foreign bank branch. APRA has been engaging with foreign bank branches on an ongoing basis to ensure that this requirement is being met.

- 3) The Guarantee Scheme Rules required all ADIs applying to use the Guarantee Scheme to provide a letter stating that they comply in all material respects with APRA's requirements, or a letter from APRA stating that APRA does not object to the granting of the guarantee (Scheme Rules Schedule 2 Rule B.9.1).

As described in the response to question 2 above, foreign bank branches face restrictions on how they can use guaranteed funding. To meet these requirements foreign ADIs must ensure that, at a minimum, outstanding liabilities guaranteed under the Scheme do not at any time exceed assets held on the domestic books of the Australian branch, excluding claims on related parties outside Australia. Additional information regarding this restriction is provided in a Guidance Note which is available at: [www.guaranteescheme.gov.au/rules/pdf/guidelines-for-foreign-adis.pdf](http://www.guaranteescheme.gov.au/rules/pdf/guidelines-for-foreign-adis.pdf).

The Reserve Bank administered the Guarantee Scheme and had the discretion to reject an application if it considered a bank was seeking to misuse the scheme in any way.