

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 47

Topic: Securities Held by Non-Residents

Hansard Page: E134

Senator Bushby asked:

Senator BUSHBY—We have had the ABS before us on a number of occasions, and we have explored that, and I thank you for your clarification. There is testimony in the *Hansard* about this in a number of ways on which I guess we can all make our own judgment. Nonetheless, despite the politics of it, I am pleased to see that you do have the funding now to be able to restore the sample size to a more meaningful level that provides a more reliable series, particularly given the fact that employment figures are likely to jump around a little bit in the next few years due to a number of factors, not least the global financial situation. I will move on from that. The only other line of questions that I have for you is to do with the survey that you conduct that I was asking the AOFM about, and that is ABS 5302.0-Balance of Payments and International Investment Position, Australia, Mar 2009. What information do you gather from the purchases of Australian securities as part of this survey?

Mr Harper—Essentially, as I think the officers from AOFM explained, most of the Australian government securities that are held by non-residents are held via Australian nominee companies, so it is the name of the Australian nominee company that appears on the register of the securities. The Australian Bureau of Statistics conducts a survey of those nominee companies and identifies the first over-the-water beneficial owner of those securities—

Senator BUSHBY—When you say you identify the first beneficial owner—

Mr Harper—Across the water.

Senator BUSHBY—do you get the full details of who they are?

Mr Harper—We get information. I am not quite sure of the full detail that we get.

Senator BUSHBY—Would you be able to take on notice whether that is the information that you get?

Mr Harper—We certainly get information on the country of residence of the first beneficial owner across the water.

Senator BUSHBY—Do you know whether you get the name of the beneficial owner?

Mr Harper—I would have to take that on notice.

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Answer:

The ABS collects information on non-resident holders of Australian securities, including Commonwealth Government Securities, from:

- the small number of major domestic custodians (nominee companies) who hold securities on behalf of non-resident investors, and
- the issuers of the securities where the securities are directly held by non-resident investors.

The ABS gathers information about the level of investment in each security, new purchases and sales (transactions) and income flows payable to foreign investors. The ABS also gathers information about the country of non-resident investors, though on the basis of immediate investing country rather than ultimate investing country. It is difficult to identify the ultimate beneficial owner if investments from one country are channelled through investment vehicles domiciled in a second country prior to final investment in Australian securities. The ABS does not gather information on the identity of non-residents investing in these securities.

The *Census and Statistics Act 1905* stipulates that results may not be disseminated "in a manner that is likely to enable the identification of a particular person or organisation" (Subsection 12(2)). Although thousands of non-resident companies or individuals may hold Australian securities, the domestic custodians report to the ABS and it is their business activity which is protected under the Census and Statistics Act. Their business activity is the custodial ownership of assets, and given that custodians tend to concentrate their business in specific regions of the world, the publication of geographical detail is likely to enable the identification of a particular custodian.