Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 347

Topic: Government Bonds

Hansard Page: Written

Senator EGGLESTON asked:

1. Our projected increase in the issuance of Commonwealth Government Securities will be lower than expected. At the same time proposed new financial regulations are likely to increase the financial sector's appetite for government fixed income assets due to increase liquidity and capital requirements. Are there concerns that the amount of government debt will not match the demand from the financial sector for government bonds?
2. Is the Government considering what it might do if there is an excess demand for government bonds originating from the financial sector?

Answer:

The Basel Committee on Banking Supervision (BCBS) has undertaken work at the request of the G20 to develop strengthened global liquidity standards following the global financial crisis. The BCBS released it final liquidity rules on 16 December 2011. Australia successfully argued for the inclusion of provisions for countries with low Government debt (like Australia) to meet the new rules.

Accordingly, the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of Australia (RBA) announced on 17 December 2011 that Australian banks will meet these rules through access to a committed liquidity facility with the RBA. Banks will be able to access the facility to cover any shortfall between their requirement to hold high quality liquid assets under the new global standards and the volume of eligible assets they are able to purchase in Australia's domestic market. This will allow Australian banks to comply with the new global rules in a way that appropriately recognises Australia's domestic circumstances.