

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 363

Topic: Banking Sector

Hansard Page: Written

Senator EGGLESTON asked:

1. Are banks still required to keep mortgage funds frozen?
2. What is the justification for covered bonds?
3. Are minerals prices an influence on the cash rate? What sort of influence is it?

Answer:

2 Following careful and methodical consultations with Australia's financial regulators (the Reserve Bank of Australia and the Australian Prudential Regulatory Authority), the Government announced on 12 December 2010 that it will allow Authorised Deposit-taking Institutions (ADIs) to issue a small amount of covered bonds. This measure will strengthen and diversify the financial system's access to cheaper, more stable and longer duration funding in domestic and offshore wholesale capital markets. Further, allowing ADIs to issue covered bonds will strengthen the capacity of all Australian major and regional banks, credit unions and building societies to continue providing reasonably priced credit to Australian households and small businesses in the decades to come.