

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 365

Topic: Securitisation Markets

Hansard Page: Written

Senator EGGLESTON asked:

1. The securitisation markets were an important source of funding for housing and small business through the issue of residential and commercial mortgage backed securities in recent years. The GFC severely reduced the funding available from those markets. I note that the government has devoted up to \$16bn to provide some liquidity to those markets. Has this measure been effective? What other steps might be required to rebuild those markets as an effective financing tool for housing and small business?

Answer:

1. The Government's investment in residential mortgage-backed securities (RMBS) is assisting a number of smaller lenders to raise funds while securitisation markets are dislocated. This is enabling them to maintain competitive interest rates, higher lender volumes and higher market share than would otherwise be the case.

In October 2009, the objectives of the program were also extended to include support for lending to small business. As a result, lenders who seek support under the RMBS investment program are encouraged to outline their lending activities to small business and to allocate part of the proceeds to these loans.

With the aim of restarting securitisation markets on a sound footing, work is being undertaken by international bodies to:

- improve the transparency of securitisation markets;
- better align the interests of securitisation issuers and investors; and
- improve risk management practices of both issuers and investors.

The Australian Securities and Investments Commission and the Australian Prudential Regulation Authority are determining how this international regulatory work will be applied in Australia.