

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 55

Topic: Guarantee of Wholesale Borrowings

Hansard Page: E65

Senator BRANDIS asked:

Senator BRANDIS —Dr Henry, I want to go back to the guarantee of wholesale borrowings. What I am going to ask might fairly be regarded as technical questions. How is this guarantee actually to operate? Is it anticipated that there will be some kind of legal instrument entered into between the Commonwealth and participating institutions by way of a deed of guarantee? By what other manner is effect to be given to this policy proposal?

Dr Henry —I am happy to answer the question but I would like to indicate upfront that, with technical questions such as this, the government has yet to take decisions on matters of design detail and we have yet to tender advice to government on these matters of design detail. Nevertheless, I am happy to entertain the question in the nature of a hypothetical, if you like. What you have described—if I can put it this way—would be an obvious way of implementing the arrangements.

Senator BRANDIS —What I am really trying to pin down is—and perhaps you can help with this too, Senator Conroy—that it has to be more than what you might call an uncovenanted assurance or a politician's promise. There is actually going to be an enforceable instrument, isn't there, whereby these guarantees would, in the unlikely event that the contingency crystallised, be enforceable against the Commonwealth?

Dr Henry —That is right, yes.

Senator BRANDIS —Who was designing these instruments? Was it the Attorney-General's department or Treasury in collaboration with other agencies? By what process is the instrument being designed?

Dr Henry —We are working on that issue at the moment with the assistance of lawyers.

Senator BRANDIS —Is it anticipated that these instruments that commit the Commonwealth to a potentially very large contingent liability will be public documents or are they going to be commercial-in-confidence with the participating institutions?

Dr Henry —I think I will have to take that one on notice. We have yet to formulate advice to the government on that matter. There is a question here of whether it is appropriate that specific instruments be made public or rather that there be some reporting in respect of a class of instruments and so on. We have not come to a landing on that question yet.

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Answer:

The Deed of Guarantee in respect of the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding has been published on the www.guaranteescheme.gov.au website.

Certificates outlining liabilities guaranteed under the Scheme are also published on the guarantee scheme website.