

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

21 – 22 October 2009

Question: sbt 14

Topic: Register of Foreign Borrowings #2

Hansard Page: E117

Senator BUSHBY asked:

Senator BUSHBY—Thank you to Treasury officials for coming along tonight. To follow up—I know I am the third senator to ask about it—on the register of who actually owns foreign held government securities, surely a requirement could be placed on those who are looking at buying the securities to disclose the country that the beneficial owner will be from. You said it would be almost impossible to do that, but the way I see it, and I would like you to correct me if I am wrong, is that putting those conditions on the bond when you were selling it would not be near impossible—you could do it if you really wanted to, but it may have some impact on the attractiveness of the bond, on price and yield et cetera. If you really wanted to and you were willing to sacrifice in that sense, you could actually insist on that disclosure requirement, couldn't you?

Dr Henry—I have certainly heard others who are more expert in this than I am make similar comments to those you make, Senator, about the impact on pricing and demand. But, even if you could put that obligation on the primary purchaser, there would still be a question of enforcing that obligation once the security moved into secondary trade. Then there would be the question of just what secondary trade is. So I am not really sure how effective such a requirement would be. Senator Coonan made reference earlier to what the US treasury puts on its website. I stand to be corrected on this, but it is my understanding that they make no attempt to trace in that way—

Senator BUSHBY—The secondary trades?

Dr Henry—Yes. Moreover, I do not think they make any attempt to trace through to beneficial ownership in primary trades either. I should check that, but that is my understanding. For that reason, I understand that, when people say, for example, that the People's Bank of China holds \$2 trillion of US dollar denominated securities, they are not relying on the US treasury website. I think—and again I stand to be corrected and I should check this—that the US treasury website would have a figure of possibly only a third of that.

Senator Joyce interjecting—

Senator BUSHBY—There you go; there's your answer.

Dr Henry—Thank you, Senator Joyce.

Senator BUSHBY—But what I am saying is not so much that it is possible to maintain an absolute register with the country of beneficial ownership of every bond that we have ever issued but that we could have more information than we currently do. But it may well be a matter of balancing other considerations with the desirability of knowing that.

Dr Henry—Yes. This is precisely the issue that we are looking at. I am sorry that I cannot provide you with an up-to-date state of play on those issues, but we have taken that question on notice and we will do that by tomorrow. I have had some exposure to this because of my chairing of the OFM advisory board. The matters have been discussed there to some extent, and I know there is a will to see just how much we can do in this direction.

Answer: Please refer to answer provided to sbt 12.