

**Standing Committee on Finance and Public Administration**

**ANSWER TO QUESTION ON NOTICE**

**Budget Estimates Hearing – May 2008**

**Future Fund Management Agency**

**Finance and Deregulation Portfolio**



**Outcome 1 Output 1.1**

**Topic: Margin Lending**

**Question reference number: F4a**

**Type of Question: Written**

**Number of Pages: 1**

**Senator Murray asked:**

Please outline the Future Fund's policy (failing a formal policy, the Future Fund's views) with respect to margin lending.

**Answer:**

Section 23 of the *Future Fund Act 2006* restricts the Fund's ability to borrow. As a result, margin lending is excluded from the Future Fund's considerations. Specifically Section 23 provides that:

- (1) The Board must not borrow money for a purpose in connection with the Fund unless the borrowing is authorised by subsection (2) or (3).
- (2) The Board is authorised to borrow money for a purpose in connection with the Fund if:
  - (a) the purpose of the borrowing is to enable the Board to cover settlement of a transaction for the acquisition of one or more financial assets; and
  - (b) at the time the relevant acquisition decision was made, it was likely that the borrowing would not be needed; and
  - (c) the period of the borrowing does not exceed 7 days; and
  - (d) if the borrowing were to take place, the total amount borrowed by the Board would not exceed 10% of the balance of the Fund.
- (3) The Board is authorised to borrow money for a purpose in connection with the Fund if the borrowing takes place in such circumstances (if any) as are specified in the regulations.