

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

Supplementary Estimates Hearings 2002-2003 – 20 November 2002

Question: F40

Outcome 1, Output 1

Topic: Cost of Purchasing International Bonds

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Senator Sherry asked:

That does raise an interesting, much broader policy issue, but can you tell me whether the cost of purchasing international bonds is higher than the cost of purchasing Australian bonds?

Answer:

Each transaction processed by the CSS Board's and PSS Board's master custodian costs \$5 more for international bonds than for Australian bonds. This is an insignificant difference given that such transactions can involve millions, or even tens of millions, of dollars.

On the other hand, the bid/offer spread for Australian bonds is generally higher (ie more expensive) than for international bonds. Spreads vary depending on various factors, including the face value and duration of the bond, and the liquidity in the market at the time of the transaction.

It is therefore not possible to say whether international bonds cost more to purchase than Australian Bonds because it depends on the individual transaction.