

Australia and New Zealand Banking Group Limited

Response to Questions on Notice following 5 October 2016 House of Representatives Economics Committee Hearing

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Question

Mr HOGAN: That would be great, thank you. We have recently legislated that you can allow farm management bonds to offset against farm loans. I do not think you are allowing this.

Mr Elliott: I do not know anything about this, to be perfectly honest.

Mr Hodges: Neither do I.

Mr HOGAN: Can we put this in writing to you and you can respond to that at a later time?

Mr Elliott: Sure.

Answer

ANZ does not currently offer a dedicated Farm Management Deposit (FMD) offset product.

FDMs must be held in personal names while farms are often established through a corporate structure. A core issue for a bank lender is that offsetting a liability owed by a corporate entity with a FDM held by a person or partnership is complex legally and operationally. Bank business lending systems are not designed to provide such a capability. ANZ is considering options in relation to FMDs.

Recent legislative changes lifted the prohibition that prevented FMDs from being offset against a loan relating to the FMD owner's primary production business. The legislation does not assist with the issue noted above.