

7 May 2015

Dr Kathleen Dermody  
Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Dr Dermody

**Re: Senate Economic References Committee Inquiry into Scrutiny of Financial Advice**

Please find set out below ANZ's response to the questions I agreed to take on notice during our appearance before the Committee on 21 April 2015.

I have no corrections to the draft Hansard provided.

Do not hesitate to contact Mr Rob Lomdahl, Head of Government and Regulatory Affairs [REDACTED] should you have any queries regarding the responses provided or should you require any further information.

Yours sincerely

## Senate Inquiry into Scrutiny of Financial Advice

**ANZ**

### **Questions on notice:**

*1. ANZ paid Timbercorp for administering the loans for the ANZ? There was a commercial arrangement between the two [p.30]*

#### ANZ response:

ANZ provided a loan facility to Timbercorp Finance Pty Ltd, which was secured by a pool of grower loans, and also established loan securitisation arrangements with Timbercorp Finance using a securitisation trust, Timbercorp Finance Trust (TFT). In respect of the loan facility, ANZ did not pay Timbercorp for administering the secured loans. Under the securitisation arrangements, TFT did pay a servicing fee to Timbercorp Finance to undertake the administration, servicing and collection of the loans. The documents provide that the servicing fee is to be an amount agreed from time to time, and is currently a standard rate of 1% of the loan repayments.

*2. Did ANZ also lend further money to the parent group using any remainder loans not securitised as collateral? [p.30]*

#### ANZ response:

Details of Timbercorp's finance facilities with its bankers are set out in Appendix 5 to ANZ's submission to the Senate Inquiry on Forestry Managed Investment Schemes. ANZ was part of a syndicate of 3 banks (HBOS, ANZ and Westpac) that provided a \$200m loan to Timbercorp Limited (the parent) in May 2007. Timbercorp Finance loans to growers that did not form part of the securitisation, were not used as collateral/security for this parent loan. However, Timbercorp Limited's loan from the syndicate was guaranteed by Timbercorp Finance Pty Ltd.

*3. Did ANZ put a mortgage over assets on 24 and 30 December 2008, which is less than six months of the administration of the company in April 2009? [p.30]*

#### ANZ response:

As noted in our response to Q2, ANZ was part of a Syndicate of 3 banks (HBOS, ANZ and Westpac) that provided a \$200m loan to Timbercorp Limited (TL) in May 2007. This loan was secured by a charge over the assets of TL, a mortgage over shares and units owned by TL and a guarantee from 24 companies within the Timbercorp Group, including BB Olives Pty Ltd (BB) and Almond Land Pty Ltd (AL).

As part of the renegotiation of this loan in September and October 2008, which involved the Syndicate granting a number of concessions to TL, the Syndicate obtained additional security including the following:

- a) a mortgage dated 30 December 2008 over certain land and water shares owned by BB;
- b) a mortgage dated 30 December 2008 over certain land and water shares owned by AL; and
- c) a second ranking mortgage dated 30 December 2008 (behind a 2006 ANZ mortgage) over certain land and water shares owned by AL.

The renegotiated TL loan was entered into by the Syndicate in good faith, for valuable consideration and at a time when all of the Timbercorp Group's bankers were continuing to support the Group.

*4. How much did ANZ lend to Timbercorp? [pp. 31 and 34]*

ANZ response:

ANZ's total lending to the Timbercorp Group of companies and related entities was approximately \$500m.

*5. What were the processes that were gone through to make the decision to not have Timbercorp on the approved product list for ANZ financial planners? Was this an investment where there was a red flag to it? I ask you to provide the committee with documents in respect of that with respect to Timbercorp. [p.35]*

ANZ response:

ANZ financial planning customers typically seek more traditional financial planning products such as index funds, equity funds, property funds and bonds. Agricultural Managed Investment Schemes are better suited to investors who are more sophisticated, invest through specialist structures or had specific tax management objectives. Given the needs of ANZ customers, products such as Timbercorp were not proposed for inclusion in the ANZ approved product list.

Minutes of the relevant investment committees do not include any review of agricultural managed investment schemes, which we note have been in existence for several decades. We will separately provide the Committee with information about ANZ's approved product lists.