

Senator HURLEY—There was another question I had which you may or may not have to pass on. It was about covered bonds. There had been a suggestion that covered bonds be approved and I was just wondering in the course of testimony today whether they all had to be rated at the same level or whether there could be a mixture of ratings so that the overall rating was at the appropriate level, so you could have some AAA and some BBB?

Mr Darren Flood, Deputy Head, Payments Policy Department, Reserve Bank of Australia

The underlying assets of covered bonds are not rated, but generally consist of high quality prime residential mortgage loans and loans to public authorities.

Covered bonds can have different ratings, which will depend on things like the quality of the cover assets and the issuer's credit rating, and are almost always higher than the rating of the issuing institution because of their design.