

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Draft Q&A

Background:

Since March 2021, as part of this oversight role, the committee has been reviewing supply chain finance and Greensill. The committee is keen to understand:

- whether there are systemic implications for the financial sector or broader economy;
- whether Australian regulators and policy departments responded adequately; and
- whether the regulatory settings for supply chain finance and related types of business finance are appropriate.

The committee is *not* inquiring into:

- certain matters being investigated by liquidators;
- lobbying and lobbying codes of conduct (as they are not within the committee's ongoing statutory duties).

The committee has asked if you would respond to the questions below by **17 September 2021**. Please include the question before the answer.

If you request an answer be accepted on a confidential basis by the committee, please:

- clearly identify that in the file name and the covering email; and provide a reason indicating the harm to the public interest that could result from the public disclosure of the information.

If you do not wish to provide an answer, you must make an appropriate public interest immunity claim in writing to the committee.

- Such a claim must provide some specific indication of the harm to the public interest that could result from the disclosure of the information to the committee, even on a confidential basis.

Q&A (answers in italics)

QoN 040 - 01

The committee provides you with an opportunity to respond to evidence it received in hearings on supply chain finance and Greensill on:

- a) 19 March;
- b) 18 June;
- c) 26 July; and
- d) 28 July 2021.

I have no comments on the evidence received in the previous hearings.

QoN 040 - 02

It would greatly assist the committee's work if you would provide information on the following:

- a) An outline of the Greensill supply chain finance business model including, but not limited to, the types of finance and supply chain finance Greensill provided (for example, approved payables financing, dynamic discounting, factoring, and special purpose vehicle supply chain finance):
 - (i) globally; and
 - (ii) in Australia.

Greensill Capital Pty Ltd was the Australian parent company for the Greensill Group, and provided administration and head office support to the Group but operated only in a limited capacity. This entity is now in liquidation.

Greensill Capital (UK) Ltd, a company registered in England and Wales, was the legal entity that provided working capital finance solutions that spanned a broad range of products both globally and in Australia, and was part of the broader Greensill Group. This entity is now in administration.

The working capital finance solutions offered by Greensill Capital (UK) Ltd included:

- **Debt Solutions** – IPA (Instalment Payment Agreements), invoice extension solution / re-invoicing;
- **Payables Solutions** – Virtual Card Programs, Supplier early payment, Supply chain finance;
- **Receivables Solutions** – Securitisation, Data Driven Portfolio Financing Solutions, Select Debtor Receivables Financing, Contract Monetisation;
- **Inventory Solutions** – Inventory Finance, Purchase Order Finance; and
- **Employee Pay on Demand Solutions** - Earnd.

- b) Whether the Greensill business model is common in the supply chain finance industry:
(iii) globally; and
(iv) in Australia.

Working capital finance products offered by the Greensill Group were commonplace in the financial services market both globally and in Australia. The company's greatest differentiator was its financial technology. Greensill Group employed technology and data science specialists in offices all over the world who collaborated with our technology partners. Alongside these global teams and partnerships, Greensill Group employed more than 500 technology and data science staff in support of a state-of-the-art technology hub in the Northwest of England where it developed its own proprietary technology at a cost in excess of US\$100m.

- c) Any views you have on the appropriateness and effectiveness of Australia's regulatory settings for supply chain finance, related trade finance including trade credit insurance, and securitisation.

Greensill Capital Pty Ltd was not involved in any regulated activity related to supply chain finance or securitisation in Australia. Greensill Capital Pty Ltd was the Australian parent company for the Greensill Group, and provided administration and head office support to the Group but operated only in a limited capacity. This entity is now in liquidation.

Greensill Capital (UK) Ltd, a company registered in England and Wales, was the legal entity that provided solutions to clients in Australia. This entity is now in administration.

The removal of a vital line of trade credit insurance, however, was a principal driver of the Greensill Group's collapse. Insurance cover was withdrawn by one provider despite many months renegotiating policy terms in good faith. Stating this today will not change the outcome for Greensill's 1,200 employees who lost their jobs, nor our customers who may have suffered hardship as important credit lines were withdrawn as my firm collapsed. I believe it is important for this committee to note, however, that the removal of trade credit insurance in times of global economic stress - when it is needed most - is not uncommon and warrants closer scrutiny by regulators.

- d) Any other matters you feel are relevant and would assist the committee.

There are no further matters on which I would like to comment.

QoN 040 – 03

Can you please outline Greensill Capital's method of financing against future receivables?

- a) Did it have any schemes using future receivables originating in Aus
- b) Can you confirm reports that some future receivables were financed off prospective future clients?

I am unable to address questions relating to specific clients due to the fact that confidential client-specific information can only be provided by the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.

However, in general, Greensill Capital (UK) Ltd offered future receivables programmes to a number of clients globally, including the UK Government Pharmacy Early Payment Scheme that saved the British taxpayer GBP100 million per year.

All of these future receivable programmes were based on future forecast trade with current customers. In the case of private companies, future receivables programmes offered by Greensill Capital (UK) Ltd benefited from both security (and in many cases personal guarantees of the directors), insurance and detailed documentation such that every investor in them knew exactly what they were investing in.

QoN 040 - 04

Apart from GFG Alliance businesses, can you provide an outline of other industries or firms Greensill Capital provided services to in Australia?

Greensill Capital Pty Ltd, the Australian parent company for the Greensill Group, provided administration and head office support to the Group but operated only in a limited capacity. This entity is now in liquidation.

Greensill Capital (UK) Ltd, a company registered in England and Wales, was the entity that provided solutions to clients in Australia and is now in administration.

Confidential client-specific information can only be provided by the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.

QoN 040 - 05

In the documented meeting between Greensill Capital and the Prime Minister of Australia, what product was your firm hoping to provide government?

*I refer the Committee to my answer to question **QoN 040 - 02 (a)** above.*

The Greensill Group sought to offer its entire portfolio of products to potential clients in the public and private sectors as a matter of course.

- a) Did Greensill Capital provide any schemes to Australian based businesses providing finance against future client acquisitions?
- b) Did Greensill Capital ever provide schemes to Australian businesses that involved suppliers discounting their invoices in exchange for prompt payment?
- c) Did Greensill Capital ever disclose to clients that its supply chain finance product(s) presented a potential liquidity risk?

In respect of parts a), b) and c) above, Greensill Capital Pty Ltd, the Australian parent company for the Greensill Group that provided administration and head office support to the Group but operated only in a limited capacity, is now in liquidation.

Greensill Capital (UK) Ltd, a company registered in England and Wales, was the legal entity that provided solutions to clients in Australia and is now in administration.

Confidential client-specific information can only be provided by the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.

QoN 040 - 06

Were there any particular areas of government, or the public service, you believed would particularly benefit from incorporating your services?

*I refer the Committee to my answer to question **QoN 040 - 02(a)** above. The Greensill Group sought to offer its entire portfolio of products to potential clients in the public and private sectors as a matter of course.*

QoN 040 - 07

Treasury officials confirmed during recent Senate estimates that Greensill Capital and the Australian Treasury Held several meetings at the beginning of 2020:

- a) Which Greensill Capital product(s) did you believe was/were relevant to Treasury, or more broadly to government departments?

*I refer the Committee to my answer to question **QoN 040 - 02(a)** above. The Greensill Group sought to offer its entire portfolio of products to potential clients in the public and private sectors as a matter of course.*

- b) What benefit, to government or the public service, did your firm believe could be rendered through using one/several of your product(s)?

The Greensill Group's approach to working capital finance offered demonstrable savings compared to traditional products in the market. The UK Government Pharmacy Early Payment Scheme – that resulted in savings to the British tax-payer of GBP100 million per annum – is one

example of this in the public sector.

QoN 040 - 08

Please outline the financial services or products Greensill Capital provided GFG Alliance's Australian operations?

There is currently an active Serious Fraud Office (SFO) investigation in the United Kingdom into GFG Alliance. On 14 May 2021 the SFO announced that they were investigating "suspected fraud, fraudulent trading and money laundering in relation to the financing and conduct of the business of companies within the Gupta Family Group Alliance (GFG), including its financing arrangements with Greensill Capital UK Ltd". As such, it would not be appropriate for me to comment on GFG-related matters.

Further, Greensill Capital Pty Ltd is now in liquidation and Greensill Capital (UK) Ltd, the legal entity that provided solutions to clients in Australia, is now in administration. As indicated above, confidential client-specific information can only be provided by the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.

QoN 040 - 09

Bondi Credit & Co (BCC) warned Greensill Capital's insurance brokers, Marsh, in writing in July 2020 that it did not plan to renew a key policy worth around \$US4 billion when it expired on March 1. Despite this written warning, Mr Lex Greensill is on the record saying that he had "fully expected" the policy to be renewed or extended:

- a) What reason did BCC give you regarding its decision to not re-new insurance covering your firm?
- b) Why did you believe BCC would renew insuring your firm when it had clearly communicated plans not to?
- c) There was formal correspondence from BCC to your firm around 1 September 2020 stating it would not be renewing your insurance. Did you make attempts to find an alternative insurer in the lead up to BCC withdrawing insurance on 1 March 2021?

Greensill Capital Pty Ltd, is now in liquidation, and Greensill Capital (UK) Ltd, the legal entity that provided solutions to clients in Australia, is now in administration.

Confidential client-specific information can only be provided by the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.

QoN 040 - 10

Greensill Capital's Australian parent filed a form with ASIC dated 5 March 2021 stating that seven of its nine board members, including Peter Greensill, had ceased being directors in early February. Lex Greensill and General Atlantic executive Gabriel Caillaux were the only remaining directors on March 9:

- a) Can you please clarify when these resignations were tendered to Greensill Capital?
- b) Outline any changes made to the Greensill Capital Board between January 2021 – April 2021.

Greensill Capital Pty Ltd is now in liquidation, and I no longer have access to the company records. Consequently, this information would need to be requested from the liquidator of Greensill Capital Pty Ltd.

It is, however, my recollection and I am informed that all notifications of resignations relating to Greensill Capital Pty Ltd were filed within the required statutory timeframes.

QoN 040 - 11

Trusts associated with Mr Lex Greensill's family, including the AD Greensill Family Trust and the Peter Greensill Family Trust as well as the Pine Valley Investments Trust (of which founder Lex Greensill and his brother Peter are directors), have been named as corporate owners of GCUK. Each of the trusts owns more than 10 per cent of GCUK's Australian parent, Greensill Capital Pty Ltd.

- a) Could any financial claims linked to Greensill Capital's demise be made by creditors or insurers against Greensill's farming operations in Queensland that could hurt the businesses' income and ability to employ people?

I am not aware of the details of what claims creditors or insurers of Greensill Capital have raised, or the merits thereof.

The only parties who could answer this question would be the liquidator of Greensill Capital Pty Ltd and the administrator of Greensill Capital (UK) Ltd respectively.