Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 15

Topic: **Bank Guarantees**

Hansard Page: **Written**

Senator Eggleston asked:

1. Will there be a contingent liability arising from the guarantee? How large?
2. How will this scheme look in three years upon withdrawal? What does the department plan for the bank guarantee threshold in three years time?
3. Have risk and return matters been taken into account while drafting this scheme? For example, as a BB rated bank would usually offer a higher interest yield than an AA rated bank due to the riskier nature of the investment, the AA bank is now less attractive from a depositor's point of view. Has the competitive differential been considered?

Answer:

1. This is a matter for Treasury but it is noted that the 'free' guarantee is only on deposits of up to $1m.

2. & 3. These are matters for Treasury.