

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 36

Topic: Foreign Bank Branches & Authorised Deposit-Taking Institutions

Hansard Page: E16, E17

Senator BRANDIS asked:

Senator BRANDIS —Since 12 October, what amount has been moved from foreign bank branches to ADIs covered by the scheme?

Dr Laker —I will have to take that on notice. I do not have the figures in front of me.

Senator BRANDIS —Do you have a general idea? I would like an estimate. I do not think it is fair to pin you down to the nearest dollar figure. But if you have monitoring this, and it is a very important matter, you must have a rough idea. Can you please take the specific amount on notice but tell us—

Dr Laker —I will take this on notice because I cannot give you a specific or a general amount. The figures move day by day. There are ins and outs. It is based on advice we are getting from treasurers and our own collections. I cannot give you a broad figure at this point.

Senator BRANDIS —On the business days that have elapsed since 12 October, which up to yesterday is eight business days, would the flow of funds out of foreign bank branches into ADIs covered by the scheme be in the billions of dollars or the hundreds of millions?

Senator Sherry —The witness has indicated he will take it on notice and provide the committee with the accurate figures.

Senator BRANDIS —Let me come at it another way. There has been net movement, hasn't there? We can say that.

Dr Laker —There have been, as I say, movements in several directions and funding support from parents. We look at the overall picture about how these institutions are travelling. I think those, whatever the movements might be in actual quantitative terms, have slowed until the details of the scheme are announced. I will have to take on notice any particular quantitative numbers. We look at it institution by institution.

Senator BRANDIS —I understand that, but anybody who reads the financial press knows this: during the last eight trading days since the announcement of the scheme, there has been some net movement—I am not going to press you to put a figure on it for reasons we have discussed—of funds from foreign bank branches to ADIs covered by the guarantee. Isn't that right?

Dr Laker —It is very hard to find a specific linkage that says the funding went from one group to another group. We look at the funds that go in, but we do not ask a particular depositor where they may have moved to.

Senator BRANDIS —But you have followed the flow of funds between nominated institutions, haven't you?

Dr Laker —Yes. We follow the aggregate.

Senator BRANDIS —So you must be aware of whether between these two different categories of institutions—that is, foreign bank branches and ADIs covered by the scheme—there has been a net flow of funds. You must know that.

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Dr Laker —Yes.

Senator BRANDIS —And there has been, hasn't there?

—There has been a flow of funds into our authorised deposit-taking institutions. There had been substantial flows to some of those anyway before the guarantee, so that process has continued.

Senator BRANDIS —I am not asking you, by the way, whether you say there is a causal relationship. I am specifically not asking you that question. So there has been a net flow of funds. I have limited myself so far to foreign bank branches. What movement has there been from all funds which APRA monitors into guaranteed ADIs?

Dr Laker —I would have to take that on notice because we are not daily tracking all of our institutions as to what they are doing with their funds on a daily basis. We are selectively looking at the major institutions as to what is going in and out, not right across the board.

Senator BRANDIS —So there was an initial flow of funds from foreign bank branches to ADIs and after that initial reaction you are telling us that that has plateaued pending the announcement of the detail. Is that a fair description?

Mr Byres —I would have said the outflow is continuing but it has slowed.

Senator BRANDIS —The outflow from foreign bank branches to ADIs is continuing but it has slowed.

Mr Byres —But it is very variable from institution to institution.

Senator BRANDIS —Thank you very much. Are you in any better position, Mr Byres, than was Dr Laker to put even an approximate figure on the net flows?

Mr Byres —No. I will take it on notice. But in some cases it has been very large.

Senator BRANDIS —Is it a figure in the billions?

Mr Byres —I would hesitate to say definitively 'yes', but it is certainly very substantial.

Answer:

APRA does not collect the information requested. However, APRA advises total domestic deposits held by the following:

Sector	\$ million	
	30/09/2008	31/10/2008
Major banks	636,672	667,695
Other Australian-owned banks	152,681	159,798
Foreign subsidiary banks	108,766	103,960
Branches of foreign banks	60,392	67,153