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Mr Mark Fitt
Committee Secretariat
Senate Economics Legislation Committee
P.O. Box 6100,
Parliament House,
Canberra ACT 2600

By email: economics.sen@aph.gov.au
& uploaded on the Committee's website

Dear Mr Fitt

Submission on Australian Business Securitisation Fund Bill 2019

We refer to your letter of 18 February 2019 and thank you for the invitation to make a submission to the Senate Economics Legislation Committee (**Committee**) on the Australian Business Securitisation Fund Bill 2019 (**ABSF Bill**) which was introduced into Parliament by the Treasurer, Mr Josh Frydenberg, on 13 February 2019 and then referred to the Committee on 14 February 2019 for inquiry and report by 26 March 2019.

The Australian Securitisation Forum (**ASF**) was formed in 1989 and is the peak industry association representing participants in the Australian securitisation market. A primary role of the ASF is to facilitate the development of industry views and to represent those to policy and market makers and to regulators in Australia and globally. Key objectives of the ASF include supporting the enhancement of market standards and practices, delivering professional development workshops to build the professional standards of industry participants and to promote the Australian securitisation markets to local and global stakeholders.

The ASF, in representing a successfully operating regional securitisation market, supports any proposal that strengthens both domestic and global securitisation markets. Specifically, the ASF is supportive of the proposed Australian Business Securitisation Fund (**Fund**) to be established under the ABSF Bill based on the following rationale:

- The support of the Australian Office of Financial Management (**AOFM**) (within a specified investment mandate) as a funder in SME securitisation facilities as proposed in the ABSF Bill

would promote the growth of wholesale funding of SME lenders in Australia. There are several non-bank and smaller bank SME lenders that are looking to access or expand their access to SME securitisation funding.

- As noted in the Explanatory Memorandum accompanying the ABSF Bill, the SME securitisation market is still small and developing. At present, there is a smaller universe of wholesale funders for SME lenders, as compared to more established markets, such as the residential mortgage backed securitisation (**RMBS**) market.
- As seen in the well-developed Australian RMBS market, securitisation is an efficient wholesale funding technique that allows lenders to grow and access diverse funding sources, thereby improving competition with existing lenders.
- Increased competition among SME lenders would, in turn, be expected to improve SME borrower's access to and terms of SME finance, as has been seen in the residential mortgage lending space, for example.
- As the AOFM will be operating in a highly specialised area of the financial markets, we would recommend that the AOFM continue to work closely with existing debt capital providers in formulating an investment mandate that will also achieve the policy aims of the Fund.
- We also reiterate the view of the securitisation industry, put forward in our response to Treasury's consultation of 21 December 2018, that there should be greater flexibility in allocations that can be made to the Fund in 2019 and 2020 (while still within the specified budget) as this will allow greater opportunity for expansion of the SME sector.

Thank you for considering our comments. If you would like to further information or clarification in relation to any of our comments, please do not hesitate to contact us. The ASF welcomes the opportunity to engage in further discussions with the Committee.

Yours sincerely

A handwritten signature in black ink that reads "Chris Dalton". The signature is written in a cursive, flowing style.

Chris Dalton
Chief Executive Officer