

CHAPTER TWENTY-THREE

PRIVATE FINANCE

This chapter contains a special article on the deregulation of the Australian financial system, as well as statistics on the activities and structure of financial institutions including banks, building societies, insurance companies, finance companies, credit unions and co-operative societies together with descriptions of their operations and relevant controlling legislation.

DEREGULATION OF THE AUSTRALIAN FINANCIAL SYSTEM

Introduction

Since 1980 the Australian financial system has been transformed from a highly regulated and closed system into a more open and competitive one. The process of deregulation has advanced under successive federal governments. Underlying this process has been the belief that the financial markets would operate more efficiently if there was a minimum of government intervention. This article gives a brief resumé of the major events in the process of deregulation of the Australian finance system.

The financial system prior to 1980

The financial system regulations in operation by the late 1970s evolved from the war-time banking controls established in 1941. They were designed primarily to control the activities of the banks; non-bank financial institutions (NBFIs) faced little regulation until 1974. Generally, the NBFIs had developed in response to the inability of the regulated banks to provide certain services and facilities. Regulation of NBFIs came in 1974 with the enactment of the Financial Corporations Act which imposed certain requirements on NBFIs in respect of reporting and liquidity.

The banks were extended the privileges of having exclusive access to the cheque clearing system and to foreign exchange dealings, along with the guarantee of lender of last resort facilities from the central bank but, as a result, were subject to close regulation of the terms of their lending and deposit activities. Their asset structures were also regulated by means of investment restrictions, the Statutory Reserve Deposit (SRD) regulation and the Liquid Assets and Government Securities (LGS) convention.¹

The *Banking Act* (1959) and the *Reserve Bank Act* (1959) were the main legislative vehicles of bank regulation. The Reserve Bank of Australia took over the central banking functions of the former Commonwealth Bank as a result of these Acts. The responsibilities of the Reserve Bank included the implementation and formulation of monetary policy, monitoring the operations of the financial system, and acting as the government's banker. The Reserve Bank was expected to use its powers in such a way as to best contribute to the stability of the currency of Australia, the maintenance of full employment in Australia and the economic prosperity and welfare of Australia.

The NBFIs that emerged in the post-war period included finance companies, building societies, credit unions and merchant banks. Each provided specialist services that the banks could not provide within the regulated environment.

Finance companies were created to service the consumer credit end of the market. Many of these companies were either established by banks as subsidiaries, or were existing companies in which the banks purchased shares (subject to regulated limits on shareholdings by banks

¹ The Statutory Reserve Deposit (SRD) regulation requires trading banks to maintain a certain proportion of their deposits in an SRD account with the Reserve Bank. The Liquid Assets and Government Securities (LGS) convention required major trading banks to maintain a minimum set ratio of LGS assets (i.e. notes, coins, cash with Reserve Bank and all Commonwealth Government securities) to deposits.

in finance companies). The finance companies could raise funds by means unavailable to the banks and lend funds on terms and rates unavailable from the banks.

Merchant banks provided such services as money and securities trading (including financial futures); longer-term financing; arranging working capital and finance for projects; advising on take-overs, mergers and foreign exchange cover; underwriting corporate and semi-government securities issues; providing portfolio management. Letters of credit, preference share placements and bill facilities were provided by certain merchant banks. Some of these services were outside the field of operations allowed to banks by the banking regulations.

Most banks established merchant banks as subsidiaries. This meant that the banks were not totally excluded from providing these types of financial services. Foreign banks were major participants in merchant banking. This provided foreign banks with a major vehicle by which they could participate in the finance market in Australia.

Notwithstanding that the banks often owned substantial shares of these NBFIs, the banks faced stiff competition for funds. The NBFIs were able to offer higher returns, and take commensurately higher risks, than the banks. In addition, the terms on which funds were lent by the NBFIs were more flexible and this too provided significant competition for the banks.

The Financial Corporations Act was enacted to allow the government, through the Reserve Bank, means to examine and regulate the activities of the NBFIs. This was to take place having regard to the matters of 'economic stability, the maintenance of full employment, the efficient allocation of the productive resources of the economy, the ensuring of adequate levels of housing finance and the economic prosperity and welfare of the people of Australia'.

The Reserve Bank was empowered under this Act to make determinations to ensure that the NBFIs maintained certain types of assets to a specified amount, to establish policies regarding the amount that could be lent and to whom it could be lent and to prohibit the charging or paying of interest above a specified ceiling.

The intentions in regulating financial markets in general were to facilitate the implementation of economic (monetary) policy, protect investors, promote competition and achieve certain social/sectoral policies. Initially, the most significant of these policies related to housing. The aim was to ensure that adequate funds were available at reasonable rates for home purchasers.

By the late 1970s it became apparent, with the increasing competition between financial institutions operating in a highly regulated environment, that the regulations themselves were creating distortions.

The banks were facing increasing pressure in attracting funds because of the relatively lower rates and terms they were permitted to offer to depositors. This meant that they had less funds available for lending for housing in particular. Restrictions as to who could provide deposits also hampered the savings banks' ability to attract funds. Similarly, restrictions on rates charged and the purpose of lending meant that banks were presented with an incentive to direct their lending towards more profitable types of lending—again, often not in favour of housing.

The process of deregulation—the banks

A 'Committee of Inquiry into the Australian Financial System', also known as the Campbell Committee, was established in January 1979 in response to the dissatisfaction of many sections of the Australian community with the existing state of affairs in the financial system. The Committee was to investigate the operations of the total financial system in Australia, not just banking.

The Committee's final report was tabled in Parliament in November 1981. In the meantime an interim report was released in May 1980. The interim report marked a turning point. Following its release the deregulatory process began to gain momentum.

Even before the interim report was released, some changes were being made. In May 1980 the limit on shareholdings by banks in merchant banks was increased. Banks were permitted to hold up to 60 per cent of the shares instead of the previous 33.3 per cent.

In December 1980, after the interim report had been released, most controls imposed on bank interest rates and deposits were removed. The direct result of this action was an immediate increase in the competitiveness of the banks. The relaxing of the controls meant that they were better able to compete with the NBFIs for depositors' funds.

The establishment of the Australian Bank Ltd. was announced in February 1981. This was the first new domestic trading bank in fifty years.

In anticipation that the Campbell Committee would actively support the entry of foreign banks into the Australian system, four of the six major banks sought permission to undertake mergers. In June 1981 the Treasurer gave permission for the merger of the Bank of New South Wales with the Commercial Bank of Australia and the merger of the National Bank of Australasia with the Commercial Banking Company of Sydney. The new banks became the Westpac Banking Corporation and the National Australia Bank, respectively.

The final report of the Campbell Committee recommended extensive deregulation of the financial system. These recommendations included, *inter alia*, that foreign banks should be allowed to operate in Australia either as licenced banks or as agencies of foreign banks, and they should be restricted to an 'off-shore' lending role but unable to borrow in the Australian market or to trade foreign exchange. The Committee also recommended that controls over exchange, deposits and interest rates should be abolished; that the exchange rate be determined by the market; and that there be greater emphasis on the supervision of banks with a minimum of regulation and government intervention.

Arising from these recommendations the restriction on trading bank lending growth was removed in June 1982. Previously it had been restricted to 12 per cent per annum.

In March of the same year, the Treasurer had announced that the requirement to give one month's notice of withdrawal from savings bank investment accounts was to be removed and that savings banks could accept small deposits (under \$50,000) for fixed terms of between 30 days and four years. Trading banks had the minimum term for their small fixed deposits reduced from 3 months to 30 days, and the minimum term for larger fixed deposits (over \$50,000) and certificates of deposit reduced from 30 days to 14 days.

Savings banks' ability to compete for deposits and lending was greatly enhanced after August 1982. The LGS ratio was reduced from 40 per cent to 15 per cent, the banks were permitted to accept deposits of up to \$100,000 from profit-making bodies, and they were permitted to invest up to 6 per cent of their deposits without restriction.

January 1983 saw the announcement that the government had decided to allow the entry of about ten new banks, including foreign banks. Applications for new banking licences were to close on 31 May 1983, but in February this was extended to 30 June 1983.

The establishment of the Martin Review Group was announced in May 1983 to examine the Australian financial system and the Campbell Committee's recommendations. The review was to be conducted in the light of the newly-elected Labor Government's social and economic objectives. The question of new banks was to be deferred until the review was completed.

October 1983 saw the Reserve Bank grant trading banks greater flexibility to hold foreign currency balances. They were also permitted to quote their own foreign currency rates to their customers instead of the rates determined by the Reserve Bank.

Legislation was introduced in the South Australian Parliament in November 1983 which outlined the merger between the State Bank of South Australia and the Savings Bank of South Australia. Both were banks established and guaranteed by the legislation.² This merger was a response to the growing level of competition in banking and the finance market generally.

It was announced in December 1983 that the Australian dollar would be free to float on foreign exchange markets. At the same time it was announced that major parts of the exchange controls were to be abolished.

The Martin Review Group presented its report on the Australian financial system in February 1984. The report supported the continuation of the process of deregulation as well as the entry of new banks into the Australian system—by both foreign and domestic interests.

In April 1984 the formation of a new bank by the merchant bank Hill Samuel Australia Ltd was approved. The new bank was called the Macquarie Bank Ltd. It was the second new domestic bank which pre-dated the entry of new foreign banks. The bank commenced operations on 4 March 1985.

In May 1984 the Reserve Bank announced that loans made by banks to authorised dealers and secured by Commonwealth Government Securities, could be included in the banks' LGS ratio. This gave banks greater flexibility in managing this ratio with the aim of them releasing

2. Banks established by Acts of State parliaments are not subject to federal banking legislation and regulation as they are guaranteed by their respective State governments. However, they generally comply with the liquidity standards established by the Reserve Bank.

additional funds for credit creation purposes, at least in the short-term.

The Treasurer, in April 1984, called for applications from NBFIs seeking an authority to deal in foreign exchange. In June it was announced that authorities were to be granted to 40 NBFIs. The granting of these authorities ended the exclusive access of the trading banks to this area of the financial system and allowed for much greater competition and choice.

The restriction that trading bank fixed deposits had to be held for at least 14 days was removed in August 1984. Banks could then pay interest on funds held for less than 14 days, including over-night funds. Payment of interest on cheque accounts was also permitted from this time.

The Bank of China had originally begun operating in Australia in July 1942. It returned its licence in 1972. In September 1984 it was announced that the Bank's licence was to be reactivated. This was possible by virtue of the fact that the Bank had originally commenced operations prior to World War II and its licence had never actually been cancelled.

Applications were invited in September 1984 for new banking licences. The deadline was set as 23 November. The new banks were expected to comply with official monetary policy requirements, to follow the prudential and liquidity guidelines, to be locally incorporated and to have a minimum of \$A25m paid up capital. The latter requirement was to ensure that the new banks would be large enough to offer real and immediate competition.

In addition the Government indicated that it would prefer that there be at least 50 per cent Australian equity in the new bank. However, it was also announced that if an applicant could demonstrate that by being granted a licence it would bring substantial benefits to the Australian market, it may be granted a licence with a reduced Australian equity. At the same time the Treasurer announced that the Government intended to adopt another Martin Review Group recommendation and amend the Banks (Shareholdings) Act to permit a 15 per cent maximum equity for any one shareholder in a bank. The existing limit was 10 per cent.

The Government announced in February 1985 that sixteen of the forty-two applications for bank licences had been approved.

NEW BANKS WITH FOREIGN OWNERSHIP STRUCTURES GRANTED BANKING LICENCES ANNOUNCED IN FEBRUARY 1985

United States of America

Bank of America Australia Ltd, Sydney
Bank of America with G. J. Coles
Chase AMP Bank Ltd, Sydney
Chase Manhattan Bank with the AMP Society

Citibank Ltd, Sydney
Citibank NA

J. P. Morgan & Co. (Not taken up)

Bankers Trust Australia Ltd, Sydney
Bankers Trust Corporation

Canada

National Mutual Royal Bank Ltd, Melbourne
Royal Bank of Canada with National Mutual Life Association

United Kingdom

Barclays Bank Australia Ltd, Sydney
Barclays Bank

NatWest Australia Bank Ltd, Sydney
National Westminster Bank

Standard Chartered Bank Australia Ltd, Adelaide
Standard Chartered Bank with the State Government Insurance Commission of South Australia and Advertiser Newspapers Ltd (Adelaide)

New Zealand

Lloyds Bank NZA Ltd, Sydney
National Bank of New Zealand Ltd with Lloyds Bank PLC

Japan

Bank of Tokyo Australia Ltd, Sydney
The Bank of Tokyo

IBJ Australia Bank Ltd, Perth

The Industrial Bank of Japan with the Western Australian Development Corporation, Town and Country Building Society and State Government Insurance Office of W.A.

Mitsubishi Bank of Australia Ltd, Sydney

The Mitsubishi Bank with City Mutual Life Assurance Society and Howard Smith Ltd

Federal Republic of Germany

Deutsche Bank of Australia Ltd, Melbourne
Deutsche Bank AG

Hong Kong

Hong Kong Bank of Australia Ltd, Melbourne
The Hong Kong and Shanghai Banking Corporation with the Victorian Economic Development Corporation

Singapore

Bank of Singapore (Australia) Ltd, Melbourne
Oversea-Chinese Banking Corporation Ltd

The ceiling on interest rates on overdrafts of amounts less than \$100,000 was removed in April 1985. In May 1985 the Reserve Bank introduced the Prime Assets Ratio (PAR) for

the trading banks.³ The Reserve Bank also outlined what its framework would be for supervising the adequacy of trading bank liquidity in so far as their operations within Australia in Australian dollars were concerned. It made similar announcements concerning foreign currency operations and the holding of assets in Australia bought with the foreign currency, and the extension of the PAR. In September 1985 the foreign investment controls in respect of shareholdings in merchant banks were suspended for an indefinite period.

April 1986 saw the lifting of one of the last remaining interest rate controls. As part of a package designed to assist the housing industry and the banks, the Government lifted the control on housing loan interest rates for loans of less than \$100,000 where those loans were finalised after 2 April 1986. Loans finalised prior to that date remained protected by the former ceiling of 13.5 per cent.

The first of the new banks began operations in September 1985. By the beginning of August 1986 all banks granted new licences, with the exception of J. P. Morgan & Co., had commenced operations.

These deregulatory actions greatly increased the competition between the different banks and between the banks and the NBFIs. This was achieved by allowing banks greater flexibility in the scope of their operations and by allowing additional banks to enter the market. The entry of banks would not have been successful under the former, regulated environment.

Australia now has a banking industry which includes an increased number of banks. As a result Australians have increased access, via the new banks, to foreign markets, while foreign investors have greater access into Australian markets.

The process of deregulation—non-banks

Alongside the changes in banking regulations have been changes in the NBFIs' operating environment. The overall result has been to reduce the pre-deregulation distinctions between the different types of institutions.

As far as the NBFIs are concerned, the process of deregulation has meant that they have either been granted access to areas that were previously the exclusive province of the banks, or existing access has been improved. This has included direct access to foreign exchange markets, direct access by authorised dealers and the newly created reporting bond dealers⁴ to the Reserve Bank for dealings in government securities, and the opportunity for many institutions to vary their status. Building societies have been particularly active in the latter area in recent times, several changing their status to savings banks. This has been achieved by way of merger or by simply applying for a change in status.

For example, in February 1985 the N.S.W. Building Society announced that it planned to seek savings bank status. It began operations as a savings bank in June 1985 under the new name of Advance Bank Australia Ltd. The Advance Bank has since merged with the Civic Permanent Building Society to establish the Civic Advance Bank Limited, which commenced its operations in June 1986 and has its headquarters in Canberra.

In addition, a partnership entered into by the Royal Bank of Canada and the National Mutual Life Association resulted in the National Mutual Royal Bank Limited, which commenced operation in February 1986. A subsequent merger by this bank with the National Mutual Permanent Building Society in N.S.W. resulted in the formation of the National Mutual Royal Savings Bank Limited and the National Mutual Royal Savings Bank (N.S.W.) Limited.

A new savings bank, which commenced operations on 21 April 1987, the Perth based Challenge Bank Limited, was established after a merger of the Perth Building Society and the Hotham Permanent Building Society of Victoria.

Building societies and credit unions, in an attempt to increase their competitiveness, have entered into agency agreements with some banks whereby the relevant bank acts as the building society's or credit union's agent at the cheque clearing houses. This has enabled the building societies and credit unions to offer chequeing accounts to their customers. The

3. The Prime Assets Ratio (PAR) requires each trading bank to hold at all times 'prime assets' equivalent to not less than 12 per cent of its total liabilities (other than shareholders' funds) within Australia. Prime assets include notes and coins, balances with the Reserve Bank, all Commonwealth government securities, and loans to authorised money market dealers secured against Commonwealth Government securities. The PAR prudential arrangement replaced the previous LGS convention.

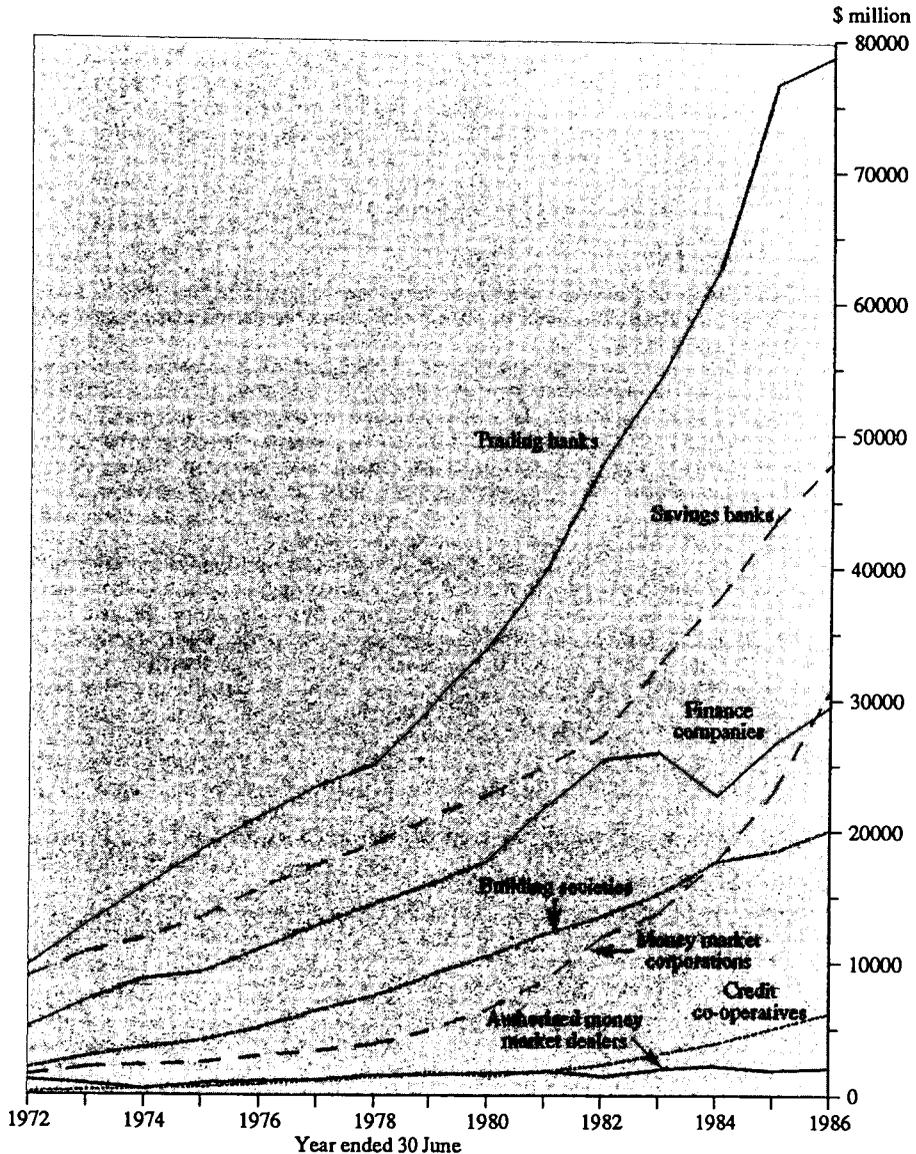
4. In November 1984 it was announced that 21 Reporting Bond Dealers were to be established with effect from January 1985. The RBA would deal with this group in Commonwealth Bonds where the period to maturity was greater than twelve months.

clearing houses are owned by the banks and these negotiated agency agreements are the only means available to the building societies and credit unions to offer these accounts to their customers.

Building societies have been granted permission to issue credit cards. This area was previously available only to the banks.

In September 1985 the Government announced that it was setting aside, for a period of twelve months, the existing guidelines for foreign ownership of merchant banks. The decision

TOTAL ASSETS OF SELECTED FINANCIAL INSTITUTIONS



was taken to allow the merchant banks to become more competitive and to allow new merchant banks to enter the Australian market. It meant, in effect, that they could be 100 per cent owned by foreign investors. By June 1986 there were 30 new merchant banks in the Australian system.

Sharemarkets too have been deregulated. Relaxation of restrictions relating to ownership and incorporation of stock-broking firms and on commissions chargeable to clients, together with the granting of new stock exchange membership, has meant that this aspect of the financial system has been made available to the banks through either partnerships or mergers with broking houses, or by gaining membership themselves of the stock exchanges. Foreign owners have also appeared on the share registers of broking companies as the restrictions on foreign ownership have been gradually relaxed.

Conclusion

The objective of deregulation was to create an environment where greater competition promoting financial innovation could bring about increased efficiency and fairness within the Australian financial system. While, to the casual observer, there is ample evidence of the changes that have taken place, particularly in the range of customer services offered by the various institutions and in the number of new names in the industry, many of the changes have been too recent to be reflected dramatically in the available statistics.

The graph above illustrates the growth in the assets of selected financial institutions over a period of 16 years. While this graph indicates some changes in the relative importance of different types of institutions, it is not necessarily indicative of future trends, which will depend on how well each type of institution competes in the deregulated environment. As deregulation reduces the institutionalised differences between the various institutions, so will the relevance of this type of comparison diminish.

MONEY

Currency

Australia has a decimal system of currency, the unit being the dollar which is divided into 100 cents. Australian notes are issued in the denominations of \$2, \$5, \$10, \$20, \$50 and \$100 and coins in the denominations of 1c, 2c, 5c, 10c, 20c, 50c and \$1. The \$1 note was replaced by the \$1 coin in 1984.

For additional information on note issues and coinage, refer to the List of Special Articles towards the back of this *Year Book*.

AUSTRALIAN NOTES ON ISSUE

(\$ million)

	<i>Last Wednesday in June</i>					
	1981	1982	1983	1984	1985	1986
\$1	74.1	78.8	81.4	58.2	45.1	43.7
\$2	152.7	158.4	162.9	168.6	179.1	179.9
\$5	153.9	165.6	174.1	183.1	192.1	202.2
\$10	555.9	546.7	531.5	512.9	518.1	524.8
\$20	2,060.0	2,169.8	2,195.8	2,235.6	2,284.9	2,285.2
\$50	2,190.7	2,718.2	3,216.4	3,450.4	3,420.5	3,461.7
\$100	—	—	—	595.6	1,542.4	2,238.6
Total	5,187.3	5,837.5	6,362.2	7,204.5	8,182.1	8,936.1
<i>Held by banks</i>	<i>578.1</i>	<i>677.4</i>	<i>712.6</i>	<i>786.7</i>	<i>833.3</i>	<i>894.3</i>
<i>Held by public</i>	<i>4,609.2</i>	<i>5,160.1</i>	<i>5,649.6</i>	<i>6,417.8</i>	<i>7,348.8</i>	<i>8,041.9</i>

AUSTRALIAN DECIMAL COIN: NET ISSUES BY RESERVE BANK
(**\$ million**)

	<i>Year ended June</i>					
	1981	1982	1983	1984	1985	1986
1c	1.5	1.4	1.2	1.0	1.1	1.3
2c	2.9	2.7	1.7	1.4	1.5	1.3
5c	5.1	5.0	3.4	3.5	2.7	3.8
10c	5.8	6.2	4.3	5.2	—	3.4
20c	14.8	12.8	9.0	6.9	(-)9.6	3.0
50c	12.1	26.8	22.1	9.4	1.2	(-)0.5
\$1	—	—	—	107.2	86.6	25.5
Total	42.1	54.9	41.7	134.6	83.5	37.8

Volume of money

Statistics of the volume of money in the following table include notes and coins in the hands of the public, deposits of the public with trading banks (including the Reserve Bank) and deposits with all savings banks. Volume of money is a measure of specified financial assets held by the non-bank public.

The financial assets included in the volume of money in the table represent only part (albeit a major part) of the public's total holdings of liquid financial assets. An expanded view of the volume of money would include the public's holdings of such other claims as finance company debentures, deposits and shares of building societies, loans to authorised dealers in the short-term money market, government securities, etc.

VOLUME OF MONEY

(\$ million)

(Source: Reserve Bank of Australia)

<i>Average of weekly figures for June</i>	<i>Notes and coins in the hands of public</i>	<i>Deposits of public with all trading banks</i>			<i>Deposits with all savings banks(c)</i>	<i>Total volume of money</i>
		<i>Current(a)</i>	<i>Fixed(a)</i>	<i>Certificates of deposits(b)</i>		
1981	4,977	11,650	13,767	1,966	23,028	55,387
1982	5,570	11,325	16,948	3,002	24,808	61,653
1983	6,078	11,803	18,676	3,248	29,568	69,373
1984	6,983	12,663	19,393	3,850	34,051	76,940
1985	8,009	14,451	24,795	5,619	37,519	90,393
1986	8,717	14,637	32,427	4,725	41,625	102,132

(a) Excludes deposits of the Commonwealth and State Governments and inter-bank deposits. (b) Excludes holdings of the Commonwealth and State Governments and banks. (c) Interpolated 'weekly average' based on end-of-month figures.

FINANCIAL LEGISLATION

Commonwealth legislation for economic management

With Federation in 1901 the new Commonwealth Parliament was given power under Section 51 of the Commonwealth Constitution to legislate with respect to 'Banking, other than State Banking, also State Banking extending beyond the limits of the State concerned, the incorporation of banks, and the issue of paper money'. In 1911 the Commonwealth entered the field of banking with the establishment of the Commonwealth Bank of Australia, which conducted both trading bank and savings bank operations.

From 1911 to 1945 the functions of central banking became more and more the responsibility of the Commonwealth Bank, and in 1945 the Commonwealth Parliament directed it to act as a central bank. In the ensuing period of economic growth and financial development, the need for effective regulatory control of finance through banks became increasingly recognised. During 1959 the Commonwealth Parliament enacted the following legislation:

- (a) The *Banking Act 1959* which applies to all banks operating in Australia, including the external territories of the Commonwealth, except State banks trading in their own State. The objects of the Act are:
- (i) to provide a legal framework uniform throughout Australia for regulating the banking system;
 - (ii) to safeguard depositors of the banks from loss;
 - (iii) to provide for the co-ordination of banking policy under the direction of the Reserve Bank;
 - (iv) to control the volume of credit in circulation and bank interest rates; and
 - (v) to provide machinery for the control of foreign exchange.
- (b) The *Reserve Bank Act 1959* which provides for the constitution and management of the Reserve Bank of Australia, the administration of the *Banking Act 1959* and the management of the Australian note issue.
- (c) The *Commonwealth Banks Act 1959* which provides for the constitution and management of the Commonwealth Banking Corporation, Commonwealth Bank of Australia, Commonwealth Savings Bank of Australia, and the Commonwealth Development Bank of Australia.

Notwithstanding the provisions of the above legislation, recent Australian governments have sought to decrease the degree of regulation imposed on the Financial Sector, and on banking activity in particular. Specifically, controls on most bank interest rates and foreign exchange have been relaxed. In addition, eighteen new private banks have been granted licences to commence operations.

Information on more specific aspects of the growth and control of the banking industry is contained in earlier issues of the *Year Book* (Nos. 31, 37, 45, 46 and 61).

As a result of the further development of the financial market and the increasing significance in the market of the non-bank financial institutions such as finance companies, building societies and money market dealers, the *Financial Corporations Act 1974* was introduced. The object of this Act is to assist the government to achieve effective management of the Australian economy by providing a means for the examination and regulation of the activities of non-bank financial institutions having regard to economic stability, the maintenance of full employment, the efficient allocation of productive resources, the ensuring of adequate levels of finance for housing and the economic prosperity and welfare of the people of Australia. Details of the operation and application of the Act are given in *Year Book* No. 62, page 541.

Other Commonwealth legislation directly affecting financial institutions

Insurance

Section 51 of the Commonwealth Constitution confers the necessary powers on the Commonwealth Parliament to legislate with respect to 'insurance, other than State insurance; also State insurance extending beyond the limits of the State concerned'. Commonwealth legislation includes the *Marine Insurance Act 1909* defining the limits of marine insurance and regulating the terms of contracts, etc.; the *Life Insurance Act 1945* generally regulating life insurance business in Australia; the *Insurance Act 1973* generally regulating general (non-life) insurance business in Australia and the *Insurance (Agents and Brokers) Act 1984*. The *Marine Insurance Act 1909* has limited application.

Life Insurance Act 1945

The objects of this Act are:

- (a) to replace all State legislation on the subject of life insurance except that relating to the life insurance operations of State government insurance offices within the State concerned, and to provide uniform legislation for the whole of Australia;
- (b) to appoint a Life Insurance Commissioner to exercise active supervision of the activities of life insurance companies, with a view to securing the greatest possible protection for policy holders; and
- (c) to set up adequate machinery for dealing with any company that fails to maintain a required minimum standard of solvency.

The Act came into operation on 20 June 1946. The Life Insurance Commissioner issues an annual report which contains detailed information on the operations of life insurance companies.

Insurance Act 1973

The objects of this Act are:

- (a) to appoint an Insurance Commissioner to exercise active supervision of the financial activities of companies conducting general (non-life) insurance business, apart from State government insurance whether or not extending beyond the limits of the State concerned and other organisations specified in the Act, with a view to securing the greatest possible protection for policy holders; and
- (b) to set up adequate machinery for dealing with any company that fails to maintain a required minimum standard of solvency.

The Act came into operation on 19 June 1973. The Insurance Commissioner issues an annual report which contains detailed information on the operations of insurance companies.

Insurance (Agents and Brokers) Act 1984

The prime objective of the Act is to regulate the activities of insurance agents and brokers with a view to strengthening the financial stability of the industry overall. The Act received Royal Assent on 25 June 1984 although most of its regulatory provisions did not become operative until 1 January 1986.

State legislation

In each State there exists legislation designed to regulate the activities and monitor the solvency position of particular types of financial institutions which operate on a co-operative basis and lend predominantly to members or consumers. In general, they form the groups covered later in this chapter under the headings of Permanent Building Societies, Co-operative Housing Societies and Credit Unions.

In some States there is also legislation for the incorporation of State government bodies which operate as banks or insurance offices. Though the regulations in Commonwealth legislation do not directly apply to these bodies, details of their operations have been included in the relevant parts of this chapter because they have agreed to supply information consistent with regulatory reports on a voluntary basis.

BANKS**Reserve Bank of Australia**

The Reserve Bank of Australia preserved and continued in existence the original corporate body known as the Commonwealth Bank of Australia under the new name Reserve Bank of Australia.

The general functions of the Reserve Bank are set out in Section 10 of the *Reserve Bank Act 1959*, which states:

'It is the duty of the Board, within the limits of its powers, to ensure that the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia and that the powers of the Bank under this Act, the *Banking Act 1959*, and regulations under that Act are exercised in such a manner as, in the opinion of the Board, will best contribute to:

- (a) the stability of the currency of Australia;
- (b) the maintenance of full employment in Australia; and
- (c) the economic prosperity and welfare of the people of Australia.'

Management

The policy of the Reserve Bank is determined by a Board consisting of the Governor (Chairman), the Deputy Governor, the Secretary to the Treasury, and seven other members appointed by the Governor-General. The Bank is managed by the Governor, who acts in accordance with the policy of the Board and with any directions of the Board. The Bank is required to inform the government of the monetary and banking policy of the Board. In the event of a disagreement between the government and the Board as to whether the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia, the Governor-General, acting with the advice of the Executive Council, may determine the policy to be adopted by the Bank.

Central Banking business

Under the *Commonwealth Bank Act 1911* and the war-time powers conferred by the National Security Regulations, the Commonwealth Bank gradually assumed the functions of a Central Bank. Part III of the *Commonwealth Bank Act 1945* formally constituted the bank as a Central Bank and granted the necessary powers to carry on the business of a Central Bank, these powers being carried through into the present Act constituting the Reserve Bank.

Note Issue Department

The Note Issue Department, established in 1920 when the control of the Australian note issue was transferred from the Commonwealth Treasury to the Commonwealth Bank, was maintained in the same form under the *Reserve Bank Act 1959*. The Reserve Bank may, through this Department, issue, re-issue and cancel Australian notes.

Rural Credits Department

The Rural Credits Department, established in 1925 for the purpose of making short-term credit available for the orderly marketing of primary produce, was continued in the same form under the *Reserve Bank Act 1959*. The Reserve Bank may, through this Department, make advances upon the security of primary produce placed under the legal control of the Bank, or other security associated with the production or marketing of primary produce, to co-operative associations or marketing boards formed under the laws of the Commonwealth or a State or Territory of the Commonwealth or other bodies specified by proclamation. The period of the advance is not to exceed one year.

RESERVE BANK OF AUSTRALIA: LIABILITIES AND ASSETS (\$ million)

LIABILITIES

30 June—	Capital and reserve funds	Special reserve— IMF special drawing right	Australian notes on issue	Deposits of trading banks		Deposits of savings banks	All other liabilities	Total
				Statutory reserve deposit accounts	Other			
1981	3,161	388	5,094	1,846	9	129	1,253	11,880
1982	2,553	352	5,838	2,118	23	195	1,667	12,747
1983	4,392	352	6,414	2,237	6	2	2,121	15,523
1984	4,266	305	7,237	2,409	13	1	2,658	16,888
1985	6,177	344	8,234	2,864	16	1	4,047	21,683
1986	6,602	371	8,915	3,289	22	2	4,841	24,042

ASSETS

30 June—	Gold and foreign exchange (a)	Australian Government securities (b)	Loans, advances and bills discounted	Bank premises (c)	All other assets	Total
1982	6,519	4,771	573	160	724	12,747
1983	10,752	3,472	418	165	717	15,523
1984	12,261	2,872	749	170	837	16,888
1985	13,245	6,487	381	342	1,229	21,683
1986	12,698	9,539	142	374	1,289	24,042

(a) Includes currency at short call and International Monetary Fund drawing rights. (b) Includes Treasury bills and Treasury notes. (c) At cost, less amounts written off.

Trading banks

Commercial banking in Australia is conducted by twenty-eight trading banks. Three large private trading banks, together with the Commonwealth Bank of Australia, are generally referred to as the major trading banks. These banks provide widespread banking facilities

throughout Australia. The remaining twenty-four banks comprise four overseas banks, three State-owned banks and seventeen private banks.

The major trading banks are: Commonwealth Bank of Australia; Australia and New Zealand Banking Group; Westpac Banking Corporation; and the National Australia Bank Limited.

Liabilities and assets

Balance sheet information contained in the following table does not relate to uniform accounting periods but rather to the balance dates of banks within the years shown.

AUSTRALIAN TRADING BANKS(a): LIABILITIES AND ASSETS(b)

(\$ million)

LIABILITIES

	Paid-up capital	Reserve funds (used in business of banks) (c)	Final dividend proposed	Balance of profit and loss account	Total share-holders' funds	Balances due to other banks	Deposits, bills payable and other liabilities	Total
1981	770	1,496	90	304	2,660	4,208	41,735	48,603
1982	1,057	1,673	108	368	3,206	6,613	51,444	61,263
1983	1,060	1,926	117	297	3,401	7,632	56,715	67,747
1984	1,259	2,309	143	431	4,143	12,152	62,219	78,514
1985	1,928	3,889	173	668	6,658	14,901	79,542	101,102
1986	3,276	4,986	200	1,039	9,502	23,326	108,746	141,574

ASSETS

	Coin, bullion, notes and cash at Reserve Bank	Money at short call overseas	Australian public securities				Other public securities	Loans to authorised dealers in short-term money market	Total
			Australian Government		Local and semi-government securities	Other securities			
			Treasury bills and notes	Other securities					
1981	542	170	641	4,116	104	222	1,477	117	
1982	579	399	754	5,023	57	95	2,431	38	
1983	441	465	393	5,066	46	318	2,416	78	
1984	482	532	426	5,745	36	332	3,069	175	
1985	722	740	802	6,404	29	139	5,428	459	
1986	1,111	994	1,597	6,639	90	992	7,525	1,446	

	Statutory reserve deposit account with Reserve Bank	Cheques and bills of, and balances with and due from other banks	Loans, advances and bills discounted	Bank premises, furniture and sites	Bills receivable and remittances in transit	All other assets	Total
1982	2,096	4,523	32,342	689	2,181	10,056	61,263
1983	2,212	5,295	35,257	843	2,056	12,861	67,747
1984	2,482	8,017	39,041	1,033	1,152	15,994	78,514
1985	2,970	9,415	52,514	1,327	1,771	18,382	101,102
1986	3,262	16,159	70,618	1,564	3,428	26,147	141,574

(a) Excludes the overseas banks and the State banks. (b) Relates to liabilities and assets both inside and outside Australia. (c) Includes inner reserves.

Figures shown in the following table are the averages of liabilities and assets within Australia (including external territories) of banks at the close of business on Wednesdays during the month of June for the years shown.

ALL TRADING BANKS: AVERAGE LIABILITIES AND ASSETS WITHIN AUSTRALIA

(\$ million)

LIABILITIES(a)(b)

Average of weekly figures for month of June	Deposits repayable in Australia						Bills payable and all other liabilities to the public	Total
	Current			Total	Balances due to other banks			
	Fixed	Bearing interest	Not bearing interest					
1982	21,614	1,261	10,628	33,503	1,140	11,194	45,837	
1983	23,644	1,702	10,698	36,044	1,350	14,871	52,266	
1984	24,925	2,135	11,364	38,424	1,997	19,100	59,521	
1985	31,443	4,265	11,570	47,279	1,884	21,386	70,548	
1986	38,650	3,648	12,038	54,336	4,070	34,863	93,270	
1987	38,041	5,205	13,533	56,779	4,850	50,744	112,374	

ASSETS(b)

Average of weekly figures for month of June	Coin, bullion, notes and cash at Reserve Bank	Australian Government securities		Local and semi- government securities	Loans to author- ised dealers in short- term money market	Statutory reserve deposit account with Reserve Bank	Loans, advances and bills dis- counted	All other assets	Total
		Treasury bills and notes	Other securities						
		1982	639						
1983	620	538	5,395	123	193	2,238	28,687	16,858	54,653
1984	678	358	6,041	96	320	2,409	31,751	20,974	62,627
1985	748	1,118	6,535	457	311	2,861	39,272	25,374	76,677
1986	877	1,798	7,175	641	906	3,301	53,053	35,579	103,329
1987	868	3,512	7,324	542	760	3,455	60,937	45,624	123,023

(a) Excludes shareholders' funds. (b) Excludes inter-branch accounts and contingencies.

Branches and agencies

At 30 June 1987 the major trading banks operated 4,635 branches, and the other trading banks, 633 branches. Of the total 5,268 branches, 2,792 were located in metropolitan areas. Trading bank facilities were also available at 1,733 agencies throughout Australia.

Debts to customers' accounts

TRADING BANKS: AVERAGE WEEKLY DEBITS TO CUSTOMERS' ACCOUNTS(a)

(\$ million)

June	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	N.T.	A.C.T.	Aust.
1982	17,918	13,027	3,448	1,700	2,501	334	96	568	39,593
1983	17,788	13,679	3,926	1,727	2,592	332	95	834	40,975
1984	26,971	19,075	5,389	2,124	3,449	402	167	1,223	58,800
1985	42,968	23,959	6,483	2,699	4,720	545	197	1,482	83,053
1986	58,972	26,514	6,765	3,194	5,289	502	220	1,894	103,352
1987	84,752	30,715	7,548	3,414	5,629	866	342	1,258	134,524

(a) Covers all trading banks and in addition the Rural Credits Department of the Reserve Bank and the Commonwealth Development Bank. Excludes debits to the Commonwealth and State Government accounts in capital cities.

More detailed statistics relating to trading banks may be found in the monthly publication *Major Trading Banks Australia* (5603.0), and the quarterly publication *Banking, Australia* (5605.0).

INTEREST RATES AT 30 JUNE 1986

	<i>Per cent per annum</i>
Fixed deposits (Less than \$50,000)	
30 days	13.50
3 months	14.00
6 months	14.00
12 months	13.50
24 months	13.00
48 months	12.50
Overdrafts	
Less than \$100,000	16.75/19.50
\$100,000 and over	16.75/18.00

Savings banks

Savings bank business in Australia is conducted by seventeen banks. These comprise subsidiaries of the four major trading banks, three State-owned banks, seven private banks, two trustee banks and one overseas bank.

All savings banks, including trustee savings banks but not State savings banks, are subject to the *Banking Act 1959*.

Liabilities and assets

Balance sheet information contained in the following table does not relate to uniform accounting periods but rather to the balance dates of banks falling within the years shown.

SAVINGS BANKS(a): LIABILITIES AND ASSETS(b)

(\$ million)

LIABILITIES

	<i>Paid-up capital</i>	<i>Reserve Funds (used in the business of the bank)(c)</i>	<i>Balance of profit and loss account</i>	<i>Total shareholders' funds</i>	<i>Depositors' balances</i>	<i>Balances due to other banks</i>	<i>Bills payable and all other liabilities</i>	<i>Total</i>
1981	92	613	51	757	17,520	16	484	18,777
1982	91	674	66	831	18,760	89	646	20,325
1983	141	658	49	847	23,680	73	752	25,352
1984	130	1,050	96	1,275	26,687	266	874	29,102
1985	564	642	146	1,351	28,856	246	1,048	31,500
1986	678	698	183	1,562	33,214	250	1,475	36,501

SAVINGS BANKS(a): LIABILITIES AND ASSETS(b)

(\$ million)

ASSETS

	<i>Coin, bullion, notes and deposits with Reserve Bank</i>	<i>Deposits in Australia with trading banks</i>	<i>Australian public securities</i>			
			<i>Commonwealth and State Governments</i>		<i>Local and semi-government securities</i>	<i>Other securities</i>
			<i>Treasury bills and notes</i>	<i>Other securities</i>		
1981	159	170	1,234	1,628	4,924	66
1982	154	184	1,368	1,530	4,733	105
1983	137	311	875	3,453	5,573	145
1984	68	209	82	4,551	6,444	146
1985	85	312	209	4,162	6,228	238
1986	104	506	758	4,342	5,008	442

SAVINGS BANKS(a): LIABILITIES AND ASSETS(b)

(\$ million)

ASSETS—continued

	Loans to authorised dealers in short-term money market	Cheques and bills of, and balances with and due from other banks(c)	Loans advances and bills discounted	Bank premises, furniture and sites	Bills receivable and re- mittances in transit	All other assets	Total
1981	29	210	9,903	235	2	217	18,777
1982	60	254	11,425	252	2	259	20,325
1983	277	263	13,722	273	3	320	25,352
1984	177	264	16,072	623	102	363	29,102
1985	310	585	18,295	659	12	405	31,500
1986	104	177	23,670	794	49	548	36,501

(a) Excludes the State banks. (b) Relates to liabilities and assets both inside and outside Australia. (c) Includes deposits with and loans to specified lenders other than trading banks.

Branches and agencies

At 30 June 1987 the savings banks operated 6,021 branches and 8,632 agencies of which 3,345 branches and 3,910 agencies were in metropolitan areas.

More detailed statistics relating to trading banks may be found in the monthly publication *Savings Banks, Australia* (5602.0), and the quarterly publication *Banking, Australia* (5605.0).

Development banks

Commonwealth Development Bank of Australia

The Commonwealth Development Bank of Australia was established by the *Commonwealth Banks Act 1959* and commenced operations on 14 January 1960. It was formed basically from an amalgamation of the Mortgage Bank and Industrial Finance Departments of the former Commonwealth Bank of Australia. The functions of the Development Bank are to provide finance for the purpose of primary production (which includes fishing, forestry and all forms of rural activity) and for the establishment or development of small business undertakings (i.e. with shareholders'/proprietors' funds not exceeding \$5 million) in cases where such finance is not otherwise available on reasonable and suitable terms and conditions.

Two types of facility are provided—loans over medium to long terms and equipment finance over short terms. Loans to primary industry may be for all types of farm development, property purchase and restructuring of private mortgage debt. Loans to small businesses may be for establishment of new enterprises or for development of existing businesses in all sectors including manufacturing, retail and wholesale trade, transport, tourism, professions, entertainment and service industries. Equipment finance is provided for the acquisition of plant and vehicles for both primary industry and business undertakings. The Bank has widened its policy to lend for working capital and to re-finance loans from non-bank sources.

The Commonwealth Development Bank is managed by a General Manager under the Managing Director of the Commonwealth Banking Corporation and its policy is determined by the Board of that Corporation.

Australian Resources Development Bank Limited

The Australian Resources Development Bank Limited was established in 1967 with equity capital of \$3 million subscribed by the major trading banks. It was given the status of a bank under the *Banking Act 1959* and opened for business on 29 March 1968. The main object of the Australian Resources Development Bank is to assist Australian enterprises to participate more fully in the development of Australia's natural resources. It provides finance to enterprises engaged in major developmental projects by direct loans, investing in equity capital or by refinancing loans made by trading banks acting individually or as a group. The Australian Resources Development Bank obtains funds by accepting deposits and by borrowing on the Australian and overseas capital markets.

The Primary Industry Bank of Australia Limited

The Primary Industry Bank of Australia Limited commenced operations on 22 September 1978 under the authority of the *Primary Industry Bank Act 1977*. The Bank has also been brought within the scope of the *Banking Act 1959* including those provisions relating to the protection of depositors, advances policy, control of interest rates, furnishing of statistics, and alterations in the structure and ownership of the Bank.

The main objective of the Bank is to facilitate the provision of loans to primary producers for longer terms than are otherwise generally available. The Bank's role is restricted to refinancing loans made by banks and other financial institutions with terms of eight years or more but not exceeding thirty years.

The equity capital of the Bank is \$5.6 million consisting of six shares. Five shares are held by the Commonwealth Government and the major trading banks, while the sixth share is held equally by the four State banks.

REGISTERED BUILDING SOCIETIES

Permanent building societies

A permanent building society is defined as an organisation that:

- is registered under relevant State or Territory legislation;
- has not by its rules any fixed date or certain event or result when it is to terminate;
- is authorised to accept money on deposit;
- operates on a co-operative basis by borrowing predominantly from its members and providing finance to its members principally in the form of housing loans.

In 1976 a statistical collection was introduced covering the financial accounts of permanent building societies in all States and Territories of Australia. The statistics below summarise information collected from the 68 permanent building societies balancing in the 1985-86 financial year. More detailed descriptions and dissections of these statistics may be found in the annual publication *Permanent Building Societies: Assets, Liabilities, Income and Expenditure, Australia* (5632.0).

Information relating to the housing finance operations of permanent building societies is provided on page 832 and in the monthly publication *Housing Finance for Owner Occupation, Australia* (5609.0).

Summary statistics on the assets and selected liabilities of permanent building societies registered under the *Financial Corporation Act 1974* are given on pages 825 and 826.

PERMANENT BUILDING SOCIETIES: LIABILITIES AND ASSETS(a)

(\$ million)

<i>Liabilities</i>	<i>1985-86</i>	<i>Assets</i>	<i>1985-86</i>
Share capital and reserves:		Loan outstanding:	
Non-withdrawable shares	85.5	Owner occupied housing	12,091.2
Withdrawable shares	11,018.6	Other	2,779.1
Reserves—		Cash on hand	57.3
Statutory	31.2	Placements and deposits with:	
Other(b)	564.0	Savings and Trading banks	1,087.9
Borrowings from residents:		Other financial institutions	215.6
Banks	310.4	Other businesses	46.8
Secured borrowings	789.7	Bills, bonds and other securities	3,504.6
Unsecured borrowings	7,439.4	Accounts receivable	75.4
Accounts payable	84.8	Physical assets	577.4
Other liabilities	160.8	Other asset	49.0
Total liabilities	20,484.3	Total assets	20,484.3

(a) At the balance dates of societies within the financial year shown. (b) Includes accumulated surpluses and deficits.

PERMANENT BUILDING SOCIETIES: INCOME AND EXPENDITURE
(\$ million)

<i>Expenditure</i>	<i>1985-86</i>	<i>Income</i>	<i>1985-86</i>
Interest and dividends on withdrawable shares	1,132.2	Income on deposits with banks	131.6
Interest on:		Income from:	
Borrowings from banks	34.4	Placements and other deposits	36.8
Secured borrowings	73.4	Holdings of securities	480.6
Unsecured borrowings	914.3	Interest on loans	2,058.7
Wages and salaries	171.3	Management Fees	43.3
Management fees(a)	49.5	Other income	63.0
Administrative expenses(b)	191.2		
Other expenditure	142.7	Total income	2,814.1
Total expenditure	2,709.1		

(a) Represents payments made by societies to separate management companies. (b) Includes Permanent Building Society Association costs, advertising, bank charges and other administrative expenses.

Co-operative housing societies

A co-operative housing society is defined as an organisation that:

- is registered under the relevant State or Territory legislation;
- is not authorised to accept money on deposit;
- is only allowed to raise money on loans;
- only provides finance to its members in the form of housing loans;
- does not cause or permit applicants for loans to ballot for precedence or in any way make the granting of a loan dependent on any chance or lot.

The statistics below summarise information collected from the 2,332 co-operative housing societies balancing within the 1985-86 financial year. More detailed descriptions and dissections of these statistics may be found in the annual publication *Co-operative Housing Societies: Assets, Liabilities, Income and Expenditure, Australia* (5633.0).

CO-OPERATIVE HOUSING SOCIETIES: LIABILITIES AND ASSETS(a)
(\$ million)

<i>Liabilities</i>	<i>1985-86</i>	<i>Assets</i>	<i>1985-86</i>
Share capital(b)	0.1	Amount owing on loans(b)	1,855.7
Accumulated funds(c)	25.0	Cash on hand and current accounts at banks	11.9
Loans from:		Deposits with:	
Banks	359.6	Banks	10.0
Commonwealth/State Home Builders' Fund(d)	1,024.9	Others	28.0
Others	487.9	Physical assets	0.2
Other liabilities	11.5	Other assets	3.1
Total liabilities	1,908.9	Total assets	1,908.9

(a) At the balance dates of societies within the financial year shown. (b) Borrowing members' subscriptions have been offset against 'Amount owing on loans'. (c) Includes accumulated surpluses and deficits. (d) Refers to loans made through the Commonwealth/State Housing Agreements.

CO-OPERATIVE HOUSING SOCIETIES: INCOME AND EXPENDITURE
(\$ million)

<i>Expenditure</i>	<i>1985-86</i>	<i>Income</i>	<i>1985-86</i>
Interest paid on borrowing members' subscriptions	1.7	Interest on:	
Interest on loans from:		Loans to members	170.0
Banks	49.1	Other	3.5
Other	119.4	Management fees	12.9
Salaries and secretarial fees	12.6	Other income	5.0
Other expenditure	5.3	Total income	191.4
Total expenditure	188.1		

CREDIT CO-OPERATIVES

A credit co-operative (or credit union) is defined as an organisation that:

- is registered under relevant State or Territory legislation;
- operates on a co-operative basis by predominantly borrowing from and providing finance to its own members.

Credit co-operative annual financial account statistics were first collected on a national basis from all registered credit co-operatives for the year 1974-75 when there were 738 credit co-operatives with a total of 909,547 members. The number of credit co-operatives operating in 1985-86 was 454 with 2,311,228 members. Comprehensive financial account statistics are provided in the annual publication *Credit Co-operatives: Assets, Liabilities, Income and Expenditure, Australia* (5618.0).

Statistics on the assets and selected liabilities of credit co-operatives registered under the *Financial Corporations Act 1974* which have assets in Australia exceeding \$5 million are provided on pages 825 and 826.

CREDIT CO-OPERATIVES: LIABILITIES AND ASSETS (a)

(\$ million)

Liabilities	1985-86	Assets	1985-86
Share capital and reserves—		Loan outstandings (b)	5,277.7
Paid-up share capital	19.5	Cash on hand	35.0
Reserves—		Placements and deposits—	
Statutory	106.7	Banks	115.0
Other (c)	186.9	Credit co-operative associations, etc.	459.1
Borrowings—		Other	142.5
Banks	40.1	Bills, bonds and other securities	220.8
Credit co-operative associations, etc.	61.6	Accounts receivable	35.6
Deposits	6,069.7	Physical assets	222.5
Other borrowings	15.8	Other assets	48.4
Accounts payable	31.6		
Other liabilities	24.7		
Total liabilities	6,556.6	Total assets	6,556.6

(a) At the balance dates of credit unions within financial year shown. (b) Net of unearned interest and allowance for doubtful debts. (c) Includes accumulated surpluses and deficits.

CREDIT CO-OPERATIVES: INCOME AND EXPENDITURE

(\$ million)

Expenditure	1985-86	Income	1985-86
Interest on borrowings—		Interest on deposits with banks	15.9
Deposits	635.3	Income from—	
Other borrowings	9.9	Placements and other deposits	79.8
Wages and salaries	117.5	Securities	32.0
Administrative expenses (a)	90.1	Interest on loans	847.4
Insurance premiums paid	11.7	Management fees	7.9
Allowance for doubtful debts	14.8	Bad debts recovered	2.2
Other expenditure (b)	78.5	Other income	28.2
Total expenditure	957.7	Total income	1,013.4

(a) Includes financial institutions duty. (b) Includes bank accounts debit tax.

SHORT-TERM MONEY MARKET

Authorised money market corporations

For some years prior to 1959, leading stockbrokers were actively engaged in operations which formed the basis of a short-term money market in Australia. The stockbrokers' operations involved the acceptance of short-term funds which were secured against govern-

ment securities. These operations were severely limited by the lack of suitable short-term securities and by liquidity constraints. In February 1959 the Central Bank established the Official Short-Term Money Market by making available 'lender of last resort' facilities to selected dealers.

There are nine authorised money market dealers. Under the 'lender of last resort' arrangements, dealers may borrow from the Reserve Bank for a minimum of seven days and at a rate designed to discourage excessive recourse to the facility.

They are required by the Reserve Bank to:

- accept loans overnight, at call or for fixed periods, in minimum amounts of \$50,000 and invest these funds in Commonwealth Government and other approved securities;
- at all times be willing traders in the buying and selling of approved securities;
- have a minimum paid-up capital of \$400,000 and adhere to a maximum limit on the ratio of loans to shareholders' funds;
- consult regularly with the Reserve Bank on all money market matters and furnish detailed information about their portfolios, operations, interest rates, balance sheets and profit and loss accounts.

The following table contains details of selected liabilities and assets, and interest rates. Additional information on authorised dealers collected under the *Financial Corporations Act 1974* is provided on pages 825 and 826.

SHORT-TERM MONEY MARKET: SELECTED LIABILITIES AND ASSETS AND INTEREST RATES OF AUTHORISED DEALERS

(Source: Reserve Bank of Australia)

Month	Liabilities to clients		Asset holdings (face value)				Interest rates on loans accepted during month				Weighted average interest rate on loans outstanding (c)	
			C'wealth Govt securities (a)	Com-mercial bills(b)	Banks certifi-cates of deposit	At call		For fixed periods				
	All trading banks	Other clients				Mini-mum	Maxi-mum	Mini-mum	Maxi-mum			
	Average of weekly figures—(\$ million)						Per cent per annum					
June—												
1982 . . .	336	1,038	1,374	1,047	265	85	1.00	26.10	4.00	19.25	14.88	
1983 . . .	193	1,303	1,496	1,100	361	177	1.00	25.00	2.00	15.00	9.76	
1984 . . .	320	1,289	1,609	1,181	449	231	1.00	17.46	4.00	13.75	11.42	
1985 . . .	311	913	1,224	818	306	213	10.00	30.00	13.00	17.50	15.07	
1986 . . .	902	414	1,316	981	286	207	4.00	22.50	11.75	13.00	13.20	
1987 . . .	760	904	1,664	1,281	367	115	7.00	15.00	11.75	13.75	12.79	

(a) Within 5 years of maturity. (b) Accepted or endorsed by banks. (c) Weighted average of rates paid on all days of the four or five weeks ending on the last Wednesday of the month.

Money market corporations

There are also companies without Reserve Bank 'lender of last resort' facilities which operate in a similar manner to authorised dealers. These companies are recognised under the *Financial Corporations Act 1974* in the category of money market corporations. This category consists of registered corporations whose short-term borrowings are a substantial proportion of their total outstanding provision of finance, which is mainly in the form of loans to authorised dealers in the short-term money market and other liquidity placements, business loans and investments in government, commercial and corporate paper.

The category of money market corporations also includes registered corporations providing short-term finance but which are themselves financed by related corporations with funds raised on a short-term basis, as well as corporations which borrow principally short-term and lend predominantly to related money market corporations.

Statistics on money market corporations registered under the *Financial Corporations Act 1974* are contained in the tables on pages 825 and 826.

FINANCE COMPANIES

Information presented on finance companies in Australia in the following tables has been compiled from returns collected under the *Census and Statistics Act 1905*. For the purpose of these statistics, a finance company is defined as an incorporated company or a group of incorporated companies related under Section 7 of the *Companies Act 1981*, mainly engaged in providing to the general public (businesses as well as persons in their private capacity) any of the following types of credit facilities:

- instalment credit for retail sales;
- personal loans;
- wholesale finance;
- factoring;
- other consumer and commercial loans;
- finance leasing of business plant;
- equipment and bills of exchange transactions.

A company is mainly engaged in providing these types of credit facilities if 50 per cent or more of its assets consist of balances outstanding with respect to such facilities, or if 50 per cent or more of its income is derived from such facilities.

The statistics for the financial year relate to those finance companies which have balances outstanding net of unmatured income in the prescribed types of credit facilities of \$5 million or more in total on an Australia-wide basis. The 1983-84 annual census of finance companies indicated that companies thus included accounted for 99.1 per cent of the total net balances outstanding on prescribed credit facilities of all finance companies.

More detailed descriptions and dissections of these statistics may be found in the annual publication *Finance Companies: Assets, Liabilities, Income and Expenditure, Australia* (5616.0).

Due to differences in coverage and classification criteria and definitions of data items, the statistics for finance companies shown below are not comparable with the statistics, compiled from returns submitted under the *Financial Corporations Act 1974*, for finance companies and general financiers contained in the tables on pages 825 and 826.

FINANCE COMPANIES: ASSETS, LIABILITIES, INCOME AND EXPENDITURE^(a)

(\$ million)

	1981-82	1982-83	1983-84
Assets—			
Balances outstanding on finance agreements ^(b)	20,573.1	22,855.4	22,927.7
Cash on hand and bank deposits	32.2	99.1	64.5
Loans to authorised money market dealers	19.4	11.7	10.6
Investments in shares and securities	354.0	452.6	548.8
Physical assets	208.6	227.8	266.4
Other assets	389.3	507.0	514.5
Total assets	21,576.7	24,153.6	24,332.3
Liabilities—			
Paid-up capital	1,305.7	1,348.2	1,551.9
Reserves	582.8	661.9	702.5
Unappropriated profits	551.3	645.1	809.6
Borrowed funds—			
Bank loans and overdrafts	419.6	435.5	456.4
Debentures	8,255.5	9,810.2	10,220.0
Secured and unsecured loans	8,696.1	9,273.0	8,726.1
Other liabilities	1,765.7	1,979.9	1,865.8
Total liabilities	21,576.7	24,153.6	24,332.3
Income for year—			
Interest from finance agreements	3,210.9	4,010.0	4,085.7
Other income	199.7	252.4	313.7
Total income	3,410.6	4,262.4	4,399.5
Expenditure for year—			
Interest on borrowed funds	2,160.8	2,758.8	2,773.5
Wages, salaries and allowances, directors fees and emoluments	288.5	340.9	370.4
Other expenditure	538.6	712.4	706.0
Total expenditure	2,987.9	3,812.3	3,849.9

^(a) At the balance date of companies within the financial year shown. \$6,054.9m in 1982-83 and \$6,064.3m in 1983-84.

^(b) Excludes unmatured income of \$5,427.8m in 1981-82,

FINANCIAL CORPORATIONS STATISTICS

The statistics provided in the following tables have been compiled from returns supplied to the Australian Bureau of Statistics by corporations registered under the *Financial Corporations Act 1974* (FCA). A summary of the objects and content of the Financial Corporations Act is given in *Year Book* No. 62, page 541.

More detailed descriptions and dissections of these statistics may be found in the monthly publications *Building Societies, Australia* (5637.0); *Authorised Dealers and Money Market Corporations, Australia* (5638.0); *Finance Companies, Australia* (5639.0) and *Credit Co-operatives, General Financiers and Other Financial Corporations, Australia* (5640.0).

Descriptions of the categories *building societies, credit unions/co-operatives, authorised money market dealers and money market corporations* appear in the respective parts of this chapter. Descriptions of the other categories are as follows:

Pastoral finance companies—comprising corporations whose provision of finance is predominantly in the form of loans to rural producers largely associated with the provision of rural services.

Finance companies—comprising corporations which rely substantially on borrowings in financial markets in Australia and/or from abroad and whose provision of finance is predominantly in the form of business and commercial lending, instalment credit to finance retail sales by others and/or other loans to individuals.

General financiers—comprising corporations which lend predominantly for business and commercial purposes, instalment credit to finance retail sales by others and/or other loans to individuals but which do not rely substantially on borrowings in financial markets in Australia and from abroad.

Intra group financiers—comprising corporations which predominantly borrow within a corporation group and/or provide finance by lending within their corporation group or by investing in financial markets.

Other financial corporations—comprising registered corporations not included in any other specific category.

FINANCIAL CORPORATIONS, AUSTRALIA: SELECTED LIABILITIES AND ASSETS^(a) (b)

(\$ million)

SELECTED LIABILITIES AS AT 30 JUNE 1986

Category	Borrowings from—					Non-residents
	Residents					
	By acceptance of bills of exchange and issue of promissory notes	Related corporations	Banks	Other		
Building societies	—	62.9	364.4	18,348.8	68.4	
Credit co-operatives	n.a.	n.a.	35.6	5,765.4	n.a.	
Authorised money market dealers	n.a.	29.9	1,589.6	320.8	3.0	
Money market corporations	1,145.5	1,099.6	1,833.9	17,165.0	6,663.2	
Pastoral finance companies	—	1,196.1	87.0	720.4	277.9	
Finance companies	589.0	1,037.1	1,275.5	20,534.6	1,245.8	
General financiers	127.7	567.2	1,262.0	1,678.9	438.4	
Intra group financiers	200.2	1,401.0	137.5	821.1	1,270.7	
Other financial corporations	4.8	12.0	8.5	498.1	—	
Total	2,067.2	5,405.8	6,594.0	65,853.1	9,967.4	

ASSETS IN AUSTRALIA AT 30 JUNE 1986

Category	Cash and bank deposits	Loans to authorised dealers in the STMM and other placements and deposits	Bills of exchange and promissory notes purchased and held(c)	Other Government and public authority securities	Other securities	Other assets arising from the provision of finance (d)	All other assets in Australia	Assets overseas	Total assets
Building societies	999.9	199.3	2,270.5	1,063.7	235.6	14,587.2	771.4	—	20,127.6
Credit co-operatives	144.4	564.6	108.2	75.6	24.0	5,056.5	276.8	—	6,250.1
Authorised money market dealers	218.1	13.8	373.0	1,427.1	—	0.2	13.6	—	2,045.8
Money market corporations	1,814.3	5,960.2	6,098.5	796.1	1,539.7	12,416.3	1,282.4	1,011.7	30,919.2
Pastoral finance companies	45.3	353.4	62.3	—	547.8	3,491.0	506.6	289.8	5,296.2
Finance companies	160.6	996.5	315.6	15.5	475.2	26,859.5	735.0	15.4	29,573.3
General financiers	60.6	317.4	360.8	10.0	168.2	3,756.2	712.8	5.3	5,391.3
Intra group financiers	18.2	234.9	46.7	—	204.5	3,078.2	833.1	36.3	4,451.9
Other financial corporations	20.1	271.6	161.2	5.7	2.0	62.5	17.6	—	540.7
Total	3,481.5	8,911.7	9,796.8	3,393.7	3,197.0	69,307.6	5,149.3	1,358.5	104,596.1

(a) Excludes credit co-operatives and general financiers with assets not exceeding \$5 million. (b) Excludes transactions with related corporations in the same FCA category. (c) Excludes bills that have been drawn or accepted by reporting corporations. (d) Includes holdings of bills that have been drawn by reporting corporations and loans that have been re-financed by the sale of bills accepted by reporting corporations.

CASH MANAGEMENT TRUSTS

A monthly statistical collection was introduced in May 1983 to obtain information on the operations of cash management trusts. A cash management trust is a unit trust which is governed by a trust deed, is open to the public, generally confines its investments to financial securities available through the short term money market, and whose units are redeemable by the trustee to the unit holder on demand.

The following table summarises the financial operations of cash management trusts.

CASH MANAGEMENT TRUSTS

June—	Number of Trusts	Units in issue at end of period (\$million)	Weighted average net yield at end of period (% per annum)	Assets (\$ million)					Total assets
				Cash and deposits with banks	All other deposits and loans	Bills of exchange purchased and held	Promissory notes purchased and held	Other assets	
1985	15	1,524.5	14.46	163.3	400.1	800.4	173.6	23.2	1,560.5
1986	18	3,181.1	14.39	229.0	435.5	1,877.8	694.3	70.1	3,306.7
1987	19	3,162.9	13.29	304.8	530.1	2,107.6	355.9	72.5	3,370.9

PUBLIC UNIT TRUSTS

A quarterly statistical collection was introduced in September 1985 to obtain information on the operations of listed and unlisted public unit trusts.

A public unit trust is defined as an arrangement (fund) which is governed by a trust deed between a management company and a trustee company; is open to the public within Australia for the purpose of investing the pooled funds of unitholders to yield returns in the

form of income and/or capital gains; and allows unitholders to dispose of their units within a relatively short period of time. These statistics exclude cash management trusts, private trusts and trusts exempted from providing redemption facilities (e.g. film and agricultural trusts).

The major distinction between a listed and an unlisted unit trust is that a listed unit trust's units must be listed on Australian Stock Exchanges and adhere to listing requirements similar to those for company shares.

The following tables summarise the financial operations of public unit trusts.

UNIT TRUSTS: SUMMARY

<i>Assets (\$ million)</i>							
<i>Quarter</i>	<i>Number of Trusts</i>	<i>Units in issue at end of the period (\$ million)</i>	<i>Shares</i>	<i>Property at the end of the quarter</i>	<i>Loan outstandings secured by mortgages on land and buildings</i>	<i>Other assets</i>	<i>Total assets</i>
UNLISTED							
1984-85—							
June	197	4,077.0	n.a.	n.a.	n.a.	n.a.	4,781.8
1985-86—							
September	208	4,428.5	1,059.5	2,503.8	779.4	891.9	5,234.6
December	230	5,459.2	1,150.8	2,672.4	807.0	847.3	5,477.5
March	239	4,891.2	1,374.9	2,737.9	815.2	850.5	5,778.5
June	256	5,405.7	1,570.8	2,850.9	811.8	1,163.6	6,397.1
1986-87—							
September	259	6,157.2	2,098.7	3,046.1	813.3	1,304.0	7,262.2
LISTED							
1984-1985—							
June	33	2,593.3	n.a.	n.a.	n.a.	n.a.	3,248.0
1985-86—							
September	33	2,662.8	7.3	1,685.8	21.1	1,633.9	3,348.1
December	35	2,702.0	19.7	1,786.7	4.7	1,897.1	3,708.2
March	39	3,047.2	40.4	1,975.5	13.6	2,031.2	4,060.7
June	41	3,321.5	56.9	2,030.6	9.6	2,156.5	4,253.6
1986-87—							
September	41	4,548.6	86.7	2,260.5	6.7	2,261.0	4,614.9
TOTAL							
1984-85—							
June	23	6,670.3	n.a.	n.a.	n.a.	n.a.	8,029.8
1985-86—							
September	241	7,091.4	1,066.7	4,189.6	800.5	2,525.8	8,582.7
December	265	8,161.2	1,170.5	4,459.1	811.7	2,744.4	9,185.6
March	278	7,938.4	1,415.3	4,713.3	828.8	2,881.7	9,839.2
June	297	8,727.2	1,627.7	4,881.5	821.4	3,320.1	10,650.7
1986-87—							
September	300	10,705.9	2,185.4	5,306.6	820.0	3,565.0	11,877.1

LIFE INSURANCE

Statistics in the following tables have been derived from the publications of the Life Insurance Commissioner and relate to the life insurance business of companies with head offices in Australia and the Australian business of companies with head offices overseas. Also included are the life business operations voluntarily reported by three State Government Insurance Offices.

Forty-eight life offices conducted life insurance business in Australia during 1985. Information contained in the following three tables does not relate to uniform accounting periods but to the balance dates of organisations falling within the calendar year shown.

LIFE INSURANCE OFFICES: LIABILITIES AND ASSETS

(\$ million)

	1983	1984	1985
Liabilities—Australia and overseas—			
Total balances of revenue accounts at end of year	24,946.7	27,624.6	34,395.7
Reserves	279.0	698.9	899.1
Total	25,225.7	28,323.5	35,294.8
Other liabilities—			
Bank overdraft	109.5	280.9	104.6
Deposits	156.3	242.8	230.7
Claims admitted	142.7	165.4	188.3
Sundry creditors	261.9	233.8	377.9
Provisions for taxation	502.2	791.2	1,055.6
Provision for superannuation and long-service leave	57.9	54.0	63.4
Miscellaneous liabilities	95.4	83.8	78.0
Total liabilities	26,551.6	30,175.6	37,393.3
Assets—Australia and overseas—			
Property and fixed assets	5,815.1	5,660.3	7,144.2
Loans	2,999.4	3,298.5	3,742.4
Investment	16,380.7	19,372.0	23,539.5
Cash and deposits	380.5	766.0	1 683.8
Outstanding premiums including advances of premiums	344.0	368.7	417.5
Outstanding interest, dividends and rents	380.1	423.3	533.2
Sundry debtors	210.8	221.5	262.9
Miscellaneous assets	41.0	65.3	69.8
Total assets	26,551.6	30,175.6	37,393.3

LIFE INSURANCE OFFICES: REVENUE AND EXPENDITURE

(\$ million)

	1983	1984	1985
<i>Balance of Revenue Account at beginning of year—Australia and overseas</i>	21,563.5	24,950.9	27,620.4
Revenue—			
Single premiums	455.2	977.6	1,368.8
Other premiums	3,331.3	3,443.5	4,089.4
Net interest	1,954.3	2,229.0	2,725.9
Net conversion and transfer values-in	2.7	35.9	(-)2.5
Net transfers from reserves and provisions within fund	(-)2.6	(-)433.8	(-)181.5
Other net transfers within statutory fund-in	—	—	(-)1.7
Net profit (or loss) on realisation or revaluation of assets	1,457.6	1,191.9	2,458.1
Miscellaneous income	(-)91.2	(-)840.7	1,214.1
Total revenue	7,107.3	6,603.4	11,670.6
Total	28,670.8	31,554.3	39,291.0
Expenditure—			
Claims by death and disability	506.5	536.8	592.1
Claims by maturity	918.5	757.8	840.7
Surrenders and bonuses in cash	1,250.9	1,440.3	1,922.2
Annuities	16.4	15.8	25.2
Commissions	386.3	435.1	516.8
Salaries	275.4	284.5	326.6
Contribution to staff superannuation	54.0	54.6	58.4
Taxes (other than those charged on interest dividends and rents)	32.1	33.0	36.0
Other expenses	257.1	275.9	346.1
Transfer out of statutory fund	26.8	95.8	231.2
Total expenditure	3,724.0	3,929.6	4,895.3
<i>Balance of Revenue Account at end of year—Australia and overseas</i>	24,946.7	27,624.6	34,395.7
Total	28,670.8	31,554.3	39,291.0

LIFE INSURANCE: SUMMARY

<i>Insurance and endowment policies</i>				
	<i>Number of policies ('000)</i>	<i>Sum insured (\$ million)</i>	<i>Business issued by single premiums (\$ million)</i>	<i>Annual premiums (\$ million)</i>
ORDINARY AND INDUSTRIAL BUSINESS				
New policies issued—				
1984	603	20,330	600.1	222.2
1985	599	23,423	836.8	263.4
1986	693	24,627	1,733.4	291.8
Policies discounted or reduced (a)—				
1984	646	11,381	..	127.8
1985	635	11,459	..	138.0
1986	619	13,268	..	146.4
Policies existing at end of—				
1984	5,920	97,452	..	1,113.4
1985	5,884	109,416	..	1,238.8
1986	5,958	120,775	..	1,384.2
SUPERANNUATION BUSINESS				
New policies issued—				
1984	160	21,931	407.9	488.0
1985	179	23,921	451.8	593.7
1986	247	42,267	788.4	805.8
Policies discontinued or reduced (a)—				
1984	76	11,415	..	329.1
1985	65	13,186	..	282.9
1986	64	15,156	..	373.8
Policies existing at end of—				
1984	1,161	93,371	..	2,008.2
1985	1,275	104,106	..	2,319.0
1986	1,458	131,217	..	2,751.0

(a) Includes transfers.

GENERAL INSURANCE

Statistics in the following tables have been derived from the publications of the Insurance and Superannuation Commissioner and returns collected under the *Census and Statistics Act 1905*. They measure the direct insurance of Australian risks. The statistics relate to the operations of:

- (a) *Bodies corporate* authorised to carry on insurance business under the *Insurance Act 1973*;
- (b) *Brokers* in respect of business placed with overseas insurers; and
- (c) *Government instrumentalities*, i.e. State Government Insurance Offices and Commonwealth Government and State Government instrumentalities in respect of their general insurance business.

These statistics are based on the following definitions:

Premiums comprise the full amount receivable in respect of direct insurance and facultative reinsurance business written or renewed within Australia (including business placed overseas by Australian brokers) during the year less (a) outward facultative reinsurance within Australia, (b) stamp duty and fire service charges paid, and (c) returns, rebates and bonuses paid or credited to policy holders. Premiums are not adjusted to provide for premiums unearned at the end of the year and consequently the amounts differ from 'earned premium income' appropriate to the year.

Claims comprise, for direct insurance and facultative reinsurance business, payments made during the year plus the estimated amount of outstanding claims at the end of the year less the estimated amount of outstanding claims at the beginning of the year. Salvage and other amounts recoverable have been deducted.

In many instances brokers have no knowledge of claims made by the insured on overseas insurers in respect of business placed through them. Because of this, no details of claims are collected from brokers.

Information contained in the following tables does not relate to uniform accounting periods but to the financial years of the organisations which ended during the years shown.

**GENERAL INSURANCE: PREMIUMS AND CLAIMS BY
PRINCIPAL CLASS OF BUSINESS**

(\$ million)

<i>Class of business</i>	<i>1983-84</i>	<i>1984-85</i>	<i>1985-86</i>
PREMIUMS(a)			
Fire(b)	434.4	426.7	508.7
House Owners' and House-holders	626.4	683.4	759.7
Contractors' All Risks	57.9	37.2	43.6
Marine and Aviation	163.6	156.1	176.1
Motor Vehicle Comprehensive	1,269.2	1,374.7	1,599.6
Compulsory Third Party (Motor Vehicle)	1,175.3	1,221.5	1,458.8
Employers Liability(c)	2,003.4	2,312.7	2,787.0
Public Liability(d)	229.1	248.3	345.7
All other	536.8	513.4	612.8
Total	6,496.2	6,974.0	8,292.0
CLAIMS(e)			
Fire(b)	262.1	305.0	413.4
House Owners' and House-holders	357.1	412.1	492.0
Contractors' All Risks	22.0	32.6	30.5
Marine and Aviation	110.1	97.4	113.4
Motor Vehicle Comprehensive	947.6	1,079.1	1,450.0
Compulsory Third Party (Motor Vehicle)	1,982.0	2,242.0	2,729.3
Employers Liability(c)	1,778.0	2,360.7	3,154.4
Public Liability(d)	197.5	195.4	241.2
All other	254.6	258.4	313.1
Total	5,911.0	6,982.7	8,937.3

(a) Includes premiums received by brokers 1981-82, \$94.7 million; 1982-83, \$145.1 million; 1983-84, \$193.3 million. (b) Includes sprinkler leakage, loss of profits, and crop and hailstone insurance. (c) Excludes workers' compensation insurance in the coal mining industry in N.S.W. (d) Includes product liability and professional indemnity insurance. (e) Excludes brokers.

SUPERANNUATION FUNDS AND SCHEMES

The following statistics have been compiled from several superannuation surveys conducted by the Australian Bureau of Statistics for the year 1984-85. Detailed definitions of data items are provided in ABS publications *Superannuation Funds, Australia 1984-85* (5649.0) and *Public Authority Pension and Superannuation Schemes, Australia* (5511.0).

The following types of superannuation schemes and funds, whose primary purpose is to provide benefits on retirement, are covered:

Private sector funds—

 Restricted membership funds—

 Employees' funds

 Self-employed persons' one member funds

 Self-employed persons' group funds

 Open funds

Public sector funds and schemes—

 Self-administered funds

 Life insurance offices' funds and schemes

Excluded from these statistics are:

- private sector funds that are wholly administered by life insurance offices;
- superannuation arrangements in the private sector that are unfunded (i.e. where the benefits are met from the employers' resources as they are payable);
- public sector schemes funded from Consolidated Revenue.

PRIVATE SECTOR FUNDS AND PUBLIC SECTOR SELF-ADMINISTERED FUNDS: INCOME, EXPENDITURE, ASSETS, LIABILITIES, MEMBERS AND PENSIONERS, 1984-85
(\$ million)

	<i>Private sector funds</i>				<i>Public sector self-administered funds</i>	<i>Total</i>
	<i>Restricted membership</i>			<i>Total private sector</i>		
	<i>Employees</i>	<i>Self-employed group</i>	<i>Open funds</i>			
Income—						
Contributions—						
Employees	399.2	12.3	24.3	435.8	992.7	1,428.5
Employers	830.4	—	—	830.4	1,469.1	2,299.5
Interest, dividends and rent	1,189.7	15.1	20.3	1,225.1	1,502.8	2,727.9
Other income	889.4	3.1	2.6	895.1	410.0	1,305.1
Total income	3,308.7	30.5	47.2	3,386.4	4,374.6	7,761.0
Expenditure—						
Pensions	111.8	—	—	111.8	949.9	1,061.7
Lump sum payments	929.7	6.4	25.9	962.0	970.3	1,932.3
Other expenditure	297.6	9.0	4.6	311.2	119.2	430.4
Total expenditure	1,339.1	15.4	30.5	1,385.0	2,039.4	3,424.4
Assets—						
Cash and savings and trading bank deposits	348.6	1.7	8.3	358.6	248.5	607.1
Placements with authorised dealers in the short term money market	178.9	4.0	1.2	184.1	162.1	346.2
Other placements and deposits	584.3	3.3	27.5	615.1	260.1	875.2
Bills of exchange and promissory notes held	545.0	3.9	0.7	549.6	598.8	1,148.4
Government and public authority securities	3,275.0	26.0	64.1	3,365.1	4,831.9	8,197.0
Other securities	4,431.9	33.5	64.9	4,530.3	2,014.8	6,545.1
Financial lease receivables	15.3	0.1	—	15.4	—	15.4
Loan outstandings	408.0	3.4	18.4	429.8	1,212.1	1,641.9
Other assets	3,961.3	64.5	106.8	4,132.6	5,213.2	9,345.8
Total assets	13,748.3	140.4	291.9	14,180.6	14,541.6	28,722.2
Liabilities—						
Accumulated Funds	13,603.5	139.1	290.3	14,032.9	14,310.1	28,343.0
Accounts payable and other liabilities	144.8	1.4	1.7	147.9	231.5	379.4
Total liabilities	13,748.3	140.4	291.9	14,180.6	14,541.6	28,722.2
Members at last balance date (No.)	94,712	13,607	89,482	197,801	772,853	970,654
Pensioners at last balance date (No.)	25,871	—	—	25,871	129,735	155,606
Funds (No.)	2,273	149	14	2,436	86	2,522

PUBLIC SECTOR LIFE INSURANCE OFFICE INVESTED SCHEMES: INCOME, EXPENDITURE AND MEMBERSHIP, 1984-85
(\$ million)

Income—	
Contributions—	
Members	26.6
Employers	47.9
Other income	89.8
Total income	164.3
Expenditure—	
Pensions	3.2
Lump sum payments	43.3
Other expenditure	34.0
Total expenditure	80.5
Members at last balance date (No.)	28,685
Funds (No.)	111

HOUSING FINANCE FOR OWNER OCCUPATION

The following tables present statistics of secured housing finance commitments made by significant lenders to individuals for the construction or purchase of dwellings for owner occupation. For more comprehensive statistics and detailed information on the scope and coverage of these statistics refer to the monthly publication *Housing Finance for Owner Occupation, Australia* (5609.0).

HOUSING FINANCE FOR OWNER OCCUPATION

(\$ million)

	Finance commitments for—				Commitments not advanced (a)
	Construction or purchase of dwellings	Alterations and additions	Cancellations of commitments	Commitments advanced (a)	
1983-84	10,640.6	640.5	389.8	8,938.3	2,043.0
1984-85	12,925.5	596.6	505.4	11,951.4	2,594.3
1985-86	11,533.7	507.2	507.7	11,919.0	2,217.4

(a) Prior to January 1985, excludes Trading Banks.

HOUSING FINANCE FOR OWNER OCCUPATION: NUMBER OF DWELLING UNITS AND VALUE OF COMMITMENTS TO INDIVIDUALS BY TYPE OF LENDER

	Banks		Permanent building societies	Other lenders (a)	Total
	Savings	Trading			
CONSTRUCTION OF DWELLINGS					
			—number—		
1983-84	28,642	6,351	14,558	8,342	57,893
1984-85	34,903	7,139	14,521	6,167	62,730
1985-86	30,482	7,917	7,955	5,501	51,855
			—\$ million—		
1983-84	883.4	183.3	586.1	288.6	1,941.4
1984-85	1,259.2	250.7	656.1	248.0	2,414.0
1985-86	1,173.3	297.9	379.2	230.4	2,080.8
PURCHASE OF NEWLY ERECTED DWELLINGS					
			—number—		
1983-84	9,667	2,268	4,748	5,415	22,098
1984-85	10,224	1,912	5,978	3,650	21,764
1985-86	10,139	2,235	3,880	3,617	19,871
			—\$ million—		
1983-84	313.5	56.7	199.7	217.7	787.5
1984-85	383.6	75.4	293.7	161.3	914.0
1985-86	406.9	92.3	203.9	153.5	856.6
PURCHASE OF ESTABLISHED DWELLINGS					
			—number—		
1983-84	117,558	24,422	66,448	26,066	234,494
1984-85	135,908	20,599	63,763	18,729	238,999
1985-86	122,005	22,930	40,638	18,562	204,135
			—\$ million—		
1983-84	3,684.7	723.0	2,585.6	918.5	7,911.8
1984-85	5,055.8	855.4	2,869.3	817.1	9,597.5
1985-86	4,798.9	1,046.5	1,892.8	858.1	8,596.3
TOTAL					
			—number—		
1983-84	155,867	33,041	85,754	39,823	314,485
1984-85	181,035	29,650	84,262	28,546	323,493
1985-86	162,626	33,082	52,473	27,680	275,861
			—\$ million—		
1983-84	4,881.5	963.0	3,371.4	1,424.8	10,640.6
1984-85	6,698.6	1,181.4	3,819.1	1,226.4	12,925.5
1985-86	6,379.1	1,436.7	2,476.0	1,242.0	11,533.7

(a) Includes co-operative housing societies, finance companies, governments, credit co-operatives and insurance companies.

PERSONAL, COMMERCIAL AND LEASE FINANCE

Three new monthly collections were introduced in January 1985 to measure the lending activity of significant lenders in the fields of personal, commercial and lease finance. These collections replaced two previous collections, the results of which were published in *Finance Companies, Australia* (5614.0) and *Instalment Credit for Retail Sales, Australia* (5631.0).

Personal finance

The following tables present statistics of finance commitments made by significant lenders to individuals for their own personal (non-business) use. For more comprehensive statistics and detailed information on the scope and coverage of these statistics refer to the monthly publication *Personal Finance, Australia* (5642.0).

PERSONAL FINANCE COMMITMENTS(a): TYPE OF LENDER (\$ million)

	All banks	Finance companies	Credit Co-operatives	Other lenders(b)	Total
1985-86	9,764.0	3,252.0	1,659.0	229.9	14,905.1
1986-87	10,166.3	2,926.9	1,771.0	365.7	15,229.9

(a) Includes both fixed loan facilities and new and increased lending commitments under revolving credit facilities. (b) Includes permanent building societies, general financiers, retailers, and for 1985-86 only, life insurance companies.

PERSONAL FINANCE COMMITMENTS: TYPE OF FACILITY, ALL LENDERS (\$ million)

	Fixed loan commitments	New and increased credit limits	Revolving credit commitments		Used
			Cancellations and reductions in credit limits	Credit limits Total	
1985-86(a)	10,635.1	4,270.1	2,316.3	13,084.2	5 501.1
1986-87	9 754.4	5 475.4	2 558.4	16 993.4	7 665.1

(a) Includes commitments for loans on life policies.

Commercial finance

The statistics in the following tables measure commercial finance commitments made by significant lenders to government, private and public enterprises and non-profit organisations as well as to individuals (for investment and business purposes). For more comprehensive statistics and detailed information on the scope and coverage of these statistics refer to the monthly publication *Commercial Finance Australia* (5643.0).

COMMERCIAL FINANCE COMMITMENTS(a): TYPE OF LENDER (\$ million)

	Trading banks	Other banks	Finance companies	Money market corporations	Other lenders(b)	Total
1985-86	38,426.9	2,387.1	7,986.1	11,670.7	845.7	61,316.5
1986-87	57,647.0	3,189.9	6,949.6	9,132.4	203.2	77,122.0

(a) Includes both fixed loan facilities and new and increased lending commitments under revolving credit facilities. (b) Includes permanent building societies, general financiers and pastoral finance companies.

COMMERCIAL FINANCE COMMITMENTS: FIXED LOAN FACILITIES

(\$ million)

	Construction	Purchase of real property	Purchase of plant and equipment	Refinancing	Other purposes	Total
1985-86	3,535.9	4,622.9	2,197.0	2,653.7	12,391.8	25,401.2
1986-87	3,455.9	4,484.1	2,031.9	2,579.5	10,831.9	23,383.2

COMMERCIAL FINANCE COMMITMENTS (a) INDUSTRY OF BORROWER

(\$ million)

Industry of borrower	1985-86			1986-87		
	New fixed loan commitments during period	New and increased credit limits during period	Total new commitments during period	New fixed loan commitments during period	New and increased credit limits during period	Total new commitments during period
Agriculture, forestry, fishing & hunting	2,186.2	2,487.4	4,673.6	1,712.0	3,197.5	4,909.5
Mining	656.7	1,350.7	2,007.4	537.4	2,745.9	3,283.3
Manufacturing	2,255.8	6,289.6	8,545.4	1,928.1	10,196.3	12,124.4
Construction	3,247.9	2,195.0	5,442.9	3,527.2	2,555.7	6,082.9
Wholesale Trade	1,346.2	2,223.2	3,569.4	1,223.8	2,657.0	3,880.8
Retail Trade	2,245.1	3,190.4	5,435.5	1,831.0	4,001.1	5,832.1
Transport & storage	863.7	1,591.2	2,454.9	757.5	1,116.2	1,873.7
Finance, investment and insurance	4,479.7	8,534.9	13,014.6	4,362.7	14,189.3	18,552.0
Property and business services	2,997.6	3,232.8	6,230.4	3,205.7	7,132.4	10,338.1
Other industries	5,122.2	4,820.1	9,942.3	4,297.7	5,947.4	10,245.1
Total industries	25,401.2	35,915.3	61,316.5	23,383.2	53,738.8	77,122.0

(a) Includes both fixed loan facilities and new and increased lending commitments under revolving credit facilities.

Lease finance

The statistics in the following tables measure lease finance commitments made by significant lenders to trading and financial enterprises, non-profit organisations, governments, public authorities and individuals. For more comprehensive statistics and detailed information on the scope and coverage of these statistics refer to the monthly publication *Lease Finance, Australia* (5644.0)

LEASE FINANCE COMMITMENTS: TYPE OF LESSOR

(\$ million)

	All banks	Money market corporations	Finance companies	General financiers	Total
1985-86	1,150.5	319.4	3,848.2	274.4	5,592.6
1986-87	1,233.6	287.7	3,420.9	575.2	5,517.4

LEASE FINANCE COMMITMENTS: TYPE OF GOODS LEASED

(\$ million)

Type of goods	1985-86	1986-87
Motor vehicles & other transport equipment	3,084.2	2,939.1
Construction & earth moving equipment	444.2	317.4
Agricultural machinery & equipment	216.6	150.3
Automatic data processing equipment and office machinery	439.7	765.5
Shop & office furniture, fittings & equipment	450.8	580.8
Other goods	957.0	764.3
Total	5,592.6	5,517.4

LEASE FINANCE COMMITMENTS: INDUSTRY OF LESSEE
(*\$ million*)

<i>Industry of lessee</i>	<i>1985-86</i>	<i>1986-87</i>
Agriculture, forestry, fishing & hunting	437.4	346.7
Mining	146.4	92.7
Manufacturing	714.9	691.3
Construction	495.9	451.2
Wholesale Trade	314.9	289.3
Retail Trade	738.0	698.2
Transport & storage	794.4	812.9
Finance, investment and insurance	196.2	499.9
Property and business services	699.9	687.1
Community Services	296.5	221.7
Other industries	758.1	726.3
Total Industries	5,592.6	5,517.4

**NEW CAPITAL RAISINGS BY COMPANIES LISTED ON
AUSTRALIAN STOCK EXCHANGES**

Information relating to capital raised by companies listed on Australian Stock Exchanges is given in the following table.

**LISTED COMPANIES: NEW CAPITAL RAISED THROUGH ISSUES OF SHARES (a) AND
THROUGH DEBENTURES, UNSECURED NOTES, LOANS AND DEPOSITS**
(*\$ million*)

<i>Year ended June</i>	<i>Share capital</i>			<i>Debentures, unsecured notes, loans and deposits</i>				
	<i>Total amount of issues commenced</i>			<i>Period to maturity (b)</i>				
	<i>Type of consideration</i>	<i>Other than cash (c)</i>	<i>Total amount including premiums etc.</i>	<i>Net cash raised during period (d)</i>	<i>12 months or less</i>	<i>Over 12 months</i>	<i>Total (e)</i>	<i>Total Capital</i>
	<i>Cash</i>							
NEW CAPITAL RAISED								
1981	2,530.3	1,642.1	4,172.4	2,627.1	8,544.7	3,329.1	11,873.8	14,500.9
1982	1,379.5	890.1	2,269.6	1,593.7	10,836.4	3,534.5	14,370.9	15,964.6
1983	908.8	299.3	1,208.1	1,013.5	8,970.6	3,393.7	12,364.3	13,377.8
1984	2,153.8	736.6	2,890.4	1,758.0	9,983.1	3,227.2	13,210.3	14,968.3
1985	2,102.9	779.9	2,882.8	2,178.1	10,113.1	4,096.1	14,209.2	16,387.3
1986	3,992.4	1,164.3	5,156.7	4,013.9	14,736.5	5,993.3	20,729.8	24,743.7
REDEMPTIONS								
1981	—	—	—	—	8,019.9	2,063.3	10,083.2	10,083.2
1982	—	—	—	—	10,089.0	2,412.1	12,501.1	12,501.1
1983	—	—	—	—	9,291.0	2,569.8	11,860.8	11,860.8
1984	—	—	—	—	10,018.3	2,644.4	12,662.7	12,662.7
1985	—	—	—	—	9,748.5	2,550.5	12,299.0	12,299.0
1986	—	—	—	—	14,990.2	4,093.4	19,083.6	19,083.6
NET CASH RAISED								
1981	2,530.3	1,642.1	4,172.4	2,627.1	524.8	1,265.8	1,790.6	4,417.7
1982	1,379.5	890.1	2,269.6	1,593.7	747.4	1,122.4	1,869.8	3,463.5
1983	908.8	299.3	1,208.1	1,013.5	(-)320.4	823.9	503.5	1,517.0
1984	2,153.8	736.6	2,890.4	1,758.0	(-)35.2	582.8	547.6	2,305.6
1985	2,102.9	779.9	2,882.8	2,178.1	364.6	1,545.6	1,910.2	4,088.3
1986	3,992.4	1,164.3	5,156.7	4,013.9	(-)253.7	1,899.9	1,646.2	5,660.1

(a) Includes share subscriptions by overseas investors to issues in Australia. (b) Period from date of issue to maturity. Securities that are repayable at call or on an indefinite date are included in the "12 months or less" period. (c) Includes bonus issues, conversion issues, issues in exchange for existing shares, etc. (d) Includes calls on issues commenced in earlier years. (e) Includes conversions, renewals, etc.

These statistics cover capital raised through share and debenture subscriptions and by way of deposits, unsecured notes and loans secured over the entire assets of the company. The following funds are excluded from the collection:

- all capital raised from Australian banks (other than direct equity investment), i.e. overdrafts, mortgage loans, terms loans or debentures;
- temporary advances or short-term deposits from any source;
- complete or partial issues by Australian companies on overseas markets taken up through overseas brokers.

Listed companies are companies incorporated in Australia whose shares, debentures or other securities are listed on one or more of the Australian Stock Exchanges. For such companies new capital includes:

- all issues of ordinary shares if any ordinary shares are listed;
- all issues of preference shares if any preference shares are listed;
- all issues of debentures, unsecured notes, secured and unsecured loans and deposits if any shares or other securities are listed.

More detailed statistics concerning New Capital Raisings may be found in the quarterly publication *New Capital Raisings by Companies Listed on Australian Stock Exchanges* (5628.0).

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