

Financial institutions

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Financial institutions

Financial sector

This chapter provides information about Australia's financial sector, the institutions that comprise it and their role as financial 'intermediaries'. The financial sector comprises institutions engaged in the acquisition of financial assets and the incurring of liabilities, for example, borrowing and lending, providing superannuation, supplying all types of insurance cover, leasing, and investing in financial assets. These financial institutions are, for the most part, incorporated businesses owned by the private sector, but public sector institutions (for example, Reserve Bank of Australia) and large unincorporated enterprises (for example, unit trusts, superannuation funds) are also included, provided they operate in the capital market.

For national accounting purposes financial institutions are grouped into Deposit Taking Institutions, Life Offices and Superannuation Funds, and Other Financial Institutions. Deposit Taking Institutions are those institutions which are included in the Reserve Bank of Australia's 'broad money' measure and include the Reserve Bank, banks, building societies, credit cooperatives, authorised money market dealers, money market corporations, pastoral finance companies,

finance companies, general financiers and cash management trusts. Life Offices and Superannuation Funds cover the statutory funds of life offices, separately constituted superannuation funds, approved deposit funds, friendly societies and long-service leave boards. Other Financial Institutions cover health, export and general insurance companies; common funds; mortgage, fixed interest and equity unit trusts; issuers of asset-backed securities; economic development corporations; cooperative housing societies; and credit union leagues.

The following table shows the relative size of these groupings of financial institutions in terms of value of total assets. This table has been compiled on a consolidated basis, that is, financial claims between institutions in the same grouping have been eliminated. The total is also consolidated, that is, financial claims between the groupings have been eliminated. For this reason, and because there are a number of less significant adjustments made for national accounting purposes, the statistics in the summary table will differ from those presented later in this chapter and published elsewhere.

23.1 Assets of financial institutions (\$'000 million)

	Deposit institutions			Life & superannuation funds	Other financial institutions	Consolidated total
	Reserve Bank	Banks	Other			
1989	24.2	236.1	135.9	143.5	75.7	546.0
1990	25.3	270.4	141.8	162.1	89.2	607.1
1991	29.4	299.4	135.9	174.8	94.6	639.5
1992	32.1	307.8	128.6	197.2	102.0	674.2
1993	37.4	329.9	118.2	212.1	104.5	703.5
1994	34.4	360.5	118.5	228.4	111.0	745.3
1995	37.6	381.4	131.6	238.8	129.0	803.1

Source: Australian National Accounts: Financial Accounts (5232.0).

These institutions intermediate in a variety of ways. (Financial 'intermediation' is the process whereby the nation's savings, or the savings of overseas investors, are directed to individuals, companies, governments and others that require funds to produce or acquire goods and/or services, or to invest in capital equipment. Financial 'intermediation' is conducted in the capital market. Savings that are not directly invested in capital equipment find their way to the capital markets through the stock market or financial intermediaries.) Intermediation takes place mainly through accepting deposits, making loans or managing the funds of their customers. Intermediation is conducted using financial assets which are either non-marketable (for example, deposits, loans) or marketable (for example, bills of exchange, promissory notes) which are traded on secondary markets. The type of intermediation used by a financial institution is usually governed by the credit worthiness of the borrower or the financial knowledge and resources available to the lender.

In the early stages of development, Australian financial institutions tended to specialise in intermediation for particular types of customers or types of finance (for example, housing finance for home buyers; seasonal finance for farmers). However, with deregulation of the financial markets in the 1980s most institutions have increased their range of products and services so that both savers and borrowers have a wide choice of markets in which to invest or borrow funds, be they domestic or international markets.

Banks

In Australia the regulation of banks is provided for under both Commonwealth and State legislation. Banks are the largest deposit taking institutions in Australia and each bank is authorised to operate by this legislation.

Commonwealth legislation

The major acts of Federal Parliament relating to the management and operations of banks in Australia are as follows:

The *Banking Act 1959*, which applies to all banks operating in Australia, except the so-called State banks owned by State governments and trading mainly in their own State. Originally the objectives of the Act were

to provide a uniform legal framework for regulating the banking system; to safeguard depositors of the banks from loss; to provide for the coordination of banking policy under the direction of the Reserve Bank; to control the volume of credit in circulation and bank interest rates; and to provide the machinery for the control of foreign exchange. In recent years, successive Federal Governments have sought to decrease the degree of regulation imposed on the financial sector, and the banks in particular, such that controls on most bank interest rates and foreign exchange have been relaxed. Significant amendments were made to the Act in January 1990, which formalised supervision requirements and restructured the banking industry (for example, by abolishing the distinction between trading and savings banks).

The *Reserve Bank Act 1959*, which establishes Australia's central bank, the Reserve Bank of Australia, provides for the management of the Bank, the administration of the *Banking Act 1959* and the management of Australian note issue. Prior to 1959, central banking business was the responsibility of the Commonwealth Bank.

The general functions of the Reserve Bank are set out in section 10 of the Act, 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."

The *Commonwealth Banks Act 1959*, which establishes and provides for the management of the Commonwealth Banking Corporation, Commonwealth Bank of Australia, Commonwealth Savings Bank of Australia and the Commonwealth Development Bank of Australia. The Australian government owns the majority of the shares on issue by this group of banks.

23.2 Reserve Bank of Australia — liabilities and assets (\$ million)

	June 1993	June 1994	June 1995
Liabilities			
Capital & reserve funds	533	633	634
Special reserve — IMF special drawing right	119	92	59
Deposits by banks			
Australian notes on issue	16 266	17 577	18 538
Non-callable deposits/Statutory Reserve Deposit accounts	2 923	3 271	3 545
Other	13	3	4
All other liabilities	16 558	12 037	14 070
Total	36 412	33 613	36 850
Assets			
Gold and foreign exchange(a)	19 844	19 911	19 432
Commonwealth govt. securities(b)	15 796	13 130	15 695
Loans, advances & bills discounted	94	97	90
All other assets	678	475	1 633
Total	36 412	33 613	36 850

(a) Includes currency at short call and International Monetary Fund drawing rights. (b) Includes Treasury bills and Treasury notes.

Source: Reserve Bank of Australia.

State legislation

In some States, there was also legislation for the incorporation of State government bodies which operate as banks. With the sale of the State Bank of New South Wales in December 1994, the Bank of South Australia in June 1995 and the announced sale of the Bank of Western Australia, only one bank, the Queensland Industry Development Corporation, remains under State government ownership.

Commercial banks

Commercial banking in Australia is conducted by 49 banks, including the development banks and 30 foreign owned banks. Of these, Australia and New Zealand Banking Group,

National Australia Bank, Westpac Banking Corporation and the Commonwealth Bank of Australia account for over half the total assets of all banks. These banks provide widespread banking services and an extensive retail branch network throughout Australia. The remaining banks provide similar banking services through limited branch networks. As well, there are 'development banks' which are special purpose banks set up to finance specific sectors of the economy.

At 30 June 1994, banks operated 6,790 branches and 6,060 agencies. Of the total branches, 3,990 were located in metropolitan areas. Banking facilities were also available at 3,302 metropolitan agencies throughout Australia.

23.3 Banks — liabilities and assets (\$ million)

	June 1993	June 1994	June 1995
Liabilities			
Deposits repayable in Australia			
Residents	216 973	232 302	248 423
Non-residents	5 546	6 172	6 810
Total	222 519	238 477	255 233
Other borrowings			
Banks(a)	8 818	10 366	10 520
Other	16 358	15 394	15 565
Bill acceptance liabilities	49 531	49 421	52 472
All other \$A liabilities	11 192	14 092	15 890
Total resident \$A liabilities	290 308	309 885	332 326

For footnotes see end of table.

...continued

23.3 Banks — liabilities and assets — *continued* (\$ million)

	June 1993	June 1994	June 1995
Liabilities — (continued)			
Total non-resident \$A liabilities	18 110	17 864	17 353
Total \$A liabilities	308 418	327 749	349 679
Foreign currency liabilities	43 381	47 947	47 096
Total liabilities(b)	351 799	375 697	397 775
Assets			
Coin, Australian notes & cash with Reserve Bank	1 356	1 452	1 643
Non-callable deposits with Reserve Bank	2 923	3 256	3 535
Public sector securities	25 484	28 179	28 545
Loans, advances & bills held	255 386	277 136	297 253
Bills receivable	48 659	48 901	26 956
Premises	5 961	5 591	411 862
All other \$A assets	25 545	28 144	26 956
Total resident \$A assets	362 214	389 497	411 862
Total non-resident \$A assets	3 097	3 162	3 787
Total \$A assets	365 311	392 659	415 649
Foreign currency assets	17 538	20 185	22 236
Total assets	382 849	412 844	437 885

(a) Includes issues of term subordinated debt, loan capital and similar instruments. (b) Excludes shareholders' funds.

Source: Reserve Bank of Australia Bulletin.

Non-bank financial institutions

In addition to banks, there are a number of other categories of financial institution such as building societies, credit cooperatives and money market corporations which play an important part in financial activities in Australia. Like the banks, regulation of these institutions is provided for by both Commonwealth and State legislation.

Commonwealth legislation

Part of the regulatory framework is provided by the *Financial Corporations Act 1974*, under which non-bank financial institutions (NBFIs) with assets in excess of one million dollars are registered. Under the Act, information and statistics on NBFI operations are provided to the Reserve Bank of Australia.

State legislation

In each State and Territory, there is legislation designed to regulate the activities and monitor the solvency position of particular types of financial institutions (such as

permanent building societies, credit cooperatives and cooperative housing societies) which operate on a cooperative basis and lend predominantly to members or consumers. In July 1992, the Australian Financial Institutions Commission was established to coordinate standards for the prudential supervision of building societies and credit unions. Responsibility for day to day supervision of these financial institutions remains with individual State Supervisory Authorities replacing the State Registrars which operated under the previous legislation.

The following table contains summary data on the assets and liabilities of each type of financial corporation covered by the *Financial Corporations Act 1974*, plus cooperative housing societies which are covered only by State legislation. It is followed by an outline of the definitions, assets, liabilities, income and expenditure of each category.

23.4 Financial corporations — liabilities and assets(a), 1993-94 (\$ million)

	Permanent building societies	Cooperative housing societies	Credit cooperatives	Authorised money market dealers	Money market corporations	Finance companies	General financiers	Total
Liabilities								
Share capital & reserves	844.3	205.3	1 152.7	114.2	2 321.8	3 621.8	868.6	9 128.7
Borrowings liabilities	10 950.4	1 754.1	11 190.8	6 644.9	39 211.3	24 860.4	7 661.2	102 273.1
Other liabilities	232.8	12.8	206.7	458.2	2 056.2	1 271.3	577.6	4 815.6
Total	12 027.5	1 972.2	12 550.2	7 217.3	43 589.3	29 753.5	9 107.5	116 217.4
Assets								
Amount owing on loans	9 526.0	1 928.4	9 413.0	35.7	24 232.9	24 899.9	7 113.7	77 149.6
Cash placements & deposits	729.0	36.5	359.5	262.7	6 067.4	2 113.6	191.3	9 760.0
Bills, bonds & other securities	1 447.9	..	2 184.5	6 872.1	9 740.2	1 082.7	695.8	22 023.2
Other assets	324.5	7.3	593.0	46.8	3 548.7	1 657.3	1 106.6	7 284.2
Total	12 027.5	1 972.2	12 550.2	7 217.3	43 589.3	29 753.5	9 107.4	116 217.4

(a) At the balance date of corporations within the year shown.

Source: See the tables which follow for each category.

Permanent building societies

A permanent building society is an organisation that is registered under relevant State or Territory legislation. Permanent building societies as such are distinguished from terminating building societies in that their rules do not set any fixed date, certain event or result following which they are to terminate.

The societies are authorised to accept money on deposit and operate on a cooperative basis by borrowing predominantly from members and providing finance to members, principally in the form of housing loans.

Information relating to the housing finance operations of permanent building societies is provided in *Chapter 20, Construction and housing*.

**23.5 Permanent building societies — liabilities, assets,
expenditure and income(a)
(\$ million)**

	1991-92	1992-93(b)	1993-94(b)
Liabilities			
Share capital	4 445.2	205.6	198.3
Reserves	452.6	631.8	646.0
Deposits	15 273.0	10 648.6	10 412.8
Loans	1 859.8	332.1	537.6
Other liabilities	382.2	346.5	232.8
Total liabilities	22 412.8	12 164.6	12 027.5
Assets			
Amount owing on loans	17 209.9	9 567.1	9 526.0
Cash on hand	117.7	59.9	57.5
Deposits with			
Banks	985.7	605.0	509.1
Other	162.6	193.5	162.4
Bills, bonds, etc.	3 115.2	1 285.0	1 447.9
Physical assets	446.9	285.5	208.1
Other assets	374.8	168.5	116.4
Total assets	22 412.8	12 164.6	12 027.5
Expenditure			
Interest on shares & deposits	1 491.5	552.4	421.4
Interest on loans	175.6	29.2	38.7
Wages & salaries	232.3	156.0	130.8
Administrative expenses	190.8	123.3	123.3
Other expenditure	244.5	143.1	127.0
Total expenditure	2 334.7	1 004.0	841.2
Income			
Interest from loans	1 935.5	886.6	781.2
Income from investments	436.5	141.3	104.7
Other income	164.2	103.7	76.3
Total income	2 536.2	1 131.7	962.2

(a) At the balance dates of societies within the financial year shown. (b) The comparability of 1992-93 and 1993-94 data with earlier years has been affected by the change in status of two building societies which have become banks.

Source: For 1991-92, unpublished ABS data available under the title *Annual Statistics on Financial Institutions* (5661.0); for 1992-93 and 1993-94, the Australian Financial Institutions Commission.

Cooperative housing societies

A cooperative housing society is defined as an organisation registered under the relevant State or Territory legislation. Cooperative housing societies are not authorised to accept money on deposit and are only allowed to raise money by way of loans. They can only provide finance to members in the form of housing loans.

23.6 Cooperative housing societies — liabilities, assets, expenditure and income(a) (\$ million)

	1991-92	1992-93	1993-94
Liabilities			
Share capital & reserves	49.1	41.8	205.3
Borrowings	2 478.5	1 989.3	1 754.1
Other liabilities	16.2	13.2	12.8
Total liabilities	2 543.8	2 044.4	1 972.2
Assets			
Loan outstanding	2 480.0	2 001.2	1 928.4
Placements & deposits	56.3	38.0	36.5
Physical assets	0.9	0.6	1.0
Other assets	6.5	4.6	6.4
Total assets	2 543.8	2 044.4	1 972.2
Expenditure			
Interest paid	288.1	199.2	164.7
Administrative expenses	31.4	30.6	26.3
Other expenditure	12.8	14.9	10.4
Total expenditure	332.3	244.8	201.4
Income			
Interest on loans	297.5	204.9	170.6
Other income	43.0	40.1	34.4
Total income	340.5	245.0	205.0

(a) At the balance dates of cooperative housing societies within the financial year shown.

Source: Unpublished ABS data available under the title *Annual Statistics on Financial Institutions* (5661.0).

Credit cooperatives

A credit cooperative (or credit union) is defined as an organisation registered under relevant State or Territory legislation that operates on a cooperative basis by predominantly borrowing from and providing finance to its own members.

23.7 Credit cooperatives — liabilities, assets, expenditure and income(a) (\$ million)

	1991-92	1992-93	1993-94
Liabilities			
Share capital	27.0	4.6	3.1
Reserves	797.0	974.3	1 149.6
Deposits	8 699.0	10 017.4	11 083.0
Loans	105.0	94.1	107.8
Other liabilities	110.0	201.5	206.7
Total liabilities	9 738.0	11 291.8	12 550.2
Assets			
Amount owing on loans(b)	7 522.0	8 455.6	9 413.0
Cash on hand	60.0	68.6	60.2
Deposits with			
Banks	263.0	198.5	235.1
Other	1 123.0	1 546.9	64.2
Bills, bonds, etc.	358.0	434.8	2 184.5
Physical assets	132.0	310.5	306.3
Other assets	280.0	276.9	286.7
Total assets	9 738.0	11 291.8	12 550.2
Expenditure			
Interest on			
Deposits	670.0	486.7	455.2
Loans	8.0	5.7	4.7
Wages & salaries	184.0	213.9	248.1
Administrative expenses	171.0	177.2	212.5
Other expenditure	228.0	169.8	182.9
Total expenditure	1 261.0	1 035.3	1 103.4
Income			
Interest from loans	1 145.0	956.1	1 013.0
Income from investments	160.0	111.0	121.6
Other income	81.0	103.3	136.3
Total income	1 386.0	1 170.4	1 271.1

(a) At the balance dates of credit cooperatives within the financial year shown. (b) Net of unearned interest and allowance for doubtful debts.

Source: For 1991-92, unpublished ABS data available under the title *Annual Statistics on Financial Institutions* (5661.0); for 1992-93 and 1993-94, the Australian Financial Institutions Commission.

Authorised money market dealers

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 government securities. These operations were severely limited by the lack of suitable short-term securities and by liquidity constraints. In February 1959, the Reserve Bank established the Official Short-Term Money

Market by making available 'lender of last resort' facilities to selected dealers. In May 1989 this arrangement was changed to an 'end-of-day repurchase facility'. Dealers are expected to use this facility only after reasonable effort has been made to raise the funds in the market. The terms of the repurchase agreements set by the Bank usually are aimed at discouraging excessive use of the facility.

Authorised dealers 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. They must at all times be willing traders in the buying and selling of approved securities; have a minimum capital (that is, paid-up capital, share premium reserves and retained earnings) level of \$10 million; adhere to a gearing limit whereby the aggregate risk weighted assets cannot exceed 33 times 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.

23.8 Authorised money market dealers — liabilities, assets, expenditure and income(a)
(\$ million)

	1991-92	1992-93	1993-94
Liabilities			
Paid up capital	66.9	61.7	67.7
Reserves	23.3	28.4	23.9
Accumulated surplus (net)	28.8	28.8	22.6
Subordinated loans	—	—	—
Borrowings from residents			
Banks	2 449.9	3 868.9	4 000.6
Other financial institutions	278.0	528.1	574.7
Government & public authorities	778.3	666.0	1 842.5
Other	303.8	285.8	222.0
Borrowings from non-residents	0.3	—	5.0
Other liabilities	27.2	152.2	458.2
Total liabilities	3 956.6	5 619.9	7 217.3
Assets			
Amount owing on loans	14.1	9.6	35.7
Cash & bank deposits	115.6	158.2	260.2
Other placements & deposits	0.4	5.9	2.5
Bills, bonds & other securities	3 801.8	5 425.2	6 872.1
Other financial assets	24.3	20.7	8.8
Other assets	0.4	0.2	38.1
Total assets	3 956.6	5 619.9	7 217.3
Expenditure			
Interest on borrowings	508.0	383.7	329.4
Wages & salaries	1.6	1.8	—
Administrative expenses	14.4	27.3	22.2
Other expenditure	4.8	3.7	2.0
Total expenditure	528.8	416.4	353.6
Income			
Interest on loans	0.6	—	—
Income from placements & other deposits	55.2	6.7	13.9
Income from holdings of			
Government & public authority securities	306.8	271.7	238.6
Other securities	170.5	127.7	6.1
Other income	12.7	28.0	103.5
Total income	545.7	434.1	362.0

(a) At the balance dates of companies within the financial year shown. Included are only those corporations registered under the *Financial Corporations Act 1974* and categorised as authorised money market dealers during the reference periods.

Source: Unpublished ABS data available under the title *Annual Statistics on Financial Institutions* (5661.0).

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.

Money market corporations also include 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.

23.9 Money market corporations — liabilities, assets, expenditure and income(a) (\$ million)

	1991-92	1992-93	1993-94
Liabilities			
Paid up capital	2 682.7	3 515.6	3 627.8
Reserves	814.6	1 683.7	1 480.7
Accumulated surplus (net)	-4 543.1	-3 492.2	-2 786.7
Subordinated loans	133.1	134.4	108.4
Borrowings from residents			
By issue of securities	2 448.3	2 401.3	3 043.8
Banks	8 536.0	7 341.7	6 433.5
Other financial institutions	3 318.4	2 662.4	2 446.2
Other	12 921.2	7 211.1	7 853.3
Borrowings from non-residents	17 884.5	20 136.4	19 326.2
Other liabilities	2 990.6	2 659.2	2 056.2
Total liabilities	47 186.3	44 253.7	43 589.3
Assets			
Amount owing on loans	25 583.1	22 942.4	22 689.1
Finance lease receivables	1 574.6	1 662.4	1 543.9
Cash & bank deposits	1 983.7	1 484.2	1 478.0
Other placements & deposits	4 259.1	3 234.6	4 589.4
Bills, bonds & other securities	9 863.3	10 597.8	9 740.2
Other financial assets	1 860.1	2 247.6	1 452.4
Other assets	2 062.5	2 084.7	2 096.3
Total assets	47 186.3	44 253.7	43 589.3
Expenditure			
Interest on borrowings	5 834.4	3 930.0	2 951.3
Wages & salaries	268.6	281.4	299.3
Administrative expenses	276.1	484.7	353.0
Other expenditure	1 421.5	1 631.5	914.2
Total expenditure	7 800.6	6 327.6	4 517.8
Income			
Interest on loans	3 391.7	2 153.7	1 832.5
Income from finance leasing	211.7	203.1	156.1
Income from placements & other deposits	1 194.0	795.3	563.6
Income from bills, bonds, etc.	1 193.7	994.7	749.8
Other income	1 306.6	1 657.1	1 554.7
Total income	7 297.7	5 803.9	4 856.8

(a) At the balance of dates of companies within the financial year shown. Included are only those corporations registered under the *Financial Corporations Act 1974* and categorised as money market corporations during the reference periods.

Source: Unpublished ABS data available under the title *Annual Statistics on Financial Institutions* (5661.0).

Finance companies

Finance companies are corporations which rely substantially on borrowing in financial markets (for example, by the issue of securities) in Australia and/or from abroad and whose provision of finance is

predominantly in the form of business and commercial lending, installment credit to finance retail sales by others and/or other loans to individuals.

23.10 Finance companies — liabilities, assets, expenditure and income(a) (\$ million)

	1990-91	1991-92	1993-94
Liabilities			
Paid up capital	1 361.8	1 404.9	1 503.1
Reserves	1 129.2	1 999.7	2 068.9
Accumulated surplus (net)	566.7	-114.6	49.8
Subordinated loans	209.4	212.3	152.3
Borrowings from residents			
By issue of securities	17 286.6	16 062.3	13 802.2
Banks	4 901.1	2 810.0	4 491.0
Other	2 926.8	3 813.5	4 117.3
Borrowings from non-residents	3 343.4	2 455.7	2 297.7
Other liabilities	1 235.8	1 427.3	1 271.3
Total liabilities	32 960.7	30 071.0	29 753.5
Assets			
Amount owing on loans	20 392.2	18 993.2	17 739.9
Finance lease receivables	9 720.2	7 893.0	7 160.0
Cash & bank deposits	381.8	325.9	1 849.3
Other placements & deposits	477.0	475.3	264.3
Bills, bonds & other securities	1 037.3	1 226.8	1 082.7
Other financial assets	511.4	764.4	706.8
Other assets	440.8	392.5	950.5
Total assets	32 960.7	30 071.0	29 753.5
Expenditure			
Interest on borrowings	3 725.2	2 684.3	2 190.7
Wages & salaries	375.5	277.9	194.3
Administrative expenses	521.5	520.9	422.9
Other expenditure	1 396.2	1 812.8	881.9
Total expenditure	6 018.4	5 295.8	3 689.8
Income			
Interest on loans	3 802.3	2 773.7	2 332.6
Income from finance leasing	1 343.4	1 048.0	1 010.4
Income from placements & deposits	107.5	73.6	135.3
Income from bills, bonds, etc.	49.3	76.0	75.0
Other income	449.3	391.4	316.5
Total income	5 751.9	4 362.7	3 869.8

(a) At the balance dates of companies within the financial year shown. Included are only those corporations registered under the *Financial Corporations Act 1974* and categorised as finance companies during the reference periods.

Source: Unpublished ABS data available under the title *Annual Statistics on Financial Institutions (5661.0)*.

General financiers

General financiers are corporations which lend predominantly for business and commercial purposes, provide installment credit finance for retail sales of others, and/or

provide other loans to individuals. They do not rely substantially on borrowings (such as the issue of securities) in financial markets in Australia and from abroad.

23.11 General financiers — liabilities, assets, expenditure and income(a) (\$ million)

	1991-92	1992-93	1993-94
Liabilities			
Paid up capital	516.6	549.0	600.2
Reserves	404.8	116.0	236.2
Accumulated surplus (net)	-71.5	-68.3	32.2
Subordinated loans	212.4	184.0	168.2
Borrowings from residents			
By issue of securities	1 011.2	266.3	1 778.6
Banks	2 541.9	2 330.5	2 267.6
Other financial institutions	2 936.6	2 814.5	1 114.6
Other	731.9	479.8	1 238.2
Borrowings from non-residents	1 174.6	1 511.7	1 094.1
Other liabilities	440.0	503.8	577.6
Total liabilities	9 898.5	8 687.3	9 107.5
Assets			
Amount owing on loans	4 799.6	4 389.8	4 398.0
Finance lease receivables	2 483.1	2 373.2	2 715.7
Cash & bank deposits	505.4	164.9	88.9
Other placements & deposits	164.5	154.2	102.4
Bills, bonds & other securities	689.8	634.2	695.8
Other financial assets	267.3	201.0	258.0
Other assets	988.8	770.0	848.6
Total assets	9 898.5	8 687.3	9 107.5
Expenditure			
Interest on borrowings	1 194.5	831.0	654.0
Wages & salaries	63.6	58.8	52.1
Administrative expenses	155.8	184.2	155.9
Other expenditure	405.0	329.7	328.8
Total expenditure	1 818.9	1 403.6	1 190.8
Income			
Interest on loans	724.6	667.4	390.6
Income from finance leasing	569.3	530.8	323.7
Income from placements & deposits	46.4	9.6	10.0
Income from bills, bonds, etc.	174.3	58.9	49.4
Other income	312.2	233.9	676.0
Total income	1 826.7	1 500.6	1 449.7

(a) At the balance dates of companies within the financial year shown. Included are only those corporations registered under the *Financial Corporations Act 1974* and categorised as general financiers during the reference periods.

Source: Unpublished ABS data available under the title *Annual Statistics on Financial Institutions (5661.0)*.

Life insurance

The major acts of Parliament relating to the management and operations of life insurance offices are as follows:

- The *Insurance and Superannuation Commissioner Act 1987*, which created the statutory office of Insurance and Superannuation Commissioner. The Act provides for the Commissioner to assume overall responsibility (subject to the Treasurer's direction) for the supervision of the insurance industry and for the occupational superannuation standards.
- The *Life Insurance Act 1945* (amended in 1987), which regulates life insurance business in Australia. This Act replaced all State legislation on the subject of life insurance except that relating to life insurance operations of State government

insurance offices within the State concerned. It thereby provided uniform legislation for the whole of Australia. It provides for the Insurance and Superannuation 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 to set up adequate machinery for dealing with any company that fails to maintain a required minimum standard of solvency.

The major activity of life insurance offices is to accumulate public savings to provide funding for life insurance and superannuation funds. They are large institutions, many with Australia-wide branch networks, which are active in both the money and share markets.

23.12 Life insurance

Insurance & endowment policies				
	Number of policies ('000)	Sum insured (\$m)	Business issued by single premiums (\$m)	Annual premiums (\$m)
Ordinary & industrial business				
New policies issued				
1992	641	40 208	1 310.0	403.0
1993	742	54 776	944.4	379.0
1994	756	57 992	1 084.9	387.2
Policies discounted or reduced(a)				
1992	923	33 388	..	528.9
1993	839	34 311	..	488.6
1994	817	33 882	..	449.2
Policies existing at end of				
1992	6 328	204 471	..	2 466.2
1993	6 231	224 936	..	2 357.5
1994	6 152	234 829	..	2 334.7
Superannuation business				
New policies issued				
1992	342	84 354	4 503.9	1 418.1
1993	441	91 895	6 241.5	1 350.2
1994	413	89 776	6 509.6	1 406.4
Policies discontinued or reduced(a)				
1992	231	51 554	..	1 494.6
1993	235	71 463	..	1 753.1
1994	313	65 891	..	1 882.9
Policies existing at end of				
1992	2 978	323 149	..	6 294.9
1993	3 184	343 581	..	5 892.0
1994	3 175	356 843	..	5 756.0

(a) Includes transfers.

Source: Insurance and Superannuation Commission, Life Insurance Group, June Quarterly Statistical Bulletin on Life Insurance.

A feature of life insurance offices in recent years has been the growth of superannuation business.

The statistics in table 23.12 relate to life insurance and superannuation business conducted through statutory funds of life companies with head offices in Australia and the Australian business of life companies with head offices overseas. Also included are the life business operations reported by two State Government Insurance Offices. Information contained in the table does not relate to uniform accounting periods but to the balance dates of organisations falling within the calendar year shown.

Superannuation funds and approved deposit funds

The major acts of Parliament relating to the management of Superannuation Funds and Approved Deposit Funds are the *Superannuation Industry (Supervision) Act 1993* and the *Insurance and Superannuation Commissioner Act 1987*. The latter Act provides for the statutory office of the Insurance and Superannuation Commissioner.

Superannuation funds are funds which have been constituted to provide retirement benefits for their members. They can be either employer sponsored (that is, with the employer paying some or all of the contributions on behalf of employees) or employee operated funds (that is, employees paying some or all of the contributions). Most superannuation arrangements involve both the employer and employee making contributions with the employer either contributing regularly to the fund or, as is the case with many public sector funds, when the benefit falls due. The *Superannuation Industry (Supervision) Act 1993* provides for compulsory superannuation contributions by

employers on behalf of their employees. Voluntary and compulsory contributions made regularly are used by fund managers to purchase investments and the resulting assets finance the payment of benefits to fund members.

Approved deposit funds were established in 1984 to enable employees who terminate their employment with a particular employer to preserve their superannuation benefits until retirement age.

23.13 Assets of superannuation funds and approved deposit funds (\$ million)

	June qtr 1993	June qtr 1994	June qtr 1995
Assets in Australia			
Financial assets			
Cash & deposits	6 966	8 494	8 162
Loan & placements	9 992	8 419	9 244
Short-term debt securities	14 377	14 999	15 085
Long-term debt securities	39 477	40 563	42 981
Shares	45 838	54 332	56 383
Unit & other	12 593	14 379	17 510
Non-financial assets			
Land & buildings	13 525	13 595	14 612
Other	1 295	1 184	2 079
Assets overseas	26 327	29 456	31 828
Total	170 390	185 421	197 884
Superannuation funds	159 921	175 474	188 701
Approved deposit funds	10 469	9 947	9 183

Source: Assets of Superannuation Funds and Approved Deposit Funds (5656.0).

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 securities available through the short-term

money market and issues units that are redeemable by the trustee to the unit holder on demand.

23.14 Cash management trusts

	June 1993	June 1994	June 1995
Number of trusts	19	21	20
Units in issue at end of period (\$m)	5 089.4	5 876.7	5 552.9
Weighted average net yield at end of period (% p.a.)	4.3	4.1	6.8
Assets (\$m)			
Cash & deposits with banks	1 343.9	2 510.4	1 335.8
All other deposits & loans	276.8	166.3	211.5
Bills of exchange purchased & held	2 270.0	1 808.8	2 891.0
Promissory notes purchased & held	1 166.4	1 242.2	1 132.4
Other assets	78.5	187.3	54.8
Total	5 135.6	5 914.9	5 625.5

Source: *Cash Management Trusts, Australia* (5635.0.40.001).

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 unit holders to yield returns in the form of income and/or capital gains; and allows unit holders to dispose of their units within a relatively short period of time. They are categorised as either property, equity, mortgage, trading, public security or gold trusts. They exclude cash management

trusts, private trusts and trusts exempted from providing redemption facilities (for example, film and agricultural trusts).

Public unit trusts may be listed or unlisted unit trusts. A listed unit trust's units must be listed on Australian Stock Exchanges and the trust must adhere to listing requirements similar to those for companies.

23.15 Public unit trusts

	June 1993	June 1994	June 1995
Unlisted			
Number of trusts	319	317	375
Units in issue at end of the period (\$m)	14 715.4	19 368.6	21 662.9
Assets (\$m)			
Cash & deposits	862.2	1 310.2	986.2
Shares	7 172.9	10 299.5	12 042.8
Property at the end of the quarter	1 513.2	1 506.0	1 783.6
Loan outstandings secured by mortgages on land & buildings	1 225.5	1 304.6	1 388.3
Other assets	6 170.5	7 880.6	7 741.8
Total	16 944.3	22 300.9	23 942.7

...continued

23.15 Public unit trusts — continued

	June 1993	June 1994	June 1995
Listed			
Number of trusts	38	46	46
Units in issue at end of the period (\$m)	9 326.4	12 756.1	13 362.6
Assets (\$m)			
Cash & deposits	426.5	784.8	572.1
Shares	586.9	1 195.3	1 153.1
Property at the end of the quarter	8 016.7	10 883.3	12 380.8
Loan outstandings secured by mortgages on land & buildings	168.9	479.9	437.1
Other assets	2 253.1	2 337.8	1 876.0
Total	11 452.2	15 681.1	16 419.1
Total			
Number of trusts	357	363	421
Units in issue at end of the period (\$m)	24 041.8	32 124.7	35 025.5
Assets (\$m)			
Cash & deposits	1 288.7	2 095.0	1 558.4
Shares	7 759.9	11 494.8	13 195.9
Property at the end of the quarter	9 529.9	12 389.4	14 164.4
Loan outstandings secured by mortgages on land & buildings	1 394.4	1 784.5	1 825.4
Other assets	8 423.6	10 218.2	9 618.0
Total	28 396.5	37 981.9	40 361.8

Source: Public Unit Trusts, Australia (5645.0.40.001).

Common funds

Common funds are categorised as either cash funds, equity funds, mortgage funds, property funds or other funds (funds where the primary asset is other than those listed above, for example, interest bearing securities). Common funds are set up to enable trustee companies (the managers of common funds) to combine depositors' funds and other funds held in trust in an investment pool with the intention of investing in specific types of securities and/or assets.

23.16 Common funds — assets (\$ million)

	June 1993	June 1994	June 1995
Assets in Australia			
Financial assets			
Cash & deposits	552	470	591
Loans & placements	950	1 089	1 126
Short-term debt securities	1 817	1 569	1 609
Long-term debt securities	119	159	171
Equities	975	1 300	1 357
Other	48	—	—
Non-financial assets			
Land & buildings	105	103	87
Other	—	—	—
Assets overseas	7	—	—
Total assets	4 573	4 884	5 102

Source: Common Funds, Assets and Liabilities, Australia (5657.0.40.001).

Friendly societies

When founded in 1840, friendly societies were formed on the basis of group interests such as craft or religion. They have since evolved to offer a full range of financial services to the public at large, including investment services. Friendly societies are registered under relevant State legislation and operate in all States.

Table 23.17 summarises the assets of the 28 largest friendly societies which represent approximately 95% of the assets of all societies in Australia.

23.17 Friendly societies — assets (\$ million)

	June 1993	June 1994	June 1995
Financial assets			
Cash & deposits	1 636	2 805	2 428
Loans & placements	647	614	535
Short-term debt securities	3 488	2 534	3 249
Long-term debt securities	2 686	2 148	1 574
Equities	110	141	147
Other	107	230	163
Non-financial assets			
Land & buildings	315	349	365
Other	193	188	70
Total assets	9 182	9 009	8 531

Source: Friendly Societies, Assets and Liabilities, Australia (5660.0.40.001).

General insurance companies

General insurance companies cover those institutions whose primary activity is the provision of insurance, except life and health insurance.

The major acts of Parliament relating to the management and operations of general insurers are as follows:

- The *Insurance and Superannuation Commission Act 1987*, which created the statutory office of Insurance and Superannuation Commissioner. The Act provides for the Commissioner to have overall responsibility (subject to the Treasurer's direction) for the supervision of the general insurance industry.

- The *Insurance Act 1973*, which provides for the Commissioner to exercise active supervision with a view to ensuring the solvency of companies carrying on general insurance business, and therefore their ability to meet claims as they arise. The Act does not apply to State government insurance offices or to insurance business carried on by specified bodies such as registered medical benefits of hospital benefits organisations.

The statistics in table 23.18 relate to the operations of bodies corporate authorised to carry on insurance business under the *Insurance Act 1973* and government instrumentalities; that is, State government insurance offices and Commonwealth and State government instrumentalities in respect of their general insurance business.

23.18 General insurance — key statistics(a)
(\$ million)

Year(a)	Private sector insurers			Public sector insurers	Total
	Direct underwriters	Private sector reinsurers	Total		
Premium revenue					
1993	8 290	948	9 238	4 892	14 130
1994	9 693	1 214	10 907	4 798	15 705
Investment revenue					
1993	1 217	176	1 393	2 290	3 683
1994	1 331	372	1 703	1 250	2 953
Net claims, reinsurance & underwriting expenses					
1993	8 755	954	9 709	4 058	13 767
1994	10 209	1 218	11 427	5 851	17 278
Net profit after tax					
1993	397	104	501	2 327	2 828
1994	471	242	713	199	912
Total assets					
1993	22 484	3 922	26 406	21 207	47 613
1994	25 613	4 847	30 460	18 215	48 675
Total liabilities					
1993	16 095	2 433	18 528	20 773	39 301
1994	18 839	2 866	21 705	19 504	41 209

(a) Companies reporting on a variety of balance dates during the year ended 30 June. Comparable statistics not available prior to 1993.

Source: *Insurance and Superannuation Commission*.

Stock market

The Australian stock market is where equity (shares), units in listed trusts, options, government bonds and other fixed-interest securities are traded. It is operated on a national basis by the Australian Stock Exchange Ltd (ASX), which is responsible for the day-to-day running and surveillance of stock market trading.

The share market comprises two different markets — the primary market where new issues and additional issues are raised, and the secondary market where previously issued shares are traded. Companies are classified according to their major type of activity and the ASX publishes various indexes (for example, All Ordinaries, All Industrials, All Resources), which represent the price performance of the shares in particular types of categories.

Trading of shares on the stock market is generally conducted through stockbrokers who act as agents for buyers and sellers of shares. In addition they provide advisory and underwriting services and in some cases buy and sell shares on their own account.

The stock market is controlled and regulated using a cooperative system drawn up between the Commonwealth government and State governments, which allows for a uniform companies' and securities' law. The major pieces of legislation involved are the *Trade Practices Act 1974*, the *Companies Act 1981*, the *Securities Industry Act 1980*, and the *Australian Securities Commission Act 1989*. The Australian Securities Commission is responsible for the administration of company law and the regulation of the securities industry. It oversees the operation of stock exchanges to prevent fraudulent practices such as insider trading. The Trade Practices Commission administers trade practices legislation on behalf of both private enterprise and consumers, authorises certain restrictive trade practices, deals with consumer protection and provides guidance on the operation of Trade Practices legislation. The ASX oversees market trading and sets uniform standards in regards to business rules and listing requirements.

**23.19 Australian stock market indexes
(base 31 December 1979 = 500)**

	1992-93	1993-94	1994-95
All ordinaries			
Index(a)	1 722.6	2 040.2	2 000.8
High	1 760.4	2 340.6	2 122.1
Low	1 357.2	1 755.3	1 823.3
All industrials			
Index(a)	2 665.7	2 984.7	3 012.1
High	2 701.2	3 525.9	3 095.3
Low	2 170.1	2 692.7	2 685.0
All resources			
Index(a)	1 002.7	1 331.1	1 235.7
High	1 043.0	1 442.8	1 433.2
Low	734.9	1 034.1	1 129.5

(a) Share prices on joint trading floors; average of daily figures for the last month of the year.

Source: Australian Stock Exchange, *Monthly Index Analysis*.

Table 23.20 shows the value of Australian shares and units in trusts on issue classified by sector of holder at market value or, for some of the public sector, at book value. The estimates are partially consolidated, with intra-group claims (that is, shares issued by a company in a group and held by another member of the same group) being eliminated from the aggregates. Definitions of the sectors and subsectors shown in this table can be found in *Australian National Accounts, Financial Accounts* (5232.0).

Total equities and units in trusts represent the value level of outstanding equities issued by residents. This total is dissected into the sectors which issue these instruments, followed by the sectors that hold the equities as assets.

23.20 The equity market(a) (\$'000 million)

	Amounts outstanding at end of June quarter		
	1993	1994	1995
Total equities & units in trusts	381.4	543.2	559.1
Issued by			
Commonwealth public trading enterprises(b) & held by			
Private corporate trading enterprises	0.6	0.5	0.6
Commonwealth general government	21.4	20.9	23.4
Total	22.0	21.4	24.0
State & local public trading enterprises(b) & held by			
State & local public trading enterprises	0.1	—	—
Private corporate trading enterprises	0.3	—	—
State & local general government	7.7	101.5	103.9
Total	8.1	101.5	103.9
Private corporate trading enterprises(d) & held by			
Commonwealth public trading enterprises	0.3	0.3	0.2
Private corporate trading enterprises(e)	21.1	25.5	26.4
Banks	4.0	3.8	3.6
Non-bank deposit taking institutions	2.2	2.2	2.4
Life offices & superannuation funds	52.1	61.3	64.8
Other financial institutions	17.4	21.4	23.1
Households & unincorporated businesses	59.7	70.4	60.6
Rest of world	104.4	132.7	142.8
Total	261.3	317.6	323.9
Banks(c) & held by			
Banks(e)	4.2	2.7	2.8
Life offices & superannuation funds	6.8	8.4	9.1
Other financial institutions	1.9	2.5	2.7
Commonwealth general government	5.2	3.6	4.5
State & local general government	3.8	3.8	1.3
Households & unincorporated businesses	12.7	14.4	19.6
Rest of world	8.9	12.3	12.5
Total	43.6	47.8	52.5
Non-bank deposit taking institutions(d) & held by			
Private corporate trading enterprises	0.7	0.8	0.8
Banks	4.4	3.6	3.5
Life offices & superannuation funds	0.9	1.1	1.1
Other financial institutions	3.2	2.8	3.4
Households & unincorporated businesses	1.6	1.7	2.1
Rest of world	3.4	3.8	4.0
Total	14.2	13.8	14.9
Life offices & superannuation funds & held by			
Rest of world	2.0	2.1	1.7
Total	2.0	2.1	1.7
Other financial institutions(d) & held by			
Life offices & superannuation funds	4.7	6.2	7.2
Other financial institutions(e)	0.4	1.5	1.8
Commonwealth general government	0.2	0.2	0.2
State & local general government	0.5	0.5	0.6
Households & unincorporated businesses	19.0	25.2	23.8
Rest of world	3.4	4.1	4.2
Total	28.1	37.7	37.8
State & local general government(c) & held by			
State & local general government	2.0	1.2	0.3
Total	2.0	1.2	0.3

(a) Includes units in trusts. (b) Net asset values except for 1993 values for State and Local Public Trading Enterprises, which are book values. (c) Book values. (d) These estimated market values are considered to be of poor quality. They should be used cautiously. (e) Excludes holdings by related enterprises in this subsector.

Source: Australian National Accounts, Financial Accounts (5232.0).

Financial activity

Money

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 \$5, \$10, \$20, \$50 and \$100 and coins in the denominations of 5c, 10c, 20c, 50c, \$1 and \$2. \$1 and \$2 notes were replaced by coins in 1984 and 1988 respectively, and 1c and 2c coins ceased to be issued from 1 February 1992.

23.21 Value of Australian notes on issue (\$ million)

	Last Wednesday in June		
	1993	1994	1995
\$1	42	21	20
\$2	70	69	49
\$5	297	313	332
\$10	591	634	614
\$20	1 813	1 795	1 848
\$50	6 284	6 837	7 193
\$100	7 269	7 907	8 482
Total	16 367	17 577	18 538
Increase (%)	7.8	7.4	5.5

Source: Reserve Bank of Australia.

23.22 Value of Australian decimal coin on issue (\$ million)

	Last Wednesday in June		
	1993	1994	1995
1c	24.2	23.5	23.1
2c	33.5	32.0	31.3
5c	87.3	92.9	98.6
10c	95.0	98.0	98.0
20c	131.4	134.0	136.0
50c	183.6	188.8	197.2
\$1	237.3	263.1	300.4
\$2	385.7	415.9	445.0
Total	1 178.0	1 248.1	1 329.6

Source: Reserve Bank of Australia.

Money supply measures

The supply of money in the market is an important measure reflecting interest rates and the inflation rate. Basically, the money supply, as measured and published by the Reserve Bank of Australia, refers to the amount of cash held by the public plus deposits with banks. The measures range from the narrowest category, money base, through to the widest category, broad money, with other measures in-between. The measures mainly used are as follows:

- money (cash) base, which refers to currency in circulation plus bank deposits with the Reserve Bank of Australia.
- M3, which refers to currency plus bank deposits of the private non-bank sector.
- broad money, which is M3 plus borrowings from the private sector by non-bank financial institutions (including cash management trusts) less their holdings of currency and bank deposits.

23.23 Money supply measures (\$ million)

	Money base(a)	M3(b)	Broad money(c)
June 1993	20 497	229 612	279 393
June 1994	22 025	246 234	295 836
June 1995	23 491	263 777	316 783

(a) Holdings of notes and coins by the private sector, plus deposits of banks with the Reserve Bank and Reserve Bank liabilities to the private non-bank sector. (b) Currency plus bank deposits (including certificates of deposit with banks) of the non-bank sector. (c) M3 plus borrowings from private sector by non-bank financial institutions less the latter's holdings of currency and bank deposits.

Source: Reserve Bank of Australia.

Interest rates

Interest rates, as the price for money and credit, fluctuate with the supply of and demand for money or credit. They are also affected by other factors such as government monetary policy, government regulation, borrower credit risk, and the maturity and marketability of the particular investment or asset involved. Table 23.24 shows the fluctuations in most of the key rates offered to individuals and businesses in the market.

23.24 Key interest rates

	At 30 June		
	1993	1994	1995
Private			
Authorised dealers weighted average rate(a)	5.21	4.69	7.44
90-day bank bills(b)	5.25	5.45	7.55
Fixed bank deposits \$5 000 to \$100 000 — 1 year	5.20	5.55	7.10
Unofficial market rate(c)	5.25	4.75	7.50
Business indicator — large business(d)	9.40/9.50	8.95/9.00	10.60/10.75
Business indicator — small/medium business(d)	9.70/9.90	9.20/9.50	10.90/11.25
New bank housing loans	9.50	8.75	10.50
Commonwealth government securities 13 week			
Treasury notes	5.08	5.40	7.50
Treasury bonds			
3 year	6.15	8.55	8.20
5 year	6.85	9.05	8.60
10 year	7.35	9.65	9.20

(a) Official cash rate. Data are the weighted average for the last month of the year. (b) Data are the weighted average of the last week of the period. (c) The 11am call rate. Data are the average of daily figures. (d) Indicator rates on variable rate business loans (that is, overdrafts and fully drawn loans). In most cases, a margin is added when setting rates on individual loans.

Source: Reserve Bank of Australia Bulletin.

Foreign exchange

The foreign exchange market is the means whereby currencies of different countries can be bought and sold. In October 1983, the Australian Government decided to float the Australian dollar allowing its value to be determined by market forces with few exchange controls and little Reserve Bank intervention. Prior to 1983, the Australian dollar was pegged to a basket of currencies which were weighted according to their trading significance to Australia.

Currencies are traded for many reasons, including to facilitate overseas trade (exports and imports), for financing overseas borrowing and investments, for arbitrage (that is, taking advantage of short-term discrepancies in rates) and for speculation on possible exchange rate movements with a view to making a significant profit.

23.25 Exchange rates for the Australian dollar

	At 30 June		
	1993	1994	1995
United States dollar	0.6722	0.7291	0.7086
United Kingdom pound	0.4453	0.4721	0.4452
German deutschemark	1.1366	1.1591	0.9814
Japanese yen	71.5400	72.2000	60.0800
New Zealand dollar	1.2478	1.2258	1.0621

Source: Reserve Bank of Australia Bulletin.

Lending by financial institutions

The lending activities of financial institutions are grouped for statistical purposes into four major types of lending - housing, personal, commercial and leasing. Information regarding housing finance is presented in *Chapter 20, Construction and housing*.

23.26 Lending commitments by financial institutions (\$ million)

Type of lending activity	1992-93	1993-94	1994-95
Housing finance	36 778.0	47 831.9	42 293.0
Personal finance	20 720.7	25 453.2	28 515.2
Commercial finance	86 967.2	95 139.4	104 674.2
Lease finance	4 914.1	5 846.2	6 572.4
Total	149 380.0	174 270.7	182 054.8

Source: See the tables which follow for each type of lending.

Personal finance

The following tables present statistics of commitments made by significant lenders (i.e. banks, credit cooperatives, finance companies, etc.) to lend to individuals for their own personal (non-business) use.

23.27 Personal finance commitments — type of lender(a) (\$ million)

Year	All banks	Finance companies	Credit cooperatives	Other lenders(b)	Total
1992-93	r13 435.6	r3 910.2	r2 459.9	914.9	r20 720.7
1993-94	17 351.3	4 572.4	2 662.1	867.4	25 453.2
1994-95	19 294.4	5 197.1	2 768.6	1 255.2	28 515.2

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

Source: *Personal Finance, Australia* (5642.0).

23.28 Personal finance commitments — type of facility (\$ million)

					Revolving credit commitments
					Credit limits
Year	Fixed loan commitments	New & increased credit limits	Cancellations & reductions in credit limits	Total	Used
1992-93	r13 415.8	r7 304.8	r5 841.8	r33 938.9	r14 068.3
1993-94	16 556.2	8 897.0	7 203.4	37 792.1	16 060.7
1994-95	18 624.3	9 890.9	7 326.1	39 599.5	16 174.0

Source: *Personal Finance, Australia* (5642.0).

Commercial finance

The statistics in the following tables measure commitments, made by significant lenders (i.e. banks, finance companies, money market corporations, etc.), to lend to government,

private and public enterprises, non-profit organisations and to individuals for investment and business purposes.

23.29 Commercial finance commitments(a) — type of lender (\$ million)

Year	Banks	Finance companies	Money market corporations	Other lenders(b)	Total
1992-93	r69 477.8	r5 774.4	9 029.0	2 686.0	r86 967.2
1993-94	72 491.0	6 531.0	10 504.4	5 613.1	95 139.4
1994-95	75 345.6	7 873.7	14 800.6	6 654.3	104 674.2

(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.

Source: *Commercial Finance, Australia* (5643.0).

23.30 Fixed commercial finance commitments — purpose (\$ million)

Year	Construction	Purchase of real property	Purchase of plant & equipment	Re-financing	Other purposes	Total
1992-93	r2 933.3	r6 658.2	r4 289.4	6 945.1	r15 774.9	r36 600.8
1993-94	4 318.9	9 316.6	5 985.2	6 621.0	r20 341.2	46 582.9
1994-95	5 253.9	9 762.8	7 113.2	7 999.5	20 411.6	50 541.1

Source: *Commercial Finance, Australia* (5643.0).

Lease finance

The statistics in the following tables measure lease finance commitments made by significant lenders (i.e. banks, money market corporations, finance companies, general

financiers, etc.) to trading and financial enterprises, non-profit organisations, governments, public authorities and individuals.

23.31 Lease finance commitments — type of lessor (\$ million)

Year	All banks	Money market corporations	Finance companies	General financiers	Total
1992-93	1 612.4	338.8	2 304.2	658.7	4 914.1
1993-94	1 818.5	450.1	2 706.9	870.7	5 846.2
1994-95	1 922.7	433.7	3 115.4	1 100.6	6 572.4

Source: *Lease Finance, Australia* (5644.0).

23.32 Lease finance commitments — type of goods leased (\$ million)

Type of goods	1992-93	1993-94	1994-95
Motor vehicles & other transport equipment	3 070.3	3 654.9	3 992.1
Construction & earth moving equipment	235.2	279.4	434.1
Agricultural machinery & equipment	182.7	238.5	243.5
Automatic data processing equipment & office machinery	1 754.6	805.5	988.1
Shop & office furniture, fittings & equipment	217.1	233.7	250.6
Other goods	1 454.2	634.2	663.9
Total	4 914.1	5 846.2	6 572.4

Source: *Lease Finance, Australia* (5644.0).

Managed funds — the consolidated position

Certain types of financial institutions can be collectively described as 'managed funds' and it is useful to present consolidated statistics for them as a group.

The significant growth in managed funds has been a major development in the financial sector over the last decade. A managed fund is an arrangement whereby the funds of a number of investors are 'pooled' together to invest in a particular type or mix of financial and non-financial assets, with a view to receiving an on-going return, or a capital gain. Managed funds exclude funds of a speculative nature that do not offer redemption facilities (for example, agriculture and film trusts), and funds not established for investment purposes (for example, health funds, general insurance funds).

The development of managed funds has occurred in parallel with changes resulting from the deregulation of the financial system. They offer a wide range of investment alternatives to small and institutional investors based on the underlying asset, specialist managers, income returns, taxation benefits and investment strategy. The funds' products can be structured to satisfy individual investor requirements such as the degree of risk, the mix of capital and income growth and the degree of asset diversification.

The major types of managed funds are cash management trusts, public unit trusts, common funds, superannuation funds and approved deposit funds, friendly societies, and statutory funds of life offices.

To arrive at a figure for the total assets of managed funds in Australia, it is necessary to eliminate the cross investment between the various types of funds. For example, investments by superannuation funds in public unit trusts are excluded from the assets of superannuation funds in a consolidated presentation.

While statistics for each of these institutions has been presented previously in this chapter, the following tables summarise their consolidated position (i.e. after the cross investment between the institutions has been eliminated), by type of fund and by type of investment.

23.33 Assets of managed funds — type of fund, 30 June 1993

Type of fund	Assets		
	Cross invested	Consolidated	Total
Statutory funds of life offices	7 670	111 210	118 880
Superannuation & approved deposit funds	10 733	102 549	113 282
Public unit trusts	3 375	36 890	40 265
Friendly societies	19	8 512	8 531
Common funds	115	4 908	5 023
Cash management trusts	—	5 625	5 625
Total	21 913	269 693	291 606

Source: *Managed Funds, Australia* (5655.0).

23.34 Consolidated assets of managed funds (\$ million)

Type of investment	30 June 1993	30 June 1994	30 June 1995
Deposits, loans & placements	27 290	28 588	27 471
Short-term debt securities	27 218	28 660	29 378
Long-term debt securities	46 259	52 226	53 341
Equities & units in trusts	56 510	72 095	74 853
Land & buildings	30 140	29 352	32 261
Overseas assets	35 358	40 634	43 167
Other assets	7 927	7 899	9 233
Total	237 656	259 458	269 693

Source: *Managed Funds, Australia* (5655.0).

A further development within the managed funds industry is the emergence of the professional or wholesale fund manager. These entities act on a fee for service basis as managers for smaller funds and agents for other funds, including unit trusts and superannuation funds. While they accept individual portfolios to manage, for example, for charities, their existence is generally not visible to the small investor. Professional fund managers provide a sophisticated level of service matching assets and liabilities. They act in the main as the managers of pooled funds, but also manage clients' investments on an individual portfolio basis.

A considerable proportion of the assets of managed funds, particularly statutory funds of life offices and assets of superannuation funds, is invested through professional fund managers. At 30 June 1995, \$225,100 million, or 83.0% of consolidated assets of managed funds, were invested through professional fund managers. Table 23.35 shows the total unconsolidated assets of each type of managed fund and the amount of these assets invested through professional fund managers.

Professional fund managers also manage money from investors other than managed funds. At 30 June 1993, professional fund managers also invested \$25,400 million on behalf of government, general insurance and other sources.

23.35 Assets of managed funds managed by professional fund managers, 30 June 1995
(\$ million)

Type of fund	Unconsolidated assets of managed funds	Assets invested with professional fund managers
Statutory funds of life offices(a)	118 880	1 115 224
Superannuation & approved deposit funds	102 549	74 932
Public unit trusts	36 890	28 967
Friendly societies	8 512	6 146
Common funds	4 908	1 937
Cash management trusts	5 625	4 326
Total	269 693	225 099

(a) Includes both superannuation and ordinary business.

Source: *Managed Funds, Australia* (5655.0).

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