

SE Business
 HD 'Little control' over foreign funding
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AUSTRALIAN banks have little oversight about the financing of **residential purchases** by overseas buyers, although they have considered legal options about pursuing failed settlements on **apartment** development pre-sales.

The admission comes in responses prepared by ANZ, the Australian Bankers Association and Macquarie **Group** to questions posed to them at the parliamentary inquiry into foreign investment in **residential** real **estate**, amid concerns that offshore financing, including the use of non-official "shadow banking" in **China**, was cheaper and was not up to Australian regulatory standards.

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Tom Westcott, ANZ's senior manager of public policy, wrote that the bank would sample pre-sales "to check postcodes and local demographics to give validity to the claim (of the **sale**)", but it would not source the origin of the capital.

Steven Munchenberg, the chief executive of the Australian Bankers Association, wrote that in reality "the bank does not have a contract with the relevant **purchaser** and therefore does not have the authority to request personal financial information to verify the source of funds".

James Laurenceson, the deputy director of the Australian-**China** Relations Institute at the University of Technology in Sydney, said there was nothing sinister about **China's** "shadow banking" sector and it was often a way to circumvent official restrictions on capital being sent abroad.

"We don't get a lot of **Chinese** investment, relatively speaking, and this could be a positive if it leads to an expansion in (**apartment**) supply," Dr Laurenceson said.

The ABA's submission went on to note that "where a very high level foreign pre-**sale** was being considered by a bank, the bank may seek a legal opinion on the ability of the developer to pursue failed settlements" in the **purchaser's** domestic market.

Banks often cap the level of pre-sales allowed to foreign buyers at 30 per cent. Mr Munchenberg told The Australian that this was rare, and often a "matter of prudence".

Both the ABA and ANZ said they were not aware of any significant concerns with failed settlements by overseas buyers.

In response to a query on oversight of Significant Investor Visa holders, Macquarie **Group** said overseas applicants had to sign loan proceedings to ensure money would not be used for **residential property**, although it did not monitor the use of borrowed funds. However, The Australian understands the complexity of drawing such loans and the repercussions of breaking the agreement was believed to be enough to make such an investment unpalatable.

CO aubao : Australian Bankers' Association | mcqbnk : Macquarie Group Limited
 IN i814 : Banking | i831 : Financial Investments | i83101 : Investment Banking | ibnk : Banking/Credit | ifinal : Financial Services | iinv : Investing/Securities

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