

HD Banks' foreign investor role questioned

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Banks' foreign investor role questioned Inquiry Spotlight on local real **estate**

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Large Australian banks are heavily targeting foreign investors but a federal parliamentary inquiry has raised questions about the checks they are conducting on overseas buyers. As foreign investment in housing surges and banks eye their cut, lenders' activities in relation to overseas buyers are under scrutiny as part of a broader House of Representatives economics committee inquiry into **residential** housing. ANZ bank and Macquarie **Group** were asked to provide details to the inquiry of what steps they took to ensure various foreign investment rules were followed. The responses from banks, published this month, highlight the limitations of what lenders currently know about foreign real **estate** investors. Macquarie **Group** was asked what it did to make sure loan clients were not misusing the Significant Investor Visa and diverting the funds into **property** assets. The visa fast-tracks residency status for wealthy foreigners who invest at least \$5million in bonds, certain managed funds, or private companies. Macquarie **Group** told the inquiry it did not directly monitor how loaned funds were spent but it had the power to call in the loan or seize collateral early if clients were dishonest. ANZ, which is actively targeting

Asian customers, was asked whether it traced the source of income for individual foreign buyers when it was lending money to domestic **property** developers. The bank's response, published this month, said it did not trace foreign buyers' source of income, but it checked the post-codes of "pre-sales" to make sure they were genuine. The trend highlights the global pressure on banks to know more about their customers' financial dealings. Australian Bankers' Association chief Steven Munchenberg said in a submission to the inquiry that when banks were lending to developers, they did not have direct contact with the foreign buyers and could therefore not investigate their funds. "Basically, a bank will seek to ensure that the pre-sales contracts represent genuine sales," he said. "The source of funding for foreign **purchasers**, however, is generally not investigated." The inquiry comes amid allegations wealthy **Chinese** residents are using back-channels to move money out of the country, including into Australian **property**. Macquarie analysts said in a report last week that Australian lending to non-residents had surged 27per cent in the year to March.

Figures to the inquiry by Treasury show approvals of overseas **purchases** were \$24.8 billion in the first nine months of 2013-14, a jump of 93percent on the previous year.

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CO mcqbnk : Macquarie Group Limited

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