Attn: Lauren Hogan
Financial System Division

The Treasury
Langton Crescent
Parkes ACT 2600

Response to Australian Business Securitisation Fund Bill 2018 Exposure Draft

I am writing on behalf of Goldfields Money Limited (ASX: GMY) in response to the announcement from Australian Treasurer on the establishment of the Australian Business Securitisation Fund (ABSF).

We are delighted that the Government has taken this approach to Small and Medium Enterprise (SME) investment and would welcome consideration by the Trustee of the ABSF Fund to become an approved recipient of ABSF financial resources, to further support our SME investment initiatives.

Upon reviewing key ABSF documents, we have provided feedback for due consideration (Appendix 1).

Goldfields Money Limited has recently ratified a core strategy to broaden its financial services offering through our approved 'Commercial Credit Policy' (Appendix 2). We have invested resources in supporting this asset class and are actively looking to grow our SME product offering (including unsecured lending). Combined, these elements will form the basis for our national footprint in the SME space during 2019 and beyond.

Our appetite for innovative SME lending products beyond traditional policies is also strong, and we would be open to discussions around developing bespoke financial instruments that reflect the core values of the Australian Business Securitisation Fund.

We appreciate your consideration and look forward further engagement regarding the ABSF initiative.

Warm regards,

A. Savin

Allan Savins

GM, Banking & Wholesale
Goldfields Money Limited

Who is Goldfields Money?

Formed in 1982, Goldfields Money has spent the last 37 years dedicated to delivering first class products through a largely branchless distribution network, instead focusing on utilising technology to reach our customer network. In 2012, we become Australia's only ASX listed Authorised Deposit-taking Institution (ADI) headquartered in WA. Our banking platform is built on the world class core banking system provided by Temenos – a banking SaaS expert that helps over 3,000 firms across the globe, including 41 of the top 50 banks, to process the daily transactions of more than 500 million banking customers.

Goldfields Money is ASX listed (ASX:GMY) with two key divisions:

Banking (operates under "Goldfields Money" and "Better Choice" brands) – an APRA regulated bank that offers deposit and loan products that are funded either on-balance sheet or off-balance sheet through a range of third party lenders. Our deposits are all guaranteed by the Australian Government Deposit Guarantee for up to $250,000 per customer. We are the new approach to banking in Australia, we're honest, with transparent bank practices and a straightforward approach to you and your money. It's all yours, honestly.

We recently merged with mortgage aggregation group Finsure (operates under "Finsure" and "Loankit" brands) – an ASIC regulated mortgage aggregation and software technology platform with over 1,553 loan writers as of 30 November 2018. Finsure puts brokers first and is a leader in the market in offering a diverse lending panel, flexible commission models, training, lead generation, proprietary SaaS and mortgage broker support services. Finsure was also recently named Aggregator of the Year for 2017 at the Australian Mortgage Awards.

You can read more about us at www.goldfieldsmoney.com.au

APPENDIX 1

Comments seeking clarification around the ABSF Exposure Draft 2018

Item	Content	Comment

Permitted investments by the ABSF – "authorised debt security"	- Issued by the trustee of a trust
	- A$
	- Relates to secured or unsecured credit of a maximum of $10M provided to a debtor for wholly or predominantly business purposes
		- The EM says that a trust was chosen as this is the "standard legal structure" used for warehouses and the issuance of termed out securitisations.
		- While this is largely true, we question whether the definition should be broader to accommodate different corporate and funding structures used by the widest possible range of lenders to the SME sector, and also permit:
		    o any portfolio of SME loans that are held by a special purpose vehicle (using the definition contained in the tax legislation)
		    o any portfolio of SME loans over which the holder of the "authorised debt security" holds a first ranking security interest.
		- The EM says that the ABSF cannot make an investment where the underlying loans are made by the Big 4 or Macquarie. This would rule out any "white label" loan programme, which we assume is correct at this stage.
		- However, consistent with the second bullet point above, we question whether the ABSF should be permitted to invest in debt securities issued by "start-up banks" or "neo-banks" where the purpose of that funding can be traced through to SME lending.
		- The concepts of amount of credit, credit, debtor have the same meanings as in the national credit code, as would the concept of "wholly or predominantly for business purposes".

Available funding from the ABSF	Annual amounts of $250M in July 2019 and 2020, and annual amounts of $500M in July 2021, 2022 and 2023, are credited to the ABSF for the investment in authorised debt securities	These amounts are specifically stated in the legislation and for annual budget appropriation purposes, and while it seems that they can be varied by the Minister, we question whether there should be more flexibility for the total amount of $2bn from the ABSF to be allocated by the Minister (or his or her delegate) according to demand in the market, rather than a specified amount for each year.
Nature of investment by the ABSF	An "investment" is defined as any mode of application of money or financial assets for the purpose of gaining a return (whether by way of income, capital gain or any other form of return).	This is broad, and we assume would allow the AOFM to invest in the issue of authorised debt securities (from the issuer) or the acquisition of authorised debt securities from another investor.

goldfields money
All yours. Honestly

Investment mandate	The draft investment mandate refers to: . prioritising investments in "underdeveloped sectors of the SME securitisation market"; . allowing investments to be made at "discounts to market rates"; . a target medium term rate of return for the ABSF (the Bloomberg Ausbond Treasury 0-1 year index); . the development of a risk policy by the AOFM; . no investment by the ABSF being a "first loss security".	We expect that some of these provisions follow the precedent of the AOFM's investment in RMBS from 2008. While we note the concepts of target rate of return and first loss security, we draw your attention to the requirement for the AOFM to develop a risk policy. The draft investment mandate refers to the method of assessing the credit worthiness of an investment where an external credit rating cannot be obtained. Unlike the AOFM investment in RMBS, which had a requirement for a minimum rating of investment grade, the ABSF can invest more broadly but the method of determining the credit worthiness of a portfolio of loans (and therefore the credit worthiness of the authorised debt securities that fund that portfolio) will be crucial, especially due to the breadth of the range of SME loans, the fact that the loans can be secured or unsecured and the wider variety of lenders in the SME sector and the nature of their SME lending programmes.
Review of the ABSF	The draft legislation requires a review of the effectiveness of the ABSF in meeting its objectives at the end of the second year of its operation	The objectives of the ABSF are to increase the availability of, and to reduce the cost of, credit to SMEs. This will depend on the ability of those lenders to access the credit provided by the ABSF and the terms (price) of that credit. We question whether a maximum investment of $500M by the ABSF over that period will be sufficient to allow the objective of the ABSF to be properly assessed.

APPENDIX 2

Goldfields Money Limited Commercial Credit Policy (Jan 2019)

38 Commercial Loans

Goldfields Money provides Commercial Loans for a relevant business purpose. All loans must be secured by acceptable property. Loans are not provided where the security is cashflow related.

38.1. Products

The products specifically designed for Commercial customers:

- Commercial Term Loan
- Equipment/Vehicle Finance
- Commercial Self-Managed Superannuation Fund (SMSF) Loan (refer section 35)

38.2. Acceptable Criteria

38.2.1 Acceptable locations

Refer to schedule 2.

38.2.2 Loan amount

There is no designated minimum for commercial loans; the maximum commercial loan exposure to any one borrower group in aggregate is not to exceed $2 million. Any exceptions to this must be approved by the Credit Committee.

38.2.3 Loan term

Minimum: 5 years Maximum: 25 years

Annual Review: No Annual Reviews required if P&I within terms.

38.2.4 Acceptable purposes

The following purposes are acceptable:

- Purchase of a new business (new or established);
- Purchase of an acceptable securityfor:
  - Own business occupation; or
  - investment;
- Re-finance of an existing non-residential debt; or;
- Finance for small scale equipment or vehicles.
- Release equity for business or investment purposes (cash out for business or investment purposes to amaximum of 70% LVR)
- Working capital and tax debts are considered on a case by case basis

38.2.5 Unacceptable purposes

The following purposes are generally unacceptable:

- Where part or all of the proceeds will be used to purchase or expand beyond the core expertise of the applicant's business and servicing is reliant upon the purchase or expansion of said business;
- Future undisclosed investment purposes;
- Where servicing is reliant on pre-sales or asset sales;
- Land without all statutory approvals (DA, Subdivisions etc.) in place;
- Significant speculative risk

38.2.6 Borrowing Entities and Mortgagors

The following applicants and Mortgagors are acceptable:

- Australian residents over 18 years of age. Where a related entity's income or profit is required to support individual borrowings the said entity will need to support legally by the execution of a Guarantee and Indemnity.
- Companies and Trusts, subject to:
  - Satisfactory investigation by GMY;
  - Company borrowings being supported by the personal Guarantee of the Director(s); and
- The company must be registered in Australia with the Australian Securities and Investment Commission
- (ASIC) and the directors must be permanent residents of Australia. Directors are to be identified in accordance with AML/CTF requirements. The details of all shareholders with more than 25% shareholding in the company (if not a director) must be collected.

38.2.7 Acceptable security

The following security types are acceptable for commercial loans:

Shop fronts, Offices, Industrial Units, Factories, Warehouses, Mixed Residential & Commercial Use, Medical/ Professional Suites. Note:

- All security properties must be multi-use
- Specialised security is not acceptable
- Registered first mortgage only (no second mortgages)

38.2.8 Unacceptable security

- The following securities are generally unacceptable:
- Englobo land;
- Hotels and motels;
- Caravan parks;
- Nursing homes;
- Hospitals;
- Churches;
- Cinemas;
- Abattoirs;
- Heavy industrial premises;
- Flood affected properties;
- Child care centers;

- Service stations;
- Contaminated or potentially contaminated sites;
- Aquaculture;
- Agriculture;
- Thoroughbred breeding and racing.
- Properties adversely affected by subsidence or landslip;
- Properties with unusual or restrictive zoning.
- Development Sites
- Vacant Land

38.2.9 Acceptable titles

See section 24 (Acceptable Security)

38.3. Legal Security Requirements

Costs for registration fees and reasonable outgoings are at the expense of the borrower. Standard statutory enquiries for prudent mortgage lending in each State will be required.

38.4. Loan to Value Ratios (LVRs)

LVR 75% - Maximum $1,000,000 LVR 70% - Maximum $2,000,000

Maximum aggregate exposure $2,000,000

Note: Where securities comprise a mix of residential and commercial the maximum loan amount will be determined using the LVR maximum for each class of security. For example:

Residential security value	$500,000	LVR @80%	$400,000
Commercial Security value	$600,000	LVR @ 70%	$420,000
Total	$1,100,000	Combined LVR 74.54%	$820,000

Loans secured by commercial securities in the upper LVR band are subject to restrictions on portfolio concentrations. The upper LVR threshold is subject to change at short notice.

38.5. Repayment Options

38.5.1 Principal and Interest

Monthly instalments over the term of the loan. Refer to section 16 (Loan Term) Interest Only period for a maximum of 5 years.

38.6. Fees

Commercial Loan facilities will be charged an establishment fee. The amount of the fee will be determined at the time of the application. Fees will be determined according to the risk and amount of work associated with the loan application.

The establishment fee to be charged on commercial loans must meet the following minimum requirements; the greater amount of:

- < $1,000,000 = $500
- >$1,000,000 = 0.25% of loan amount

All other fees or charges incurred by GMY must be passed on to the applicant.

Monthly Admin fee: $25 p/m

Early Repayment fee: 1.50% of the contracted loan amount

Payable if you terminate your loan contract within 36 months of the settlement date.

38.7. Serviceability

Where the borrower is a company, the ability to service is assessed under a Debt Coverage method (see section 38.7.1 below). When the borrower is a non-corporate entity (sole trader or partnership) then the serviceability requirements for residential housing is used.

38.7.1 Debt Coverage

- Use the most recent financial statements or tax returns as a basis for verification of income andprofitability.
- Maximum term;
- Principal and Interest repayments both continuing and proposed;
- Servicing capacity will adopt a test rate of 2.0% above current commercial variable rate at the time of assessment;
- When property is leased to a 3rd party rental income will be assessed at 80% of the gross rental as per taxation returns and lease documents or agreements, otherwise 100% of the rental can be taken.

Where income to service commitment is derived under this method, capacity to service will require as a minimum:

- 1.5 times Interest Cover (EBIT/Interest Expense) or 1.25 times Debt Cover (Net Operating Income/Total Loan Repayments.

In all circumstances, all related borrowers and their business entities are to be considered in determining serviceability to ensure any contagion risk is addressed.

38.8. Building Insurance

Building insurance is required in all instances where GMY is taking a mortgage over a security where a building is erected thereon. This insurance is compulsory and evidence of building insurance renewal must be provided to GMY each year.

Where the security is a strata unit adequate cover must be taken out by the Owners Corporation and evidence provided prior to settlement of the loan.

38.9. Exceptions to Commercial Loan Policy

Exceptions to the requirements under the Commercial Loan Policy must be approved by DLA level (or higher) as specified in the table below and reported to the next Credit Committee or Board meeting.

Commercial Loans
DLA level 2