

Asia Market Intelligence

Australia

Presence

HSBC has had a presence in Australia dating back to 1965, when a representative office was first opened. This was converted to a full banking license in 1986 with a network of 35 branches and offices providing a complete range of financial services. These include personal banking, corporate and commercial transaction banking, trade finance, treasury and financial markets, corporate finance, electronic and correspondent banking, investment and securities services.

Population:

20.74 million (As at Mar 08)

Total Area:

7,703,581 sq km

Currency:

Australian Dollar (AUD)

Capital:

Canberra

Major Language(s):

English

Time zone:

GMT +10 hrs

Central bank:

The Reserve Bank of Australia

Gross domestic product:

760.8bn total (2007); 3.9% real growth rate (2007); 36,258 per capita (2007 est.)

Inflation rate (consumer prices):

2.3% (2007)



Clearing Systems and Payment Instruments

There are four major clearing systems in Australia:

| CLEARING SYSTEM | COMMENTS |
|-----------------|---|
| CS1 | Australian Paper Clearing System (APCS) — an automated clearing house for cheques, payment orders and other paper-based payment instructions. |
| CS2 | Bulk Electronic Clearing System (BECS), which manages the conduct of exchange and the settlements of bulk electronic low-value transactions in a similar fashion to the paper-based instructions in APCS. |
| CS3 | Consumer Electronic Clearing System (CECS) for proprietary card-based automated teller machine (ATM) and electronic funds transfer at point of sale (EFTPOS) transactions. |
| CS4 | High-Value Clearing System (HVCS) is integrated with the Real-Time Gross Settlement (RTGS) clearing system. HVCS is for high-value electronic payment instructions. |

- In Australia, there is only one clearing zone. Cheques are processed overnight for credit to the account with funds held for a minimum of three working days. Interest is calculated on the balance of the account and therefore earns interest for deposited funds even though they have not cleared.
- The cash management market in Australia is evolving at a rapid pace, with new products and services emerging to help companies with their payments and reconciliation processes. Services such as cheque outsourcing, lockbox, cheque imaging and bulk payment file transfer are now common.

Banking System and Bank Accounts

- The central bank of Australia is the Reserve Bank of Australia (RBA), which is responsible for monetary policy. Other significant RBA roles include maintaining financial system stability and promoting the safety and efficiency of the payments system.
- As of December 2007 there were 54 banks active in Australia with four main domestic banks: National Australia Bank, Australia & New Zealand Banking Group, Westpac Banking Corporation and the Commonwealth Bank of Australia.
- The following types of bank account are currently available:

| ACCOUNT TYPE | LOCAL CURRENT ¹ | LOCAL SAVINGS | FOREIGN CURRENT ² | FOREIGN SAVINGS |
|--|----------------------------|---------------|------------------------------|-----------------|
| Resident | Yes | Yes | No | Yes |
| Non-resident | Yes | Yes | No | Yes |
| Credit interest | Yes | Yes | No | Yes |
| ¹ . Cheque books are optional. ² . Cheque books are not available on foreign currency accounts. | | | | |

Cash management products and services at a glance*

| INVESTMENT PRODUCT | TRANSACTION MANAGEMENT | | LIQUIDITY MANAGEMENT |
|--|--|--|---|
| | PAYMENTS | COLLECTIONS | |
| <ul style="list-style-type: none"> Local currency current accounts (interest bearing) Local currency Time/term and call deposits Miscellaneous treasury products Foreign currency current accounts (interest bearing) Foreign currency time/term deposits | <ul style="list-style-type: none"> Demand drafts High Value Payments – International Telegraphic Transfers (TT) and Domestic LCY RTGS MT101 payments initiation (subject to separate establishment of a bilateral/unilateral agreement with the requisite 3rd party bank) Bank cheques/cashiers orders Customer cheques Low value payments/ direct credits (in proprietary autoPay-Out format as well as local industry standard ABA (Australian Bankers Association) file format) Corporate credit card (co-branded American Express card) COS – enables you to outsource your accounts payable Get Rate – provides the ability to book rates in real time and online Payments Advising | <ul style="list-style-type: none"> USD cash letter service (supported through HBUS) Direct debit request (autoPay-In), subject to credit approval In-branch services BPay – allows you to use the preferred customer payment system Virtual Account – helps you identify the origin of your payment and ensure reconciliation of your receivables Paper collections – cash and cheque deposits over the counter at HSBC or through our broad Alliance Partner Network, including National Australia Bank Express Business Deposit – EBD allows payers to make cash and cheque deposits using a specifically ordered deposit bag Wholesale lockbox – centralises the processing of paper receivables Receivables Management System | <ul style="list-style-type: none"> Overdraft facilities (subject to credit approval) Domestic pooling (Local/foreign currency; relationship entities must maintain the same tax status) Domestic cash concentration (Local/foreign currency) SWIFT MT900/910/940 /950 reporting Cross border cash concentration (local/foreign currency) |

* Cash management services are delivered via HSBCnet, HSBC's global Internet banking platform.

Alliance Network

As a result of the Clearing Agency Arrangement that exists between HSBC and National Australia Bank (NAB), there are presently four receivables options available for HSBC customers via the NAB branch network across Australia (which may vary between products and services):

- Over the counter deposits** are made with the customer presenting the HSBC deposit slip, plus whatever cheques and/or cash comprise the deposit, to the teller for processing.
- Express Cheque Deposit (ECD)** is sometimes referred to as a 'cheque deposit chute' and is a way of making 'cheque only' deposits without having to wait for a teller. Express Cheque Deposits are not processed in the branch where the deposit is lodged, but are actually processed in a central processing area.
- Express Business Deposits (EBD)** is a way of making mixed cash and cheque deposits using a specially ordered deposit bag.
- Cheque Encashment (ENA)** is also available through NAB branches for HSBC customers. Based on a pre-completed authority form, customers can have their cheques cashed over the counter at a NAB branch.

Australia Bangladesh Brunei Hong Kong SAR India Indonesia Japan Korea Macau SAR Malaysia
 Mauritius New Zealand People's Republic of China The Philippines Singapore South Africa Sri Lanka Taiwan Thailand Vietnam

Legal and Regulatory

- The primary regulatory bodies that regulate financial services in Australia are:
- The Australian Prudential Regulation Authority (APRA), which regulates deposit-taking institutions, insurance and superannuation funds; and
- The Australian Securities and Investments Commission (ASIC), which is responsible for market integrity, consumer protection and corporations.

Liquidity, Currency and Tax

- There are no restrictions on currency movements or cash concentration in Australia; notional pooling and cash concentration are permitted on a single and/or multi-currency basis. Functionality available depends upon banking partner capability, but more developed banks can offer fully automated cash concentration solutions and (for notional pooling) considerable flexibility in determining interest rates applicable to participating accounts.
- Australia does not have an active commercial paper market, therefore treasuries looking for more than just the overnight cash rate on surplus liquidity tend to use term deposits.
- Offshore companies will incur withholding tax as per non-residents in the table below.

Tax considerations:

| TAX | COMMENTS |
|-------------------------------|--|
| Interest withholding tax | <ul style="list-style-type: none">• Residents: 46.5% without tax file number, Australian business number, or tax exemption certificates• Non-residents: 10% flat rate – no tax-free threshold applies for non-residents |
| Corporate tax | 30% |
| Value-added tax or equivalent | A goods and services tax (GST) applies in Australia at the rate of 10% on the price of taxable supplies. Since most of the banks' products are "financial supplies", no GST should apply in the majority of cases. However, there are a few products supplied by banks, which are 'taxable supplies' and will attract GST. |

* Please read the Product Disclosure Statement (PDS) before making any investment decisions. A copy of the PDS is available at www.hsbc.com.au, by visiting a branch or by calling 1300 308 008.

Market Watch

- No recent or anticipated change of significance.

Contacts

Ms Wendy Booth

Head of Global Payments and Cash Management, HSBC, Australia

Level 16, 580 George Street, Sydney, NSW 2000, Australia

Tel: (61 2) 9006 5844

Fax: (61 2) 9006 5836

E-mail: wendybooth@hsbc.com.au

Banking hours:

Mon – Thu

8:30am – 5:00pm (office hours)

9:00am – 4:00pm (branch hours)

Fri

8:30am – 5:00pm (office hours)

9:00am – 5:00pm (branch hours)

Issued in Australia by HSBC Bank Australia Limited ABN 48 006 434 162 AFSL No. 232595. This article does not take into account what you currently have, want or need for your financial future. You should consider these matters and read the Product Disclosure Statement (PDS) before you make an investment decision. A copy of our PDS is available at our website www.hsbc.com.au or by calling us on +61 2 1300 300 437.

The information contained herein is for general information purposes only. It is not intended to provide professional advice and should not be relied upon in that regard. Readers should seek appropriate professional advice where necessary before taking any action based on the information contained in this document. HSBC makes no guarantees, representations or warranties and accepts no responsibility or liability as to its accuracy or completeness. Information in this document is subject to change without notice.

| | | | | | | | | | |
|-----------|-------------|----------------------------|-----------------|-----------|--------------|-----------|--------|-----------|----------|
| Australia | Bangladesh | Brunei | Hong Kong SAR | India | Indonesia | Japan | Korea | Macau SAR | Malaysia |
| Mauritius | New Zealand | People's Republic of China | The Philippines | Singapore | South Africa | Sri Lanka | Taiwan | Thailand | Vietnam |