**Australian Securities Markets Through the Pandemic**

**Marion Kohler**

**Moderator (16:10)**

Thanks Marion, for that comprehensive analysis of the last two years of the pandemic. We have a few audience questions that I'd like to pose to you if you wouldn't mind before the time is up. Perhaps let's start off with the first one. You said that the lessons from the previous episodes of financial turbulence were at the forefront of your minds during the impact of the COVID-19 pandemic as it played out in the financial markets. What learnings from the past did you apply in handling the crisis?

**Marion Kohler (16:44)**

There's obviously many lessons you can draw on, there have been many crises. I just want to focus on three here, in the interest of time. I guess the most important lesson is actually every crisis is different. So, that means you really need to set out with flexibility and tailor the tools to the challenges at hand. And this time around our challenge was the very low interest rate at the on-set of the pandemic. The second lesson, is when financial markets don't function well, that has real effects for employment and activity. So, it's really important that the policy response is sizeable and coordinated and is quick to shore up confidence. And that was the third of the many lessons that I want to highlight.

**Moderator (17:29)**

Thank you. I have a few more audience questions that have come through. Talking about liquidity, would the RBA be supportive of Australian dollar covered bonds being classified as HQLA 2 assets for liquidity purposes? Do you have a view on this?

**Marion Kohler (17:45)**

The decision on what is HQLA is with APRA, that's my understanding. So, I think I'll leave that to them. They usually have to go through analysis and, of course, for HQLA the analysis needs to include whether you’ve got deep and liquid markets that can withstand periods of disruption. So, I'll leave it to them to ponder on that.

**Moderator (18:09)**

Right. Thanks. We have another one. You may have actually already touched on this, but it's worth just expanding. Does the RBA anticipate a smaller domestic market for ADI issuance because of the zero CLF? Do you anticipate that meaning a larger funding gap in the market?

**Marion Kohler (18:24)**

As I indicated, there's actually two things going in both directions. So yes, there's a bit that's less [demand for ADI bonds] that you can't transform with us easily into HQLA to count against it. But of course, banks will actually need to fund more HQLA on their own books. And for that, they may need to issue more bonds. So, it's a question on how they would fund that HQLA that previously was replaced by the CLF. So, it's an open question. There's pressures in both directions.

**Moderator (19:03)**

I think we've got time for another. Does the RBA expect to see more differential developing in demand and thus pricing for bond issuers based on ESG considerations?

**Marion Kohler (19:15)**

That's an interesting question. I can refer you to speeches by the Deputy Governor on that. I think it is an issue he's very much interested in. And as you would've seen, we are very much interested in seeing how the market develops. Like always, these are supply and demand considerations. So, I think it would be premature for me to speculate here how that evolves.

**Moderator (19:39)**

Right.Thank you. We don't have any more audience questions, but thank you very much for your time today. It was great of you to have joined the ASF and we appreciate your time. Thank you. Thanks, Marion.

**Marion Kohler (19:50)**

Thank you very much for having me.