



The
Treasury

FILE COPY

Mr Jonathan O'Dea MP
Chair
Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Contact: Michael McGrath
Telephone: (02) 9228 4568
Our Reference: EA1658505
Your Reference: LAC11/19 Sub No2

Dear Mr O'Dea

Follow up of Auditor-General's 2010 Financial Audit Reports

I refer to your letter of 22 November seeking advice on whether Treasury had written to public sector agencies to remind them that instances of financial accommodation associated with EFT, Cheque Cashing Authority and Tape Transaction facilities must be approved by the Treasurer.

A letter on this matter has now been sent to all agencies, together with an attached copy of advice from the Crown Solicitor on this matter. The letter asks each agency to review its use of these facilities, establish whether there is any financial accommodation attached to their use and to seek the Treasurer's approval if there are instances of financial accommodation which have not already been approved. A copy of this letter and the Crown Solicitor's advice is attached.

Your letter also suggested that consideration be given to amending Treasury Circular TC06/17 to clarify the requirements for financial arrangements in which there is the risk of an inadvertent breach.

The Crown Solicitor's advice on approval has already been provided to a number of agencies and has now been sent to all agencies as an attachment to the Treasury letter. This correspondence is considered to be more effective than an amended Treasury Circular as it provides a clearer and more comprehensive means of informing agencies of this matter. This particular Circular is also due to lapse on 31 December 2011.

In respect of inadvertent breaches, Treasury has its own review processes to minimise instances of unapproved activities taking place for these particular facilities or for any other financial arrangement covered by the *Public Authorities (Financial Arrangements) Act 1987*. Treasury has also advised the Audit Office that it would welcome any advice on breaches of the Act identified by the Audit Office during its agency audit process.

Yours sincerely

Mark Ronsisvalle
Deputy Secretary



The
Treasury

FILE COPY

Contact: Michael McGrath
Telephone: (02) 9228 4568
Our Reference: EA1658505

Head
Title
Addr1
Addr2
Addr3
Addr4

19 DEC 2011

Dear *

Approvals for EFT, Cheque Cashing Authority and Tape Transaction facilities

As a result of concerns raised by the Audit Office, I would like to draw your attention to the need for approval under the *Public Authorities (Financial Arrangements) Act 1987* (the PAFA Act) for instances of financial accommodation associated with the use of EFT, Cheque Cashing Authority and Tape Transaction facilities.

By way of clarification, agencies do not need PAFA approval *per se* to use these types of facilities. Agencies only need PAFA approval if these facilities incorporate some type of borrowing arrangement, as this additional arrangement is the mechanism that provides financial accommodation.

I would therefore request that you review the use of these types of facilities by your agency and establish whether there is any type of borrowing, overdraft, credit or similar arrangement attached to their use which would be regarded as financial accommodation. If there is financial accommodation that has not already been approved, I would ask that you now seek the approval of the Treasurer.

To assist with your review, please find attached copies of advice from the Crown Solicitor on this matter. The most relevant advice is contained in paragraphs 1.3 and 1.4 of the further advice, dated 20 April 2007.

Note that agencies who use these facilities as part of the Treasury Banking System (TBS) arrangement do not need approval (further advice: paragraph 1.5). However, if TBS agencies use these facilities under an arrangement that is outside the TBS, and these facilities include some type of borrowing facility, it would be regarded as financial accommodation and the Treasurer's approval would be required, if not already approved.

Yours sincerely

Mark Ronsisvalle
Deputy Secretary



CROWN SOLICITOR
NEW SOUTH WALES

Further Advice

Certain Banking Facilities and PAFA Act Approvals

Contents

1. Summary of advice	2
As to issue 1	2
As to issue 2	2
2. Advice sought	3
Issue 1	3
Issue 2	3
3. Advice	4
As to issue 1	4
As to issue 2	5
4. Conclusion	8

Prepared for: TRS173 NSW Treasury

Date: 20 April 2007

Client ref: Colin Broad, Director Crown Asset and Liability Management

CSO ref: 200700485 T2 Amalia Stanizzo

1. Summary of advice

- 1.1 Please note this is a summary of the central issues and conclusions in my advice. Other relevant or significant matters may be contained in the advice, which should be read in full.

As to issue 1

- 1.2 In determining whether an arrangement is an act of financial accommodation for the purposes of the *Public Authorities Financial Arrangements Act 1987* ("PAFA Act") it is necessary to consider the nature of the arrangement as a whole. Whilst the presence of a facility or mechanism may assist in this determination it may not necessarily be conclusive of the issue. In relation to Tape Negotiation Authority, Cheque Cashing Authority and EFT Facilities, these arrangements, in my view, come within the meaning of financial accommodation for the purposes of the *PAFA Act*, because on the information available to me, they each permit the relevant accounts to be overdrawn as debits will be made without reference to the account balance, and any debit balance may presumably be subject to interest, penalties and/or a liability to repay.
- 1.3 The arrangements, in my view, as I have indicated in my earlier advice, fall within s.4(1)(a1) of the definition of financial accommodation, being the raising of money by an authority as consideration for the authority's assumption of any liability, or are otherwise within the ordinary meaning of the term in that there is the provision of credit with the liability to repay a monetary obligation to pay the financier.
- 1.4 It follows, that if there was no provision for debt or overdraft on these facilities, there would be no financial accommodation. It also follows that if there was a \$50 million facility with a maximum debt or overdraft of \$2 million, the \$2 million would be the level of financial accommodation requiring approval under the *PAFA Act* and not the \$50 million.

As to issue 2

- 1.5 For the reasons set out in paragraphs 3.13 – 3.20, and based on my understanding of the way in which the Treasury Banking System operates as set out in paragraphs 3.8 – 3.12, I am of the view that the agencies participating in the TBS are not obtaining financial accommodation and therefore do not require approval under Pt. 2 of the *PAFA Act*.

2. Advice sought

- 2.1 You seek clarification of my advice in this matter dated 5 March 2007¹ ("my earlier advice") in respect of two issues.

Issue 1

- 2.2 Specifically you seek confirmation that I agree with the following statements:

"The basis of your advice (paragraphs 3.10 and 3.11) suggests that these arrangements are financial accommodation because they could be used to incur a financial liability. So if an authority was able to use an overdraft or incur a debit at some point via these facilities, the arrangement surrounding the potential liability would need approval as financial accommodation.

In other words, your advice suggests that it is not the presence of the facility or mechanism itself but the potential liability that is the financial accommodation. So if there was no provision for debit or overdraft, there would be no financial accommodation. Or if there was a \$50 m facility with a maximum debit of \$2m, the \$2m would be the level of financial accommodation requiring approval, not the \$50m.

Issue 2

- 2.3 You also seek advice on the situation in relation to the Treasury Banking System ("TBS"). You advise that over sixty authorities use only TBS to pay wages and other expenses, managed in part by EFT, tape transactions and cheque accounts. The TBS is managed by Westpac under contract with NSW Treasury and financed by TCorp under an arrangement with financial accommodation approval under the *PAFA Act*. Agencies with overdrafts against the TBS are charged a fee.
- 2.4 Given that potential debits from EFT, tape transactions and cheque facilities are made against the TBS, and given the TBS arrangement already has approved financial accommodation, in your view, it appears it is not necessary to also obtain further approval for TBS agencies to incur debits via these facilities. You seek my advice on whether I concur with this view, or alternatively you seek my advice as to why it would be necessary for TBS agencies to obtain separate approvals.
- 2.5 Ms Stanizzo, of this Office, met with Michael McGrath, Peter English and John Angelakis on 18 April 2007 to obtain further clarification as to the way in which the TBS operates.

¹ CS ref 200700485 Advice 1 D2007/34707

3. Advice

As to issue 1

- 3.1 Assuming that an authority for the purposes of the *PAFA Act* has the Governor's approval under s.7 of that Act for the obtaining of financial accommodation in accordance with the Act, then the approval required by an authority for the purposes of s.8, from the Treasurer, is an approval to obtain financial accommodation in relation to specific acts of financial accommodation.
- 3.2 As stated in my earlier advice, the term "financial accommodation" is defined in s.4 of the Act and is broad in scope, encompassing the ordinary meaning of that expression together with an inclusive list of types of accommodation that itself includes the provision for arrangements and transactions to be approved or prescribed as financial accommodation. As previously noted, the second reading speech for the *PAFA Act* emphasises the intended breadth and flexibility of the definition, to enable borrowers to take advantage of rapidly evolving financial products.
- 3.3 I also noted in my earlier advice that it seems clear from relevant dictionary definitions and case law on the meaning of the term, that in its ordinary sense "financial accommodation" will include the making of advances or the provision of credit and, generally a liability to repay a monetary obligation to the financier.
- 3.4 In determining whether an arrangement is an act of financial accommodation for the purposes of the *PAFA Act* it is necessary to consider the nature of the arrangement as a whole. Whilst the presence of a facility or mechanism may assist in this determination it may not necessarily be conclusive of the issue. In relation to Tape Negotiation Authority, Cheque Cashing Authority and EFT Facilities, these arrangements, in my view, come within the meaning of financial accommodation for the purposes of the *PAFA Act*, because on the information available to me, they each permit the relevant accounts to be overdrawn as debits will be made without reference to the account balance, and any debit balance may presumably be subject to interest, penalties and/or a liability to repay.
- 3.5 The arrangements, in my view, as I have indicated in my earlier advice, fall within s.4(1)(a1) of the definition of financial accommodation, being the raising of money by an authority as consideration for the authority's assumption of any liability, or are otherwise within the ordinary meaning of the term in that there is the provision of credit with the liability to repay a monetary obligation to pay the financier.
- 3.6 It follows, that if there was no provision for debt or overdraft on these facilities, there would be no financial accommodation. It also follows that if there was a \$50 million facility with a maximum debt or overdraft of \$2 million, the \$2 million would be the level of financial accommodation requiring approval under the *PAFA Act* and not the \$50 million.

As to issue 2

- 3.7 As already stated, in determining what, if any, approvals are required under the *PAFA Act* in relation to an arrangement, consideration must be given to the arrangement as a whole. Specifically, consideration needs to be given to whether the arrangement involves one or more of the financial arrangements covered under the Act and if so, what approvals are required and which "authority" is required to obtain those approvals.
- 3.8 The TBS arrangement is established by the Treasurer in reliance of his powers under the *Public Finance and Audit Act 1983* ("*PF&A Act*") through NSW Treasury. The key players in the TBS are NSW Treasury, TCorp, Westpac and the various agencies caught by Treasurer's Order issued under s.24(1A) of the *PAFA Act* dated 6 April 2001 effectively prohibiting any authority within the meaning of the *PAFA Act* having Part 1 investment powers and holding an account or accounts in the TBS from holding investments other than accounts in the TBS without the express written approval of the Treasurer.
- 3.9 I am instructed that the arrangement is evidenced by:
1. an agreement between the Treasurer and Westpac in relation to the establishment of the various agency accounts which together form the one account ("TBS Account");
 2. an MOU between NSW Treasury and TCorp in relation to provision of a line of credit for the purpose of topping up the TBS Account, in the event that it may become overdrawn, to a maximum of \$3 billion (\$3,000,000,000); and
 3. an MOU between NSW Treasury and TCorp in relation to the investment by TCorp of monies in the TBS Account in the event there is a surplus.

I have not been provided with a copy of these documents.

- 3.10 In broad terms, I understand that the TBS operates in the following way:
1. Each of the agencies participating in the TBS are required to provide NSW Treasury with forecasts of their respective inflows and outflows in relation to their accounts.
 2. This information is regularly updated by the agencies and NSW Treasury reconciles all the individual agency information on a daily basis to get a total estimate as to whether the TBS Account is in credit or debit, allowing a buffer at all times (usually \$10 million although this may differ from time to time depending on particular circumstance) for any errors or unexpected events which may impact the total.

3. NSW Treasury then determines whether it needs to direct TCorp to pay monies into the TBS Account to ensure that it is not overdrawn or alternatively, transfer surplus funds from the TBS Account to TCorp to invest.
4. If there is a forecast error by any of the agencies or NSW Treasury, it may result in the account with Westpac being overdrawn, in which case Westpac will charge interest on this amount. Where the TBS Account is overdrawn as a result of a forecast error of an agency or agencies I am instructed that NSW Treasury charges the relevant agency a fee.

3.11 I am instructed that, in addition to the s.24(1A) Order in relation to investments, referred to above, the following approvals exist in relation to the TBS arrangement:

1. Treasurer's approval under s.8 of the *PAFA Act* dated 26 June 2006 and signed by the Hon Michael Costa, Treasurer, which relevantly provides approval for the Crown Finance Entity obtaining financial accommodation in accordance with Section 8 of the *Act* in the financial year ending 30 June 2007, to a maximum amount outstanding at any time not exceeding \$2.5 billion (\$2,500,000,000) and TCorp obtaining financial accommodation up to the same amount for the purposes of funding the Crown Finance Entity.
2. Treasurer's approval under s.8 of the *PAFA Act*, undated but signed by the Hon Michael Costa, Treasurer, which approves the Crown Finance Entity obtaining financial accommodation of \$500 million (\$500,000,000) in accordance with s.8 of the *PAFA Act* in the financial year ending 30 June 2007, subject to a maximum of financial accommodation obtained in the financial year ending 30 June 2007 and outstanding at any one time not exceeding \$3 billion (\$3,000,000,000) and TCorp obtaining financial accommodation up to the same amount for the purposes of funding the Crown Finance Entity. This approval is stated to be in addition to any other approvals of financial accommodation for the authorities named.
3. Governor's approval under s.7 of the *PAFA Act* for TCorp to obtain financial accommodation in accordance with the *PAFA Act*.

3.12 Whilst the approvals refer to the Crown Finance Entity, which is not a separate legal entity but an entity within NSW Treasury. I understand that the actual entity that monitors the TBS Account and seek credits from TCorp is NSW Treasury. The Crown Finance Entity, I am instructed, is however one of the agencies which hold an account within the TBS and is treated as an agency for the purposes of the TBS. I note that the Crown Finance Entity is not an authority for the purposes of the *PAFA Act*.

3.13 In my view the potential acts of financial accommodation arising out of the TBS arrangement are as follows:

1. NSW Treasury from TCorp in relation to the \$3 billion line of credit for the purposes of "topping up" the TBS Account from time to time.
 2. TCorp in relation to any financial accommodation that it may need to obtain to raise the line of credit for the NSW Treasury.
 3. The Treasurer from Westpac in relation to any credit or overdraft facility on the TBS Account.
- 3.14 I understand that any actual or potential over draw of the TBS Account is able to be identified by reference to the relevant agency or agencies and when the TBS Account is placed in funds through a top up from TCorp, those funds are set off against the relevant debits of those agencies.
- 3.15 In my view, the relevant authority for the purposes of the TBS is the Treasurer who establish the TBS pursuant to his functions and powers under the *PF&A Act* relating to the administration of public finances.² The various agencies are required, presumably under s.16 of the *PF&A Act*, to open the relevant accounts with Westpac and the credit and debit balances in these various accounts within the TBS are able to be set off.
- 3.16 I do not think that the arrangement between the agencies and NSW Treasury under the TBS involves the obtaining of financial accommodation on the part of the agencies from NSW Treasury, TCorp or Westpac. The arrangement between the Treasurer/NSW Treasury and each agency participating in the TBS, in my view, is an administrative one arising from the fact that the Crown acts through various emanations and these emanations need funding to operate. The TBS is the structure that has been established to ensure that the various Crown emanations are in funds to carry out their respective functions and responsibilities. Whilst agencies are required to pay charges to NSW Treasury in the event they cause or contribute to any overdraft on the TBS Account, this is more for the purposes of making agencies accountable for the forecast information provided to NSW Treasury and not due to any obligation arising out of being provided with the necessary funds to operate.
- 3.17 The arrangement with TCorp in relation to the TBS is with the NSW Treasury and it is NSW Treasury who is obtaining the financial accommodation in the form of a line of credit from TCorp. It is the Treasurer who is obtaining financial accommodation from Westpac in relation to the overdraft facility for the TBS Account. NSW Treasury and the Treasurer are both authorities for the purposes of the *PAFA Act*³ and each are therefore required to obtain the necessary approvals under ss. 7 and 8 of the *PAFA Act*.

² See ss.5, 9, 15-19 of the *Public Finance and Audit Act 1983*.

³ See s.3(1) definition of "authority" which includes a Minister and government departments listed in Schedule 3 of the *Public Finance and Audit Act 1983*. Neither the Treasurer nor NSW Treasury are exempted from this definition.

3.18 For the sake of completeness, I raise paragraph (b) of the definition of financial accommodation. Section 4(1) of the *PAFA Act* provides:

(1) In this Act, a reference (however expressed) to the obtaining of financial accommodation by an authority includes (without limiting the ordinary meaning of that expression) a reference to:

....

(b) the participation by the authority in any other arrangement or transaction which is approved by the Treasurer or prescribed for the purposes of this Act.

(2) An approved or prescribed arrangement or transaction need not involve the repayment of money by an authority.

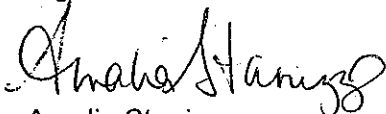
3.19 An issue arises as to whether the Treasurer, in establishing the TBS can be said to have approved the TBS arrangement for the purposes of the *PAFA Act* such that the TBS arrangement comes within s.4(1)(b) and is therefore financial accommodation. Those agencies, who are also authorities for the purposes of the financial accommodation provisions of the *PAFA Act*, would then be required to obtain the necessary approvals under ss. 7 and 8.

3.20 On balance, and in the absence of any material to the contrary, I incline to the view that the Treasurer in establishing the TBS has done so pursuant to his powers and functions under the *PF&A Act* and that the arrangement has not been approved by the Treasurer for the purposes of the *PAFA Act*. The arrangement therefore falls outside of s.4(1)(b) and does not, on the part of the various agencies, involve the obtaining of financial accommodation.

4. Conclusion

4.1 See Summary of advice

Signed:



Amalia Stanizzo

Senior Solicitor

for Crown Solicitor



CROWN SOLICITOR'S OFFICE

NEW SOUTH WALES

Your Ref:

My Ref: 200700485
T2 Karen Ferris

Tel: (02) 9224-5265

Fax: (02) 9224-5144

Email: karen_ferris@agd.nsw.gov.au

5 March 2007

Ms Susan Timmins
Financial Analyst
The NSW Treasury
NSW Treasury
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Ms Timmins

Certain Banking Facilities and PAFA Act approvals

I enclose my advice in relation to the above matter.

Should you have any queries in relation to the matter, or if you require any further assistance, please do not hesitate to contact Karen Ferris on tel: (02) 9224-5265.

Yours faithfully

Karen Ferris
Senior Solicitor
for Crown Solicitor

Encl.

1. Summary of advice

- 1.1 Please note this is a summary of the central issues and conclusions in my advice. Other relevant or significant matters may be contained in the advice, which should be read in full.
- 1.2 On the basis of the facility descriptions given, I confirm previous advice that tape negotiation facilities and cheque cashing facilities are financial accommodation for the purposes of the *PAFA Act*. I am also of the view that an EFT facility of the type described will be financial accommodation for the purposes of that Act.

2. Advice sought

- 2.1 Urgent advice is sought on whether tape negotiation authorities, cheque cashing authorities and Electronic Funds Transfer ("EFT") facilities as described in instructions fall within the definition of "financial accommodation" in the *Public Authorities (Financial Arrangements) Act 1987* ("*PAFA Act*").

3. Background

- 3.1 I have previously provided advice (CS ref: TRS173.257, dated 25 October 1995) that the first two types of facility, which are described in that advice and extracted below, fall within the definition of "financial accommodation" in s.4 of the *PAFA Act* because they both entail a borrowing facility and a liability to repay any overdraft that eventuates:

"1. Where an authority has a Tape Negotiation Authority whereby a computer file, tape or disk is provided to a bank which credits the beneficiary's bank account and then debits the authority's account but without checking to see whether funds are available, and in the event that there are insufficient funds, the account is effectively overdrawn; and

2. A Cheque Cashing Authority whereby a nominated branch allows an authority to cash its own cheques to a particular amount to facilitate sending of cash or provision of petty cash. This may result in exposure if there are insufficient funds in the account because, assuming the signatories to be correct, the amount is cashed without reference to account balance, if it is within the agreed cashing limit."

The result is that agencies that are authorities for the purposes of the *PAFA Act* require approval to obtain these types of facility.

- 3.2 You have provided the following description of an EFT facility:

"An Electronic Funds Transfer is any transfer of funds that is initiated by electronic means, such as an electronic terminal, telephone,

computer, ATM or magnetic tape. It is the transfer of money from one account to another. It is used for all kinds of fund transfer transactions, including direct deposit of paychecks and monthly debits for routine payments to vendors. It is a facility whereby the bank will pay funds irrevocably to employees/vendors even if funds are subsequently found to not be available. (Insufficient funds notification is issued and a penalty charge is normally issued by the bank to the payee for insufficient funds)"

- 3.3 Treasury Circular TC06/17, which deals with the consequences of new employment arrangements under the *Public Sector Employment Legislation Amendment Act 2006* states in relation to bank accounts that:

"Previously, NSW Treasury took the view that Electronic Fund Transfer (EFT), Cheque Cashing and Tape Transaction facilities, which are generally used in conjunction with bank accounts to facilitate payments and receipts, fell within the definition of financial accommodation under the PAFA Act. This view was based upon advice received from the Crown Solicitor some time ago. However, as part of implementing the PSELAA, NSW Treasury has discussed this view with Parliamentary Counsel.

Following these discussions, NSW Treasury has revised its view on EFT, Cheque Cashing and Tape Transaction facilities. That is, NSW Treasury is now of the view that these facilities do not fall within the definition of financial accommodation under the PAFA Act."

- 3.4 I understand that the Parliamentary Counsel's view is that the intention of the definition of "financial accommodation" in the *PAFA Act* was to catch borrowing facilities or loans but not these types of banking facilities.
- 3.5 I am asked to review my earlier advice in light of this difference of approach.

4 Advice

- 3.6 As you are aware, the *PAFA Act* controls the ability of agencies defined as "authorities" for the purposes of that Act to enter into defined types of financial arrangement, including arrangements for or with respect to the obtaining of financial accommodation. On its face, the definition of "financial accommodation" in s.4 of the *PAFA Act* is broad in scope, encompassing the ordinary meaning of that expression together with an inclusive list of types of accommodation that itself includes provision for arrangements and transactions to be approved or prescribed as financial accommodation:

"(1) In this Act, a reference (however expressed) to the obtaining of financial accommodation by an authority includes (without limiting the ordinary meaning of that expression) a reference to:

- (a) the borrowing or raising of money by the authority including by means of the issue of debentures, bonds, inscribed stock,

registered stock, discounted securities, promissory notes or any other security, and

- (a1) the raising of money by the authority as consideration for the authority's assumption of any liability, and
 - (b) the participation by the authority in any other arrangement or transaction which is approved by the Treasurer or prescribed for the purposes of this Act.
- (2) An approved or prescribed arrangement or transaction need not involve the repayment of money by an authority."

3.7 In construing s.4 of the *PAFA Act*, regard may be had to extraneous materials such as second reading speeches to confirm that the meaning of the provision is the ordinary meaning conveyed by the text of the provision or to determine that meaning if the provision is ambiguous or obscure or if the ordinary meaning leads to a manifestly absurd or unreasonable result (s.34, *Interpretation Act 1987*).

3.8 The second reading speech for the *PAFA Act* emphasises the intended breadth and flexibility of the definition of "financial accommodation", to enable borrowers to take advantage of rapidly evolving financial products:

" Innovative products ... underline the desirability of an all-encompassing Act to provide statutory authorities with the flexibility to respond to cost saving opportunities as and when they present themselves. It is the intention in this legislation to interpret financial accommodation broadly, so that whatever inspiration strikes the architects of financial products authorities will not be inhibited by out-of-date legislation from taking advantage of the new products."

...

Whatever form a transaction takes it is intended that the Act define financial accommodation very broadly so that it captures the innovations of the future. A specific provision has been included in the bills to ensure that any new form of financial accommodation in its broadest possible sense can be prescribed. In the dynamic financial environment in which the Treasury Corporation in particular raises its financial accommodation there needs to be flexibility to respond quickly to take advantage of attractive financing opportunities."

3.9 In a previous advice to Treasury (TRS173.560 dated 12.11.99), I have referred to relevant Dictionary definitions and to case law on the meaning of the term "financial accommodation", although the case law has been with reference to use of the term in particular definitions in other statutes or in a bank guarantee. Without revisiting the discussion in that earlier advice, it seems fairly clear that in its ordinary sense "financial accommodation" will include the making of advances or the provision of credit and, generally, a liability to repay a monetary obligation to the financier.

3.10 Although I have not seen the terms and conditions for the three facilities, I assume that, with their provision there is, in effect, an agreement that the relevant accounts

may be allowed into overdraft because debits will be made without reference to the account balance, although any debit balance may presumably be subject to provisions such as interest, penalties and a liability to repay. There does not appear to be any distinction in this respect between the EFT facility and the tape negotiation and cheque cashing authorities.

3.11 On this basis, I maintain my earlier view that these facilities will be "financial accommodation" for the purposes of the *PAFA Act*. In my view, they will fall within s.4(1a) of the definition or otherwise within the ordinary meaning of the term "financial accommodation".

Signed:



Karen Ferris
Senior Solicitor
for Crown Solicitor