

March 2023

Communique

Welcome to our first newsletter for 2023 as we move into the autumn season and with it the start of the NRL and Super Rugby competitions. It is concerning what the ripple effect will be around the world and here in Australia from the collapse of two banks in the USA.

US BANKS COLLAPSE



Following the collapse of Silicon Valley Bank and Signature Bank in the USA, President Biden reassured the American public that the US banking system was safe however shockwaves have been felt around the world with bank stocks dropping dramatically. The Silicon Valley Bank located in the UK was sold by the government for a nominal amount of one British Pound.

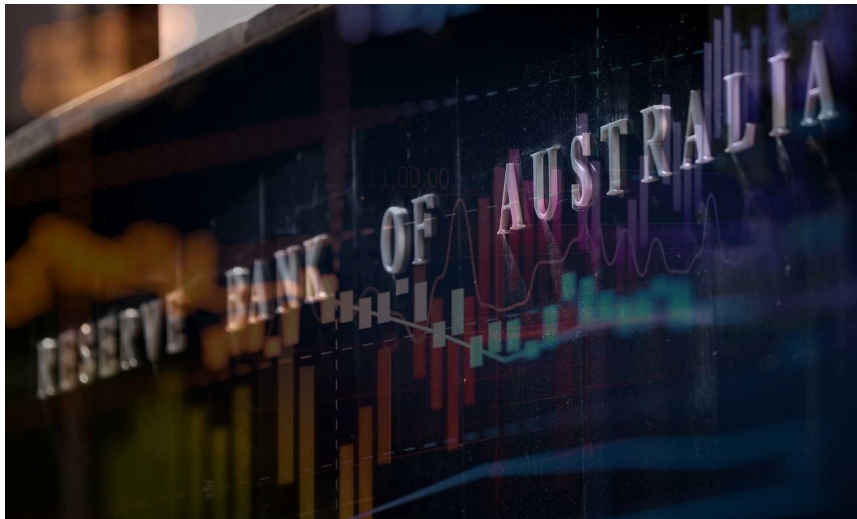
Some blame the aggressive interest rate hikes taken by the Federal Reserve Bank which caught SVB who almost exclusively dealt with tech companies and start ups. It had grown exponentially and was sitting on huge amounts of cash which it invested in long dated mortgage backed securities and government bonds which at the time were at attractive rates.

However, as the interest rates moved upwards, the value of these securities and government bonds fell resulting in significant losses on paper. As customers started drawing on their deposits, SVB needed to sell the investments and realise the losses. SVB decided to

make an equity raising which startled their customers who made a run on the bank withdrawing \$US42B. This resulted in the financial regulators to step in and take control.

There are a number of Australian businesses caught up in the collapse as they utilised these banks to expand their operations into the USA. Start up and tech companies were already feeling the squeeze on credit caused by the interest rate hikes so there may be some fall out in these areas in the months ahead.

RESERVE BANK CONTINUES ITS RUN OF INTEREST RATE RISES



On 8 March 2023, the Reserve Bank announced a further interest rate rise of 0.25% which raised the official interest rate to 3.35%. Retail sales have slowed so evidence is starting to reveal that the interest rate hikes are starting to stifle spending. Savings have also decreased as Australians dip into savings to meet increased mortgage payments. Economists predict that we may not be far from the peak and then they expect the official rates to decrease.

ATO STARTS 2023 WITH INCREASED ACTIVITY



The ATO has increased its activity in recovery action with winding up applications, money owing claims and bankruptcy petitions at their highest levels since 2019. Mind you this was coming off an extremely low base so there is still plenty of scope for further increases.



There have been two major cases recently decided by the Australian High Court in relation to unfair preferences involving the peak indebtedness rule and set-off of debts against an unfair preference.

In summary, the peak indebtedness rule which was used by liquidators to pick the date of the peak of highest debt owed to a creditor to the lowest trough, is now defunct as the High Court was unanimous in its decision that the peak indebtedness rule was not part of calculating the debt under a running account or continuing business relationship as described in s588FA(3) of the Corporations Act 2001.

The ability of a creditor to set-off a debt or liability owed by the company against an unfair preference claim from a liquidator has been thrown out by the majority of the High Court.

The reasoning being that there was no mutuality between a debt incurred with the company and a liquidator's claim. The liquidator's claim was subject to the liquidator's decision to sue and the court's acceptance of the claim which are all after the date of appointment. As such, there was no possibility of mutual dealings between the creditor and the liquidator.

BALI CONFERENCE 2023

HA-Assist is staging an Accounting Based Conference in Sanur on the island paradise of Bali in August 2023. Five major airlines (Batik Air, Garuda Indonesia, JetStar, Virgin and Qantas) are gearing up ready to take advantage to welcome visitors to the island.

With a mixture of TED talks and in person speakers, it will be filled with light topics and plenty of time for rest and recreation to recharge your batteries.

We have negotiated a fantastic local island rate with Mercure Sanur, so why not enjoy a family holiday and come earlier to enjoy a week or more?



RSVP

NEW STAFF MEMBER



Our newest graduate, Allan Manzi, commenced at Helm Advisory on Monday 13 March 2023.

He is a recent graduate from S P Jain School of Global Management and was born and raised in Rwanda then moved to the UAE with his family.

Allan enjoys playing basketball, going skiing, and reading about economics and politics to keep himself up to date with current global economic trends.

We can help you now

If you have clients who are experiencing difficulty in paying their debts and/or need to restructure their business, please contact me.



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