



Australian Citizens Party

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MEDIA RELEASE

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Treasurer bringing financial regulation into disrepute

In sport, the role of the umpire is sacrosanct; any attempt to corrupt or undermine the umpire incurs heavy penalties for bringing the game into disrepute. In Australia's financial system, where the stakes are more than a game, because they are the life savings and financial security of all Australians, Treasurer Josh Frydenberg has brought the entire system of financial regulation into disrepute by knowingly appointing a "person of interest" in an \$80 billion financial fraud as chief financial umpire.

On 4 February 2019, when Josh Frydenberg received the final report of the banking royal commission from Commissioner Kenneth Hayne just months before the federal election, he proclaimed:

"My message to the financial sector today is that this financial misconduct must end, and you must put the interests of consumers first. Consumers must be treated honestly and fairly. My message to the Australian community today is that your government is committed to making this happen. In responding to this report, and taking action on all 76 recommendations, we are putting in place the legislative framework, which provides the regulators with the powers, and the resources, to hold those who abuse our trust to account."

Since that statement, the Treasurer has made a sick joke of the banking royal commission by:

- persistently trying to water down responsible lending laws against Commissioner Hayne's recommendations;
- trying to protect the banks from class action lawsuits;
- establishing a compensation scheme of last resort (CSLR) that deliberately excludes most financial victims who most need compensation (like the 140 elderly, sick and dying [victims of Sterling First](#) now being evicted on to the streets);
- interfering with corporate regulator ASIC (Australian Securities and Investments Commission) to stop it from getting tough on the banks and financial criminals; and
- shamelessly appointing perhaps the most conflicted banker in Australia to a new post of overseeing the regulators.

Nicholas Moore

One of Hayne's recommendations that Frydenberg has twisted, by following the letter but trashing the spirit, is the new Financial Regulator Assessment Authority (FRAA), which Hayne recommended to oversee the financial regulators whose appalling failures led to the royal commission. This year Frydenberg established the FRAA, but his appointment to head the agency would have had pin-striped bankers guffawing in boardrooms all over Sydney and Melbourne.

The Citizens Party condemned Frydenberg's appointment of former Macquarie Bank CEO Nicholas Moore to head the FRAA in a 15 September 2021 release headlined: "[Frydenberg's fox in the hen house makes a mockery of financial regulation](#)". It exposed the sheer farce of Frydenberg's choice, in that his appointee to oversee the regulators is an extreme neoliberal who does not believe in regulation. As the Chairman of the neoliberal Centre for Independent Studies, and a longtime contributor to the deregulation, privatisation, financialisation, and deindustrialisation agenda of the CIS and its sister think tanks, Nicholas Moore has been at the vanguard of the transformation of Australia's financial system which stripped consumers of their basic protections and earned Australia a reputation as a "paradise for white collar criminals", but netted Macquarie so much loot it became known as the "Millionaire Factory".

Having a supervisor for the regulators who doesn't believe in regulation is bad enough; having a supervisor who is under criminal investigation for financial fraud is beyond a joke.

ABC Radio National's Background Briefing on 28 November exposed "[The biggest financial scandal you've never heard of](#)". It reported on the fallout from the CumEx scandal in Germany, where international banks went on a feeding frenzy that knowingly stole \$80 billion from German taxpayers. The banks were engaging in tax fraud by exploiting a loophole in a law that automatically paid out tax refunds for shares bought and sold during a very short period when dividends are reported. The banks would double-dip by claiming the refund on tax they had paid and quickly transferring the shares to another bank to claim the refund on tax it had not paid. "One share, two tax refunds", Background Briefing explained. "The trades happened so quickly that the German tax office couldn't keep up. So

the banks kept doing it. Every year ... claiming multiple tax refunds ... from just one share ... again and again ... for years.”

Macquarie Bank knew this scheme was dodgy, which is why it stopped participating ... directly. Instead, Macquarie loaned money to the banks which did, to profit indirectly. The subsequent investigation by German authorities has sent bankers to jail for up to five years, and now 100 Macquarie bank officers are persons of interest, including former CEO Nicholas Moore.

Background Briefing reported on a trove of documents uncovered in 2018 by a team of investigative journalists called Correctiv. They include internal Macquarie Bank emails from the time, including emails that reveal Macquarie staff expressed concerns about the scheme that were heard at the very top.

One 2010 email reveals: “Nicholas rang me to discuss our capital usage.... Of course when he saw the size of the overall pie, he was interested in whether Macquarie should be doing more on these trades. When I said that I understood there were concerns that none of us should be participating in this business he said *don't worry about that* and asked if I could send him a note that explains how the deals work and who plays what role etc and what roles we thought the broader Macquarie could play.” (Emphasis added.)

Josh Frydenberg knows about this scandal, as it was raised in a Parliamentary hearing in 2019. Nevertheless, he appointed Moore anyway.

With the Treasurer of Australia so blatantly bringing Australia's financial regulation into disrepute, Australians face a moral choice. Do we surrender to cynicism and demoralisation, shrug our shoulders and say, “That's the banks for you—there's nothing we can do”? Or do we draw a line in the sand and fight to hold the government to account—for its false promises, and for its shameless toadying to the banks and financial predators who think they can rip Australians off with impunity?

There's only one right answer. If you're up for the fight, [join the Citizens Party!](#)