



Australian Citizens Party

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MEDIA RELEASE

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Government still lying about bail-in and deposits, to protect banks from Glass-Steagall

In a 23 May 2018 reply to a constituent on behalf of Treasurer Scott Morrison, a Treasury official:

- denied that bank deposits can be “bailed in”;
- insisted that deposits are guaranteed by the government’s Financial Claims Scheme;
- claimed that Australia’s banks have strong prudential supervision; and
- claimed that the banking system has a high degree of structural separation.

False! False! False!

The Treasury official, Financial System Division head Diane Brown, made these false claims to justify why the government has “no intention of legislating to structurally separate retail and commercial banking from investment banking in Australia”, i.e. a Glass-Steagall separation, for which the CEC has drafted legislation that Bob Katter MP intends to introduce in Parliament.

Here’s the truth about the Treasury official’s claims:

- Deposits are at risk of being bailed in, because [the law that the government spirited through Parliament in February with just seven senators present](#), to give bank regulator APRA crisis resolution powers to “convert or write off”—a.k.a. “bail in”—bank liabilities, includes the broad wording “or any other instrument”. Deposits are financial instruments. Although the government and regulators vociferously denied this language was intended to include deposits, when One Nation senators informed the government that they intended to move an amendment to explicitly exclude deposits from conversion or write-off, the government rushed the bill through while the One Nation senators weren’t in the chamber, so they wouldn’t have an opportunity to move their amendment.
- The Financial Claims Scheme, which supposedly guarantees deposits up to \$250,000 per person, is effectively worthless as deposit insurance, because, as Treasurer Scott Morrison admitted in writing in February, the government “retains discretion to activate the FCS when an institution fails”. [Former APRA principal researcher Dr Wilson Sy had been the first to point out that deposits are not currently guaranteed because the FCS is not currently activated](#), and that in the event of a bank failure the government and APRA would have to weigh up protecting deposits against “financial stability”; Morrison’s admission confirmed Dr Sy to be correct. An insurance policy that gives the insurance company discretion on whether to pay it out is no insurance at all.
- The supposedly “strong prudential supervision” of the banking system by APRA is being exposed in the banking royal commission as a fraud—the banks have been free to commit crimes and to exploit their customers on a massive scale. Moreover, APRA has assisted the banks to recklessly concentrate their lending into mortgages. This has starved productive businesses of credit, made housing completely unaffordable, and built up a massive asset bubble in the property market which, when it inevitably bursts, will bring down the banks and the entire Australian economy with it.
- The royal commission gave the lie to the claim that there is structural separation in Australia’s banking system, in the second round of hearings in April, which focused on how the banks ripped off countless customers with crooked financial advice. Those hearings showed there is no structural separation at all, but that the banks are all vertically integrated, meaning that normal banking is combined with financial advice, wealth management, stockbroking and insurance. This has created a massive conflict of interests that enabled the banks to prey on their customers on an industrial scale. The revelations in the hearings led to numerous calls for the banks to be broken up, including by former chairman of the Australian Competition and Consumer Commission (ACCC) Allan Fels, and former governor of the Reserve Bank (RBA) Bernie Fraser.

Essentially, the Treasury letter is stating that Australia doesn’t need a Glass-Steagall banking separation that would protect bank customers and their savings from speculation and a financial crash, because instead we have a crisis resolution “bail-in” regime to prop up the banks, even if it

sacrifices bank customers and their deposits to do so.

The letter confirms Treasury's ongoing protection of the banks, even despite the revelations of the royal commission, which is hardly surprising given the revolving door between Treasury and the private banks. Diane Brown herself is a case in point, having worked in her career at the RBA, Macquarie Bank and now Treasury. However, while Scott Morrison and his department try to maintain their bank protection racket, support for Glass-Steagall among the public and elected politicians is growing to a level where it could soon overwhelm the entrenched opposition of the vested interests in the current, failing system.

Join the fight for Glass-Steagall!

Bob Katter MP intends to introduce Australian Glass-Steagall legislation drafted by the CEC, but he needs another MP to second it. Push your federal MP to stand up to the banks and second the Banking System Reform (Separation of Banks) Bill 2018.

What you can do:

1. [Sign the CEC's new change.org petition](#): *To the Commonwealth Parliament: Pass Australian Glass-Steagall Bill to break up the banks!* Every signature generates an email to leading MPs informing them of the public's support for Glass-Steagall.
2. Get a copy of this bill to your Federal Member of Parliament plus any Senator/s you can. Urge them to not only read it themselves, but press them to second Bob Katter's call for Glass-Steagall. The very best way is to make an appointment and go and see the MP in person—MPs really want to know what their constituents think and this will make a big impression on them. If that's not possible, email or mail the document with a personal cover note asking them to support the bill in Parliament, and to let you know whether they will.
3. [Share copies with others](#): State MPs, any media you can contact, councils, unions, church leaders, community groups, etc. and get any concerned people you know to visit their MP as well; and on Facebook etc., or with your email address book, urging everyone you know to get involved.