Australian Citizens Party

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MEDIA RELEASE

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CEC drafts Banking System Reform (Separation of Banks) Bill 2018—join the fight to make Parliament pass Glass-Steagall!

- The only way to protect the economy and your savings from a financial crash and "bail-in" is with a Glass-Steagall separation of the banking system, to protect deposits from speculation.
- The CEC has carefully drafted Australian legislation to separate the banks, modelled on the USA's successful Glass-Steagall Act of 1933 and the proposed 21st Century Glass-Steagall Act.
- The CEC is today launching a nationwide mobilisation of the Australian public to create a bipartisan coalition of MPs who will introduce the bill and pass it.
- Click here for a free copy or copies of the Banking System Reform (Separation of Banks) Bill 2018 and Explanatory Memorandum.

Following the underhanded passage of the Turnbull government's crisis resolution powers bill, with just seven Senators present to wave it into law, giving bank regulator APRA sweeping powers to "bail in" Australians' savings, the Citizens Electoral Council has moved quickly to put up alternative legislation that can protect the public's savings and the national financial system.

In consultation with legal and banking experts, the CEC has drafted a bill to separate all banks with deposits, known as Authorised Deposit-taking Institutions (ADIs), from all other financial activities. The bill is titled the Banking System Reform (Separation of Banks) Bill 2018. It is closely modelled on the USA's original Glass-Steagall Act of 1933, and the new bill to restore Glass-Steagall that has been tabled in the US Congress called the 21st Century Glass-Steagall Act.

The original Glass-Steagall Act separated commercial banks with deposits from investment banking and insurance, to ensure that deposits would not be exposed to the risks of financial speculation. It lasted for 66 years until its repeal in 1999, during which time there were no systemic financial crises in the USA. Its repeal led to an explosion of financial gambling with deposits that blew up the global financial system just nine years later. The 21st Century Glass-Steagall Act intends to restore the original Glass-Steagall separation, but includes specific measures to protect banks from derivatives—the swaps, options, collateralised debt obligations and other instruments of fraud and dangerous speculation that didn't exist in 1933. Both the original and updated Glass-Steagall measures are contained in the draft Banking System Reform (Separation of Banks) Bill 2018.

Urgent need for Glass-Steagall in Australia

A Glass-Steagall banking separation is an urgent necessity for Australia, and indeed every nation. The 2008 global financial crash proved to many Americans how insane it had been to repeal Glass-Steagall, which is why there is a big push in the USA to restore it. There is great support for Glass-Steagall in the UK and many other European countries, while China, the world's most successful economy, has had Glass-Steagall in place since 1993. The only opposition to banking separation comes from the banks themselves, which don't want to lose access to deposits for their speculation.

Australia's banks are exposed to more than $37 trillion in toxic derivatives contracts. The Big Four have piled more than 60 per cent of their lending into the over-stretched housing bubble, which is one of the biggest in the world. Consequently, Australians have record household debt equal to 200 per cent of annual income, and 30 per cent of households, nearly one million, are in mortgage stress. This bubble of property, debt and derivatives could crash any day, and bring down the banking system with it.

Meanwhile, the major banks are being exposed at the Banking Royal Commission as criminal enterprises, guilty of massive fraud and looting of their customers. A Productivity Commission report in January blamed this looting on vertical integration, meaning the structure of banks as conglomerates of multiple financial business, including investment banking, insurance, stock broking, and wealth management.

The draft Separation of Banks bill contains the solution to these serious problems. It will establish a firewall between deposit banks and the mess of derivatives and speculation that will crash the financial system. It will protect deposits from a financial crash, and also from a bail-in, by bringing APRA under tight parliamentary control. It will end vertical integration so banks cannot lure their customers into high risk financial products. It will cut off the banks from the derivatives and securitising that make risky and fraudulent mortgage lending so profitable, forcing them to reduce their lending to property investors and lend more to productive industries and small businesses.

1. As the Explanatory Memorandum of the Banking System Reform (Separation of Banks) Bill 2018 explains, the effect of the legislation will be:
2. To re-establish public confidence in the banking system;
3. To reduce risks to the Australian financial system by limiting the ability of banks to engage in activities other than socially valuable core banking activities;
4. To limit conflicts of interest that arise from banks engaging in activities from which their profits are earned at the expense of their customers and the national interest;
5. To remove explicit and implicit government guarantees for high risk activities outside of the core business of banking;
6. To regulate Australian banks and any foreign bank operating within Australia;
7. To provide Parliamentary oversight of the activities of APRA as the banking regulator;
8. To separate retail commercial banking activities involving the holding of deposits, from wholesale and investment banking involving risky activities.

Mobilise to pass Glass-Steagall!

What you must do:

1. Study the Explanatory Memorandum and Bill for yourself.

- Click here to order one or more printed copies.
- Click here to download a PDF copy

2. Most important: get it to your Federal Member of Parliament, plus any Senator/s you can, and insist they introduce it in Parliament and vote for it. The very best way is to make an appointment and go and see them in person—MPs really want to know what their constituents think and this will have a big impression on them. If that’s not possible, email or mail the bill with a cover note from yourself asking the MP 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 other concerned people to also visit their MP; and on Facebook etc., or with your email address book, urging everyone you know to get involved.
