



Australian Citizens Party

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MEDIA RELEASE

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Top reasons the Banking Royal Commission must investigate APRA

The terms of reference that Malcolm Turnbull gave to the Banking Royal Commission only allow it to examine specific failings of regulators in relation to banking misconduct. It is not allowed to examine “macro-prudential policy”, which is the regulatory structure of the financial system, and the policies of the Australian Prudential Regulation Authority (APRA), the bank regulator. Issued with the approval of the banks and regulators, Turnbull’s terms of reference are clearly intended to hobble the Royal Commission and protect the banks. Here are the top reasons why Australians should demand that the Royal Commission be allowed to investigate APRA and the regulatory structure of the banking system.

1. APRA is the supervisor of the banks, and their atrocious abuses occurred under its supervision. [Numerous experts and bank victims who have interacted with APRA](#) accuse it of protecting the banks, not policing them.
2. APRA is a major cause of the rampant mortgage control fraud which the Royal Commission is investigating. APRA manipulated its prudential standards—the rules banks must follow—to make mortgages far more profitable than other lending. This encouraged the banks to lure as many people as possible into mortgages, not just to buy homes to live in, but also to buy multiple investment properties and to invest in the stock market. Many of the borrowers couldn’t afford these loans, so banks forged documents to overstate their incomes and understate their living expenses to justify the loans anyway. The Royal Commission is investigating this fraud, but the investigation is incomplete unless APRA’s role is also examined.
3. APRA looked the other way as banks lowered lending standards and committed fraud. [In 2007 APRA chairman John Laker suppressed an internal report](#) which showed that lowered lending standards, approved by APRA a few years earlier, had resulted in a bubble of more than three times the amount of lending for mortgages than would have been the case under the previous, higher standards. The report warned the delinquency rate could rise to 7.5 per cent, and trigger a housing market crash that would plunge Australia into recession. Instead of acting on the report, APRA buried it, encouraged even more reckless mortgage lending that further expanded the housing bubble, and ignored the mounting evidence of mortgage control fraud. The suppressed internal APRA report was only revealed nine years later in January 2016, by ABC reporter Stephen Long. Current APRA chairman Wayne Byres said in 1 March 2018 testimony to the Senate Economics Legislation Committee that APRA hasn’t really examined mortgage fraud, and has found no evidence of illegal activity by banks.
4. APRA supervised the Commonwealth Bank as it committed numerous abuses and crimes, and is now attempting to cover up those crimes. The three-person panel APRA appointed last year to inquire into CBA’s “culture”, following allegations of large-scale drug- and terrorism-related money laundering, is headed up by long-time APRA chairman John Laker, on whose watch in 2003-14 CBA got away with a litany of crimes and abuses—i.e. Laker is effectively investigating himself. Current APRA chairman Wayne Byres admitted to a parliamentary committee hearing on 13 September 2017 that the purpose of APRA’s inquiry was to help CBA restore community trust and its badly damaged “reputation”, with no mention of holding CBA to account.
5. APRA abuses its extreme secrecy restrictions to suppress important information about its policies, and the banking system. APRA’s secrecy restrictions are only intended to protect the private account information of bank customers, but APRA has weaponised these restrictions to keep its employees ignorant about its activities outside of their own departments, and to keep information from the public, such as the 2007 report on the consequences of lowered lending standards, cited above.
6. While formally an Australian government authority, APRA actually operates as an agency for the supranational financial regulation apparatus centred in the Bank for International Settlements (BIS) headquartered in Basel, Switzerland. Known as the “central bank of central banks”, the BIS enforces a neoliberal ideology of financial self-regulation that constrains governments more than banks, and enabled the banks to rush headlong into the extreme financial speculation and derivatives gambling that snowballed into the global financial crisis in 2008. Current APRA

chairman Wayne Byres was the chair of the Secretariat of the BIS's Basel Committee on Banking Supervision in 2012 when it issued its "Core Principles for Effective Banking Supervision", which demanded that there must be "no government or industry interference that compromises the operational independence of the supervisor", i.e. supervisors like APRA must be a law unto themselves.

7. APRA is covering up its "bail-in" agenda, which is to use the savings of Australians to prop up banks that fail as a result of the reckless financial gambling that APRA allows them to engage in. In his 1 March Senate Estimates testimony, Wayne Byres denied APRA has bail-in powers, yet APRA lobbied for the recent *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018*, which allows it to forcibly convert or write off bank hybrid securities, in which Australian mums and dads have invested \$43 billion of savings, or "any other instruments", which is wording that is deliberately broad so as not to exclude bank deposits. This law is drawn from the BIS-based Financial Stability Board's "Key Attributes of Effective Resolution Regimes", which includes "bail-in" of "unsecured, uninsured creditors", meaning depositors. [Australian authorities started planning for bail-in powers](#) as early as the 2010-11 financial year, when Treasury paid for legal advice on bail-in powers. In September 2012 Treasury issued a discussion paper on measures for "Strengthening APRA's Crisis Management Powers", which included bail-in; in November 2012 the IMF noted that Australia is "exploring bail-in options"; and in April 2013 the FSB reported that "bail-in ... legislation is in train in some jurisdictions ... including Australia"—the crisis resolution powers law passed in February is the bail-in legislation to which the FSB referred.

What you can do:

1. Meet, phone or email your federal MP and Senators to demand they force the Turnbull government to expand the terms of reference for the Royal Commission, so it can properly investigate APRA's policies and the structure of banking, which have enabled the banks to exploit their customers and to get away with it.
2. Email the Royal Commission on FSRCenquiries@royalcommission.gov.au to ask Commissioner Kenneth Hayne to expand his investigation to include the structure of banking (vertical integration) and the prudential policies of APRA.