



Australian Citizens Party

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MEDIA RELEASE

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Australian Glass-Steagall would stop bank rip-offs

Australia's best-known finance commentator Alan Kohler was compelled to recognise the importance of the banking separation issue, by the sheer numbers of public submissions to the banking royal commission calling for Glass-Steagall.

Kohler wrote in *The Australian* on 3 December:

"I have been opening a random sample of the 10,140 submissions—just short ones from individuals. Without exception they called for the banks to be broken up and most of them, surprisingly, used the term 'Glass-Steagall'—suggesting that the now-repealed American law that used to forcibly separate banking from insurance and investment banking be introduced into Australia.

"That would certainly be a fertile field for the royal commissioner to plough, although most of the banks have already announced plans to break themselves up along those lines so perhaps such a recommendation would lack drama."

Unlike most commentators and politicians, however, Kohler is not totally fooled by these moves from the banks that appear as if they are separating voluntarily. Continuing, he made the following very important point:

"But Westpac says it will keep its insurance and wealth management division and AMP and Macquarie have not announced any plans to get rid of their banks, *so an Australian version of Glass-Steagall would make it uniform and would make sure they didn't slide back into their bad old 'one stop shop' ways in future.*" (Emphasis added.)

The public submissions that got Kohler's attention came from the Citizens Electoral Council's campaign to flood the royal commission with calls for Glass-Steagall, to send the message to Commissioner Hayne that while the banks don't want separation on the agenda, the public do.

Kohler now joins the ranks of other notable Australian experts who have endorsed the Glass-Steagall option:

- In the aftermath of the global financial crisis, **Don Argus, former CEO of National Australia Bank and former Chairman of BHP**, said in *The Australian* of 17 September 2011: "People are lashing out and creating all sorts of regulation, but the issue is whether they're creating the right regulation.... What has to be done is to separate commercial banking from investment banking."
- **Former ANZ director John Dahlsen** wrote in the 21 August 2018 *Australian Financial Review*: "Problems in banking will not be solved until the structure is changed.... With barriers removed it is possible that banks and the investment market will move to unlock shareholder value in structural separation, following the principle of the US *Glass-Steagall Act*, which kept commercial and retail banking separate. Voluntary demergers would threaten the gravy train of 'coupon clipping' for fee extraction, but enforced separation in Australia seems inevitable...."
- **Former ACCC chairman Professor Allan Fels** was quoted in *The Australian* on 9 August: "There are a number of serious structural issues that need to be considered, the first and most obvious is the separation of the activity of creating financial products and then offering so-called independent advisory services to customers on what are the best products. A second very important one is whether there should be a structural separation between traditional banking activities and the more risky investment activities. ... Banks benefit from the implicit guarantee on their deposit liabilities which flows into their trading activities."
- **Banking expert Martin North of Digital Finance Analytics** stated in his submission to the Interim Report of the royal commission: "The large players are too big to fail and too complex to manage, and need to be broken apart. A modern Glass-Steagall separation would achieve this, and is proven to reduce risk, and drive better customer outcomes and right-size our finance sector."
- **Former APRA Principal Researcher Dr Wilson Sy** recommended in his submission to the

royal commission: “The financial system should be structurally separated to simplify regulation, increase competition and innovation, and better serve the community.”

Banking separation is clearly a major solution to Australia’s banking problems—Australians must demand nothing less.

What you can do

The CEC urges all Australians to join the fight for Glass-Steagall, by getting in regular contact with your federal MP and Senators. Email or phone them with updates from the CEC’s releases, and ask them to respond. Here are two things to do today:

1. Send them this release, so they see the notable banking experts who are supporting this policy.
2. Demand they amend the APRA bail-in law snuck through Parliament in February, to make it explicit in the legislation that deposits can’t be “bailed in” (seized to prop up banks) in a crisis.
[Click here for the details you need to know](#)