



Australian Citizens Party

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MEDIA RELEASE

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G20 accepts 'bail-in' swindle to prop up TBTF banks

Although the Paris terrorist attack overtook the planned agenda of the 14-15 November G20 Leaders' Summit in Turkey, nevertheless that summit accepted the Financial Stability Board's (FSB) demand for a "bail-in" regime to prop up the 30 global too-big-to-fail (TBTF) banks.

The summit's final communiqué noted there was agreement on measures to "enhance resilience" in the global financial system, stating, "In particular, as a key step towards ending too-big-to-fail, we have finalized the common international standard on total-loss-absorbing-capacity (TLAC) for global systemically important banks." (TLAC refers to the categories of a bank's liabilities that are earmarked to be "bailed in", effectively confiscated, when the bank is in trouble; global systemically important banks, or G-SIBs, refers to the 30 multinational banking giants that are officially too big to fail.)

The claim in the communiqué that bail-in is a "step towards ending" TBTF is a cynical fraud. The schemers at the FSB cooked up bail-in to *preserve* TBTF—by definition, the 30 G-SIBs bail-in is intended to prop up are *too big to fail!* After the public backlash against the 2008 taxpayer bail-outs of the banks that caused the crisis, the FSB had to make it look as if governments were no longer responsible for propping up those banks by putting the onus onto the banks' customers and unsuspecting bondholders. Now it's depositors, as occurred in Cyprus in 2013, and workers whose super funds might buy so-called "bail-inable bonds", who will be forced to prop up TBTF banks.

The truth is, the TBTF banks' derivatives gambling debts are so huge—now a \$2 quadrillion global bubble—that all of the money in deposits and bonds in the world won't be enough to prevent their collapse when the derivatives bubble goes into full meltdown. Governments will be forced to step in with bailouts anyway.

Given this, governments must take the only action that will avert a meltdown of the entire system—impose Glass-Steagall, the complete separation of commercial banking from investment banking, named after the US law that operated successfully from 1933 to 1999. Only a total separation will ensure that commercial banks with deposits are not exposed to risky speculation and derivatives gambling, and that investment banks that *do* gamble can fail without bringing down the entire financial system. Writing in the 11 November *Financial Times*, former Citibank chairman John Reed, whose bank lobbied for the repeal of Glass-Steagall in 1999 so it could merge its commercial and investment banking interests into a "universal" bank, admitted he was wrong, and declared that the two types of banking don't go together. "As I have reflected about the years since 1999, I think the lessons of Glass-Steagall and its repeal suggest that the universal banking model is inherently unstable and unworkable," Reed wrote. "No amount of restructuring, management change or regulation is ever likely to change that."

That the FSB is pushing ahead with bail-in, rather than recommending Glass-Steagall to all of the G20 members, demonstrates that its real agenda is ensuring the banks can continue their reckless gambling in derivatives, which caused the crisis in the first place, free from proper government regulation and oversight. The FSB is determined that the private banking cartel, not governments, will remain the supreme authority in the global financial system.

As reported in the 11 November *Australian Alert Service*, FSB chairman Mark Carney, who doubles as the Governor of the Bank of England, made it clear ahead of the G20 summit that the member nations, including Australia, are now expected to legislate to comply with the new rules. Specific legislation for Australia is yet to be announced, but as early as April 2013 an FSB report noted that [bail-in legislation is "in train for Australia"](#). There is speculation that one of Australia's Big Four TBTF banks could soon be designated a G-SIB, in which case bail-in could soon apply to a large percentage of Australian depositors.

[The CEC has led the fight against bail-in since its first use, with devastating consequences, in Cyprus in March 2013.](#) We will monitor and fight any moves to legislate bail-in in Australia, and continue to fight for a full Glass-Steagall separation of Australia's banks, the only way to protect the Australian people from the fall-out of the looming global financial crisis.