



Australian Citizens Party

Craig Isherwood, National Secretary

PO Box 376, COBURG, VIC 3058

Phone: 1800 636 432 **Email:** info@citizensparty.org.au **Web:** citizensparty.org.au

MEDIA RELEASE

9 May 2019

While Italy renounces ‘bail-in’, Australian government plans stronger laws to steal bank deposits

The Australian government denies it intends to “bail in” bank deposits to prop up failing banks, but the international authorities dictating bail-in have confirmed that Australia is pushing ahead with bail-in plans.

By contrast, the government of Italy, which has experienced more bank bail-ins than any other country, is renouncing the policy, and moving to reimburse the Italian citizens whose savings were stolen to prop up sick banks.

Australians must demand the government drop its bail-in plans, and hold it to account for lying on this issue.

Financial Stability Board

The confirmation of the Australian government’s bail-in plans comes from the Financial Stability Board (FSB) based at the Bank for International Settlements (BIS) in Basel, Switzerland.

A new FSB Peer Review Report, [Thematic Review on Bank Resolution Planning](#), released on 29 April, reveals under the heading “Bank resolution planning frameworks and resolvability assessment powers (section 2)” that: “Reforms are ongoing or planned in six jurisdictions that do not have resolution planning frameworks (*Australia*, Indonesia, Korea, Saudi Arabia, South Africa and Turkey), while the remaining two jurisdictions (Argentina and *India*) do not report any plans to introduce such frameworks.” (Emphasis added.)

The term “resolution planning frameworks” is technical-speak for bail-in, as defined under the FSB’s [Key Attributes of Effective Resolution Regimes](#). The FSB is therefore confirming the Australian government’s plans for bail-in “reforms” in Australia.

It would be more accurate, however, to say “further” bail-in reforms, as the government snuck through a law in February 2018, the [Financial Sector Legislation Amendment \(Crisis Resolution Powers and Other Measures\) Act 2018](#), to give APRA powers to bail in so-called hybrid securities, a.k.a. “bail-in bonds”. This is known as contractual bail-in. The law was so broadly worded, though, that the Citizens Electoral Council obtained legal advice which confirmed that it created a loophole that could be used to bail in deposits. And if there was any doubt, banking expert Martin North and economist John Adams proved that the banks are able to change the terms and conditions of their deposit accounts without notice, to potentially include bail-in terms, so that they can meet the definition of contractual bail-in.

Except for one senator, the government vociferously denied this law or any other was intended to bail in deposits. But that’s what it says to the Australian public. To the international financial authorities such as the BIS-FSB, and the International Monetary Fund (IMF), which demand that governments enact full, statutory bail-in regimes in which regulators have legislated powers to seize deposits (as opposed to the back-door bail-in legislated last year), the government is indicating that it does have plans under way.

The reason the government says one thing publicly to the Australian people, and the opposite privately to the FSB, is because of the fight that the Citizens Electoral Council has led in Australia against bail-in since a similar FSB Peer Review Report in April 2013 revealed that “bail-in legislation is in train in ... Australia”. Thanks to the CEC’s fight, Australia is the only country other than India where the public has been informed about bail-in before it passed—every other jurisdiction enacted bail-in powers before the public had any clue. In India, it caused such a backlash that the government withdrew its bail-in bill last year, and, as noted in the FSB report quoted above, India has now dropped any plans to legislate bail-in. The Australian government so far is persisting with trying to sneak these powers through. As the IMF commented in a report on Australia released in February: “Australia has adopted a cautious public stance on creditor bail-in.”

Italy

The insanity of bail-in is that it destroys depositors’ confidence in banks, which is the foundation of the

banking system. The proof of this comes from the European countries that have experienced it most, especially Italy. In December 2015 the European Union (EU) forced the Italian government to bail in four regional banks, which led to a significant loss of consumer savings, a bond crisis and a 60 per cent collapse in capital value across the Italian banking system.

The Italian Banking Association and the Italian government sued the European Commission (EC), the unelected executive of the EU, and on 19 March this year the European Court of Justice ruled that the European Commission (EC) acted illegally in 2014 when it blocked Italy from bailing out the regional Abruzzo bank Tercas, which forced the 2015 bail-ins. The Italian Banking Association will seek €13 billion in damages and the Italian government may do the same.

[Leading Italians have spoken out against bail-in](#), from Finance Minister Giovanni Tria, to Italian Banking Association head Antonio Patuelli, and the Bank of Italy's banking supervision chief Carmelo Barbagallo. They demand the EU bail-in regime be repealed as it is unenforceable and the rules "risk undermining trust in banks and generating instability", Barbagallo said.

The Italian government has since devised a scheme to at least partially compensate the people who lost their savings in the bail-ins. Whereas under EU law only €100,000 is protected from being bailed in, the Italian government is proposing to reimburse victims €200,000. EU lawmakers from countries that haven't suffered bail-ins are trying to stop the Italian government and force it to abide by the EU's bail-in law that limits the reimbursement threshold to €100,000. According to a 26 April Reuters report, German MEP Markus Ferber, who chairs the leading centre-right group on the EU parliament's economic committee, complained: "By lifting the thresholds, the Italian government has made quite clear that they care very little for the integrity of the bail-in regime." That's right, but they have shown that they do care for the financial security of innocent bank depositors—unlike the architects of bail-in, and the Australian government.

It is no coincidence that the Italian government is also committed to legislating a Glass-Steagall separation of Italy's bank, to further protect deposits from the dangers of the financial speculation that is the main sickness in the European banking system.

Join the fight against bail-in!

Now that the Australian housing bubble is imploding, a massive banking crisis is certain, which makes bail-in a near-term threat. The CEC is fighting to:

1. Stop the existing bail-in powers from being used, by having the 2018 law amended to explicitly exclude deposits, which One Nation tried to do at the time the law passed but, knowing this, the government rushed it through while One Nation senators weren't in the chamber.
2. Stop the government's ongoing plans to legislate stronger, statutory bail-in laws as demanded by the IMF, and confirmed by the FSB.
3. Instead of having bail-in to use deposits to protect banks, the CEC is fighting for a Glass-Steagall separation of banks to fully protect deposits from dangerous speculation, which should be forcibly removed from the normal commercial banking system; to that end, the CEC drafted the [Banking System Reform \(Separation of Banks\) Bill 2019](#), which Senator Pauline Hanson introduced into the Senate on 12 February.

What you can do

Take or email this release to all of the candidates in your electorate, and ask them to support the three measures listed above: 1. Amend the 2018 bail-in law; 2. Stop more bail-in laws; 3. Break up the banks!