



Australian Citizens Party

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MEDIA RELEASE

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Politicians lie about bail-in! Demand they pass the amendment

Every Australian concerned about bail-in should make a submission to the Senate Economics Legislation Committee by 10 July, demanding Parliament pass the [Banking Amendment \(Deposits\) Bill 2020](#).

It's important for submissions to address the content of the bill, which is a simple amendment to the *Banking Act 1959* that does three things:

1. Stipulates that the clause "any other instrument" in the 2018 APRA Crisis Resolution law cannot apply to deposits;
2. Adds an all-encompassing definition of "deposits" to ensure no deposits of any type can be bailed in;
3. Explicitly forbids APRA from undertaking a "back door" bail-in of deposits by ordering banks to change the terms and conditions on deposit accounts.

This amendment bill, introduced by One Nation Senator Malcolm Roberts on 27 February, will only ensure the 2018 law cannot apply to bank deposits; it changes nothing else. Here are some points to make in your submission to the Committee:

- In every jurisdiction in the world with a bail-in law, it applies to deposits;
- The government claims the 2018 law doesn't apply to deposits, but the broad wording creates too much uncertainty;
- That uncertainty undermines confidence in the banks, which is already at an all-time low;
- If the government is genuine about not bailing in deposits, it should put its assurance in writing in the legislation by passing the Banking Amendment (Deposits) Bill 2020;
- Given that all this bill will do is remove all uncertainty, why wouldn't the government pass it unless the 2018 law is intended to bail in deposits in a future banking emergency?

Politicians lie!

To underscore why it is so important for the government's assurance that deposits won't be bailed in to be put in writing in the legislation, and not just accepted at face value, understand that politicians lie—especially about bail-in.

The most egregious case of this is New Zealand, which has the most explicit bail-in system in the world called [Open Bank Resolution \(OBR\)](#). The Reserve Bank of New Zealand (RBNZ) provides detailed information on how its "longstanding policy" of OBR bail-in works, complete with brilliant coloured illustrations, leaving no doubt that OBR bail-in applies to deposits. [Click here to see RBNZ's lovely bail-in cartoon](#).

It explains OBR in four steps:

1. "The bank closes temporarily and some money is frozen."
2. "Banks re-open under statutory manager. Customers can access *non-frozen* portion of their money, which is now government guaranteed." (Emphasis added.)
3. "Customers have ongoing access to some money, so they can still pay their bills. *Frozen* money can be used to help resolve the bank's issues." (Emphasis added.)
4. "Resolution of issues completed. *Unused portion of frozen money* is returned to customers." (Emphasis added.)

In a 2011 [Primer on Open Bank Resolution](#), RBNZ is 100 per cent explicit that the "unsecured creditors" who will have their money frozen and used to prop up the bank includes depositors:

"Unsecured creditors include a wide range of individuals and entities. At one end of the spectrum, there are large international financial institutions that invest in debt issued by the bank (commonly referred to as wholesale funding). At the other end of the spectrum, *are customers with cheque and savings accounts, and term deposits*. Whilst there are differences between different classes of unsecured creditors, they all have the same legal claim on the bank. Each has freely invested in a private institution and has enjoyed a return on that investment whilst accepting the risks associated

with the investment. Under the OBR, it is expected that all unsecured creditors would be treated equally *with the same proportion of claims remaining frozen for all depositors and creditors.*" (Emphasis added.)

It literally cannot get clearer than that. Yet in an 18 May 2020 letter to a NZ resident, NZ Finance Minister Grant Robertson blatantly lied when he stated in black and white that "no powers to bail in depositors currently exist in New Zealand".

Of course, there's a chance that Grant Robertson is ignorant of RBNZ's OBR policy, but it's hard to see how that is possible given the way RBNZ trumpets OBR. It's extraordinary that a Finance Minister could be so ignorant though, which should disqualify him from being finance minister. The more likely explanation is that he lied, because politicians don't like to admit to constituents they have a policy to steal their money.

So when you get letters from Australian politicians telling you that deposits won't be bailed in here, don't believe anything they say unless they pledge they will vote for Senator Roberts' bill to amend the law and put it in writing in the legislation.

STOP PRESS: Government MP Tim Wilson, the Liberal MP for Goldstein, has just revealed in a letter to a constituent that he thinks deposits can be bailed in, and it will be the depositors' own fault! Wilson's rationale is strikingly similar to the RBNZ's rationale for bail-in.

Wilson wrote: "At this stage I am not convinced there is any risk, as if the bank requires to turn to deposits for Tier 1 capital in exchange for equity, the likelihood is the bank will be on the verge of collapse and the alternative is not equity, but nothing. That is not to make light of the situation. It is a reflection of the economic reality and risk (though low) that comes with deposits. If people don't want to be exposed to this risk then they have other options, such as buying precious minerals or holding non-deposited cash."

This is precisely what RBNZ says: bail-in is good for you because if we don't take your deposits to prop up the bank, you will lose them anyway in a bank collapse*; and that's the risk that comes with depositing money in a bank.

Tim Wilson is being unusually honest with this opinion; however, it is the opposite of his own government's claim that deposits will not and cannot be bailed in! WHO IS LYING? This confusion is why Parliament must pass the Banking Amendment (Deposits) Bill 2020—clarify the law and remove the uncertainty.

* This argument is a fallacy because there is an alternative: reform the banks, especially through a Glass-Steagall separation of deposits from speculation, so that banks with deposits aren't allowed to do anything that puts their deposits at risk.

Make a submission straight away

[Click here](#) for the Citizens Party's webpage with detailed instructions on how to make a submission.

Click here to sign the petition: [Hands off our bank deposits—stop 'bail-in'!](#)