

Demand our leaders stop governing for the banks



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Lead Editorial

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With an upsurge of coronavirus cases and Australia hurtling towards the “September cliff”, when loan deferrals and income support payments are scheduled to end, banks have blinked. They have extended loan payment deferrals for struggling customers by four months. Current deferrals total nearly 780,000 loans to the value of \$236 billion—93 per cent of the capital of the big four banks.

Questions are being raised about the viability of our banks, if the Australian Prudential Regulation Authority (APRA) had not made extraordinary concessions regarding how they account for deferred loans and had not adjusted capital requirements.

In March, APRA suspended the bank capital requirements which supposedly make them “unquestionably strong”, allowing them to use their buffers to engage in greater lending. It confirmed that deferred loans would not need to be treated as loans in arrears for capital adequacy and regulatory reporting purposes. On 8 July APRA announced this special treatment would be extended to cover a total period of 10 months, or until 31 March 2021. Restructured loans will also be regarded as “performing” loans for capital purposes, it clarified.

In addition, on 17 June APRA announced that Australian banks would no longer be “expected to re-value residential mortgage property” on their books as property values shift. This allows them to claim greater assets in a market crash and hold on to the low risk-weighting afforded to mortgages, requiring lower capital to be held than for other loans.

These moves are all couched in terms of allowing banks to support their customers in times of hardship, but this is blown away by the fact that the banks were also granted a temporary reprieve on changes to the ethical code of practice devised following the banking royal commission, which were due to take effect in March. The Council of Financial Regulators (the Reserve Bank, Treasury, APRA and ASIC) agreed that amid the uncertainty of coronavirus, banks might not be able to meet the timeline.

The government cannot be allowed to stomp all over the efforts of citizens, bank victims and whistleblowers, just to keep the banks afloat in a period of crisis.

In the 4 July *Saturday Paper* journalist Karen Middleton exposed another shocking dimension to the government’s breach of trust. Although Parliament has the power to disallow so-called “delegated laws” (new regulations made by the Executive Government under existing Acts) if a majority oppose them, legislation is currently being “exempted” from being amended or overturned using what the Parliamentary Committee for the scrutiny of bills refers to as “Henry VIII” clauses embedded in new COVID-19 powers. The government has applied the clauses to “umbrella pandemic legislation” passed during the March-April COVID-19 lockdown, when parliament was suspended.

The Home Affairs department created seven new instruments to deal with the pandemic and all but one had the Henry VIII clause exempting them from being overturned. The Attorney-General’s office claimed that sometimes “executive control” is required so that “decisive and certain” government action can be taken.

For this argument to hold water, the government would need to hold the public’s trust. It does not, because it is clearly acting on behalf of banks and foreign interests. The “bail-in” law—dictated by the global central bankers’ club at the Bank for International Settlements—is indicative of how far governments will go to legislate a power as egregious as stealing people’s deposits. It passed with incredible subterfuge to stop any amendment, no formal vote, and only a handful of MPs present in

parliament. Senator Malcolm Roberts' amendment bill to explicitly exclude deposits is a classic entrapment for the government—they either admit they need the option to steal deposits by blocking this bill, or they let it pass. Either way it is a victory for truth and for the people over the banks. Get your submission in to the inquiry by Friday (details p. 2).

In this week's issue:

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