



Australian Citizens Party

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MEDIA RELEASE

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Treasury, APRA caught in lies and omissions to cover up bail-in!

Of all the submissions to the Senate Economics Legislation Committee on the [Banking Amendment \(Deposits\) Bill 2020](#) that have been published so far, the submission from Treasury is the most explosive. Treasury is the most powerful government department and the most beholden to the banks, with a permanent revolving door through which top Treasury officials go to work for banks and top bankers go to run Treasury. Its submission is effectively an order to the Senators on the committee to leave the law alone and *not* recommend passage of the bill to explicitly exclude deposits from any possible bail-in. In claiming that deposits can't be bailed in, however, *Treasury lied!* Its lie proves that the only way to clarify the safety of deposits is to pass Senator Malcolm Roberts' bill.

Treasury's submission asserts the bill is unnecessary, and claims that "in Treasury's view there is already legislative certainty that deposits cannot be subject to any form of conversion, write-off or bail-in". Treasury makes three key claims as to why, including:

- The main objective of the *Banking Act* is to protect depositors and promote financial system stability;
- The *Banking Act* establishes depositor "preference" in an insolvency, and guarantees deposits up to \$250,000 through the Financial Claims Scheme (FCS);
- Deposits don't come under the definition of capital instruments to which the clause "any other instrument" applies.

Treasury summarises its submission with this statement:

"23. In summary, in Treasury's view, there is already legislative certainty that deposits cannot be subject to any form of conversion, write-off or bail-in. *This is because the Banking Act contains several explicit provisions that expressly rule out the possibility of any form of conversion, write-off or bail-in of deposit accounts*, and this is reinforced by consideration of relevant extrinsic materials and the history of the Crisis Powers Act." (Emphasis added.)

This statement is completely false!

There are *no* "explicit" provisions in the *Banking Act 1959* that "expressly" rule out the conversion, write-off or bail-in of deposit accounts. None whatsoever! The only relevant provisions in the *Banking Act* are those referred to above—protection of depositors, depositor preference, and the Financial Claims Scheme—none of which *expressly* refer to conversion, write-off or bail-in.

On the other hand, the *entire purpose* of Senator Roberts' [Banking Amendment \(Deposits\) Bill 2020](#) is to insert in the *Banking Act 1959* an explicit provision that *expressly* rules out the possibility of any form of conversion, write-off or bail-in of deposit accounts. Yet the government and Treasury are trying to stop the *Banking Act* from being amended to say this!

The question is why?

The answer to that question is found in what the Treasury's submission did *not* say, which proves to be a glaring omission. Nowhere in Treasury's oh-so-sincere defence of the current law and government's intention to supposedly never bail in deposits does it cite the fact that Australia is signed up to the Financial Stability Board's [Key Attributes of Effective Resolution Regimes for Financial Institutions](#). Nor does Treasury, while citing the 2018 Senate Economics Legislation Committee's report on the 2018 Crisis Resolution Powers bill (now Act), cite the section of that report that admitted the law "draws on" those "Key Attributes". And why doesn't Treasury cite the Financial Stability Board, Australia's involvement in it, and the influence of the FSB's Key Attributes on the *Banking Act*, even once?

Because the FSB's Key Attributes explicitly include bail-in of deposits! And Australia as a member of the G20 endorsed those Key Attributes in 2011.

APRA omission

In a similar vein, bank regulator APRA's contribution to the inquiry is also conspicuous for what it

doesn't say. APRA is one of the most secretive agencies in Australia, and is no doubt furious at the scrutiny it is receiving. In answers to questions on notice, APRA insisted that deposits can't be bailed in because under the *Banking Act 1959* its "paramount objective" is to "protect the interests of depositors". APRA repeated this not once, but four times.

Mandate of the FSB

The FSB promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. It fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions.

The FSB, working through its members, seeks to strengthen financial systems and increase the stability of international financial markets. The policies developed in the pursuit of this agenda are implemented by jurisdictions and national authorities.

Member Jurisdiction

 Australia
Reserve Bank of Australia
<http://www.rba.gov.au>
The Treasury
<http://www.treasury.gov.au>

The [FSB's mandate](#) is financial stability; there is no reference to protecting depositors. Australia is one of 25 member nations.

Except it's not true in the terms APRA expressed. As stated by Treasury above, under the *Banking Act* APRA does not have one "paramount objective"; it *has* twin objectives: protecting depositors *and* financial system stability. APRA only chose to emphasise the first. That's because all around the world, the second objective, financial system stability, is used to justify bailing in deposits! The very name of the global organisation dictating bail-in of deposits is the *Financial Stability Board*. The logic of bail-in is: unless you lose some of your money to prop up the bank, you will lose all of your money when the bank collapses, and everyone will lose money if the collapse of your bank sets off a chain-reaction collapse of many banks. Ergo, bailing in your deposit in your bank is necessary for the stability of the financial system! (The Reserve Bank of New Zealand goes even further with this logic and says that taking part of a deposit to save most of it is in the interest of depositors!) And in 2012, the Reserve Bank of Australia made it crystal clear that [the priority of Australia's financial regulators is financial system stability](#).

(The logic of bail-in is pernicious: instead of stealing deposits to stabilise the banking system, banks should be broken up by the Glass-Steagall principle of separating commercial banks with deposits from investment banking, and banks with deposits should be forbidden from any high-risk activities. That is the only way to protect deposits and ensure financial system stability.)

Call and email MPs and Senators!

The bottom line is the [Banking Amendment \(Deposits\) Bill 2020](#) will put the issue beyond all doubt. If it is passed, there can be no bail-in of deposits. Yet ABC reported on [16 July](#): "Politically, it is likely the Government will remain reluctant to change the law to more clearly state there will not be bail-ins."

This is unacceptable! The only reason not to want to clarify the law is if they do intend to bail in deposits, and Australians should be suspicious that they do because the government has signed on to the FSB's regime of propping up failing banks with the funds of unsecured creditors, including deposits, and they are lying to hide this fact from the Australian people.

Concerned Australians have about three weeks to flood politicians with phone calls and email demanding they pass Senator Malcolm Roberts' bill. Make these points to the politicians:

- There is confusion over bail-in which the bill will clarify;
- APRA is saying it won't bail in deposits because its "paramount objective is to protect depositors", but it is deliberately not saying that under the law that objective is balanced against "financial system stability", which is the reason used worldwide to bail in deposits;;
- Treasury's submission didn't mention that Australia is part of the FSB, which says bail-in should include deposits, and lied that the *Banking Act* already contains "explicit" provisions that "expressly" protect deposits from bail-in, when it doesn't;
- The entire purpose of Senator Roberts' bill is to insert into the *Banking Act* an "explicit" provision that "expressly" protects deposits from bail-in—why is the government trying to stop it?

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