



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

26 August 2020

Fact: Morrison opposes legislation to absolutely protect deposits

The Morrison government had an opportunity to settle the growing community concern over the security of bank deposits from a “bail-in”. It has failed. The [government’s report](#) of the Senate Economics Legislation Committee’s inquiry into Senator Malcolm Roberts’ [Banking Amendment \(Deposits\) Bill 2020](#) is full of worthless legal platitudes that cannot disguise the fact that it does not want to give Australians absolute certainty that deposits cannot be bailed in.

If you are concerned about bail-in, do not let your local MP and Senators be fooled by this report. They are the target of the government’s false assurances. Just as the government in 2018 was able to sneak the crisis resolution powers law through the Senate with only eight Senators present and no formal vote, because most MPs and Senators weren’t paying attention, the government has crafted this report to dupe MPs and Senators into thinking Senator Roberts’ bill isn’t necessary.

Call and email your MP and all 12 Senators in your state to tell them this report is a failure, and demand they vote for Senator Roberts’ [Banking Amendment \(Deposits\) Bill 2020](#) when it comes before the Senate.

Always remember, Senator Roberts’ amendment, to ensure the conversion and write-off provisions of the 2018 law can’t apply to bank deposits, should have been considered and debated by the Senate back in 2018. It wasn’t, because after One Nation gave the government notice that it intended to move the amendment, the government offered to get their lawyers to check over the amendment, but while One Nation waited to hear back, the government rushed the bill through the Senate when the One Nation Senators weren’t in the chamber. This dirty act by the government proved its determination to block any moves to explicitly protect deposits from its 2018 law, and it has just demonstrated that determination again in this report.

No hearing

The biggest failing of the Senate inquiry into Senator Roberts’ bill was its lack of a public hearing to test the claims made in the submissions. Not holding a public hearing allowed the committee chair, Senator Slade Brockman, to sign off on a report that accepted the claims of Treasury and APRA without question. A public hearing would have allowed experts to show those claims were badly flawed. Outspoken independent economist and former Liberal Party economics advisor John Adams, a key leader of the campaign to clarify the law, said: “This process was a complete whitewash—it would appear that the committee had already formed an established position irrespective of the evidence.” In his [dissenting report](#), Senator Roberts said: “The committee has failed to get to the truth of the matter.”

The report sticks to the government’s position that amending the law to clarify the protection for deposits is unnecessary because there is already “legislative certainty”. It repeats APRA’s and Treasury’s assertions that deposits are protected by APRA’s mandate, depositor preference, and the \$250,000 Financial Claims Scheme (FCS) deposit guarantee. But these assertions have been shown to be false, which a public hearing would have revealed.

One of the most telling lines in the report is its concession that the \$250,000 FCS deposit guarantee is not perpetually in force, but must first be activated in relation to a specific bank and the government has discretion not to activate it, which the government has never broadcast. The report states: “While it is a decision of the Treasurer to activate the scheme, it is not clear why the Treasurer would choose not to activate the scheme.” That’s the whole point: such unclarity over what the government touts as the primary protection against deposit bail-in is an important reason to amend the law.

The report asserts interpretations of existing laws and regulations that most MPs would take on faith, but on closer inspection the interpretations are false. An egregious example is this sentence about APRA’s prudential standards supposedly protecting investors in so-called hybrid securities, a.k.a. bail-in bonds, which do have conversion and write-off provisions: “The Prudential Standard ensures ADI [bank] customers do not unknowingly purchase a financial instrument to which the conversion and write-off provisions apply.” This is footnoted to a reference to a Prudential Standard APRA issued in 2015. The problem is, this ignores the fact that in 2017, the outgoing boss of securities regulator ASIC, Greg Medcraft, launched a broadside at APRA precisely for allowing retail investors, mums and dads,

to buy these securities without understanding their risks of being bailed in. The UK bans retail investors from buying hybrids because they wouldn't understand the risks.

Medcraft said in Senate testimony on 26 October 2017: "There are two reasons we believe a lot of the retail investors buy these securities. *One is they don't understand the risks that are in over 100-page prospectuses* and, secondly—and this is probably for a lot of investors—*they do not believe that the government would allow APRA to exercise the option to wipe them out* in the event that APRA did choose to wipe them out." (Emphasis added.) He added: "Yes, they'll be bailed in. ... I do think this is, frankly, a ticking time bomb."

For the government's report to blithely assert APRA's prudential standard provides protections that in the real world it provably does not, is a demonstration of the committee's extremely poor and shallow analysis.

Do not accept baseless assurances as guarantees! This report is not the final word on the bail-in amendment; the Senators who will vote on it in November have the final word. Call them and your local MP to demand they support the bill. As Senator Roberts wrote: "If the bill does not have any other adverse outcome and seeks simply to reaffirm the meaning of the legislation currently in place, then there is no reason not to pass the bill."

Call and email the Committee 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!* Concerned Australians should flood politicians with phone calls and emails demanding they pass Senator Malcolm Roberts' bill.

[Click here for the contact details of your local MP and state's Senators.](#)

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