



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

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Budget papers prove \$250,000 deposit guarantee won't protect you from 'bail-in'

Any politician who tells you the government's \$250,000 deposit guarantee protects you from having your bank deposits "bailed in" is wrong. Treasurer Josh Frydenberg's budget papers prove it.

The Citizens Party explains the danger of bail-in in this 2-minute video: ["Your deposits in the bank are not safe"](#). To help fight against the bail-in policy of confiscating deposits and other funds of unsecured creditors to prop up a failing bank, email the link to the video to your MP and Senators and call them to demand they vote for Senator Malcolm Roberts [Banking Amendment \(Deposits\) Bill 2020](#), which will amend the current law to explicitly protect deposits from bail-in.

Budget papers

Most politicians who respond to constituents concerned about bail-in send form letters written by party hacks which all say the same thing: don't worry, you're protected by the Financial Claims Scheme (FCS), which guarantees deposits up to \$250,000 per person per bank. They say that because that's what they have been told to say. If they read the budget papers, and understood what they'd read, they'd be shocked.

Budget Paper No. 1 Budget Strategy and Outlook includes "[Statement 9: Statement of Risks](#)". Page 20, headlined "Financial Claims Scheme", explains how the \$250,000 deposit guarantee works in terms of the contingency risk it carries for the government. It confirms two important details about the FCS which prove it is no protection against bail-in.

First, the FCS cannot hope to protect deposits in any of the Big Four banks—CBA, ANZ, NAB and Westpac.

The papers reveal: "It is estimated that deposits eligible for coverage under the Financial Claims Scheme were \$1.0 trillion at 30 June 2020, compared to an estimated \$930 billion at 30 June 2019." However, the last paragraph states: "The Australian Prudential Regulation Authority (APRA) is responsible for administration of the Financial Claims Scheme. ... *Under the legislation, upon activation, up to \$20 billion per institution would be available to meet Financial Claims Scheme payments and up to \$100 million for administration costs per institution.*" (Emphasis added.)

Each of the Big Four banks have more than \$200 billion in deposits eligible for protection under the FCS, but APRA only has a provision of \$20 billion *per bank!* There's no way the FCS can cover the deposits in the Big Four banks; essentially, as the Citizens Party has said all along, the FCS is a bluff, which fools people into thinking their deposits are protected, but in fact the government's assumption is that the Big Four banks won't fail, and are too big to fail (TBTF).

That is a terrible assumption. At 65 per cent of their business, the Big Four banks are the most exposed to mortgage loans of any banks in the world—the US banks that collapsed from sub-prime lending in 2008 had no more than 40 per cent of their lending in mortgages. The mortgage loans underpin a massive housing bubble that is very wobbly right now, and the hundreds of thousands of households who have had to defer their mortgage payments illustrates how extensive sub-prime lending was in Australia in the form of no-doc and low-doc "liar" loans. Those households also carry the second highest household debt in the world, which means they have little to no reserves to honour their mortgages under crisis conditions. On top of it all, the Big Four banks hold the majority of the \$44 trillion in toxic derivatives bets that Australia's banks have made, many of them related to their mortgage lending, which are capable of triggering massive financial meltdowns when they go bad—"financial weapons of mass destruction" as Warren Buffett called them.

The risks facing the banks aside, this fact that the FCS can't cover the deposits in the Big Four banks has been known since the beginning. The minutes of the 19 June 2009 meeting of Australia's Council of Financial Regulators—the Reserve Bank (chair), Treasury, APRA and ASIC—record that "APRA noted that a pre-funded deposit insurance scheme in Australia would not be insurance in the true sense, as failure by one of the four largest institutions would be likely to exceed the scheme's resources". On 21 September 2011, the Financial Stability Board (FSB), the global authority in charge of establishing bail-in as a global policy, noted in its Peer Review of Australia that "the limit of \$20 billion per ADI [bank] would not be sufficient to cover the protected deposits of any of the four major banks".

Second, the FCS is a guarantee for *when* a bank fails, whereas bail-in is intended to be used to stop the bank from failing, so the FCS as currently constituted doesn't apply.

The papers say: "In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution." In other words, if the FCS is activated, the bank will be wound up so it can recoup its money.

The entire purpose of bail-in is to stop TBTF banks from failing so they don't set off a chain-reaction banking meltdown through their derivatives dealings with other banks, as in 2008. In the very next sentence of the FSB statement cited above, that the FCS isn't enough to guarantee deposits in the Big Four, it said of Australia's banks: "In any event, there could be circumstances in which these banks would be deemed too big to undergo payout and liquidation." That only leaves the option of government bailouts and depositor bail-ins, or a complete overhaul of the banking system starting with a full Glass-Steagall separation of everyday commercial banking from all forms of investment banking and financial gambling, as the Citizens Party advocates. Short of that major reform, however, the way to absolutely protect deposits from bail-in is to pass Senator Malcolm Roberts' Banking Amendment (Deposits) Bill 2020.

Call and email your MP and Senators!

What you can do

1. Immediately watch the two-minute video "[Your deposits in the banks are not safe](#)" and then email the link to your local federal MP and Senators and share it widely on Facebook, Twitter, Instagram etc. [Click here to find contact details for your MP and Senators](#).
2. Call the offices of your MP and Senators to ensure they received your email and that they watched the video. Tell them you are concerned about bail-in and they should be too, and the only way they can reassure the public their deposits are secure is by voting for Senator Roberts' Banking Amendment (Deposits) Bill 2020.

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