How the CEC disrupted the global bail-in regime

The fight against "bail-in" comes to a head next week when the Senate debates the Banking Amendment (Deposits) Bill 2020, drafted by the Citizens Party and introduced by One Nation Senator Malcolm Roberts. Whatever the outcome, either way we've won: if the bill passes, deposits cannot be bailed in; if it fails because Labor sides with the Coalition, we have forced them to expose their reassurances, that bail-in won't happen, as lies, which we'll make sure the entire country knows about. We have achieved this opportunity to end bail-in because the Citizens Party has stayed in the fight against bail-in for seven years, relentlessly exposing every aspect of this global agenda to make everyday people pay to prop up the sick and failing banking system, instead of reforming the system to serve the people. The following article, republished from the Citizens Party's May 2018 pamphlet End the bankers' dictatorship: Time for banking separation and a national bank!, *is a timely reminder of how this fight against bail-in has played out, and the global impact our efforts in Australia have had, just as whatever happens next week in Parliament will also have global consequences.*

Then-Bank of England Governor Mark Carney (below demanded the 2014 Brisbane G20 endorse bail-in, but as even the host country Australia hadn't passed a bail-in law, due to the Citizens Party's fight, it didn't happen. Photos: Wikipedia

In 2014 the Citizens Electoral Council [now Citizens Party] prevented the G20 nations from adopting the "bail-in" model for resolution of troubled banks. The previous year, 2013, had seen a rapid drive to induce nations to legislate changes to banking law to allow this to happen, following the implementation of a bail-in test case in Cyprus. At that time Eurogroup chief Jeroen Dijsselbloem declared Cyprus the template for the whole of Europe. Well in advance of the crisis, the European Commission (EC) had put together the Cyprus plan with banking and legal experts, foremost among them the London-based International Swaps and Derivatives Association (ISDA), whose board is made up of representatives of the TBTF banks. The ISDA had already provided the EC with an assessment of its bail-in proposal in 2011, which argued that derivatives be excluded from any bail-in, as indeed has been done in several cases. That EC proposal ultimately resulted in the Europe-wide Bank Recovery and Resolution Directive (BRRD) which became active in January 2016.

The November 2011 G20 Summit in Cannes, France, had garnered agreement to the Financial Stability Board's (FSB) "Key Attributes of Effective Resolution Regimes for Financial Institutions", which committed all jurisdictions to establishing a framework for "new international standards for resolution regimes", with bail-in laws as the centrepiece. This included Australia.

In October 2013 Mark Carney, the former Bank of Canada head who by then was in charge of the Bank of England as well as the FSB, and had been an early proponent of bail-in, declared that a global bail-in regime must be finalised by the November 2014 G20 Leaders' Summit in Brisbane. "The Bank of England is now working intensively with other authorities and the financial industry", Carney said. "Our aim is to complete the job by the next G20 Summit in Brisbane." In April 2014 Carney followed this up with a report on the urgency of empowering national authorities with laws to make bail-in "effective in a cross-border context", i.e., globally. Thus the 2014 G20 became the battleground for bail-in legislation for all G20 jurisdictions.

But on 10 November 2014, just four days before the Brisbane G20 summit, Carney announced: "Instead of having the public, governments, [and] the taxpayer rescue banks when things go wrong; the creditors of banks, the big institutions that hold the banks' debt—not the depositors—will become the new shareholders of banks if banks make mistakes." The announcement was a tactical retreat, forced by the campaign the CEC had run across Australia, and into the UK, to expose the intention to confiscate deposits. The ostensibly watered-down bail-in would focus on special bonds designed to convert into bank capital in a crisis—socalled hybrid securities or bail-in bonds. The FSB demanded that TBTF banks hold 16-20 per cent of the value of their assets in these bail-in-able bonds; nonetheless the CEC and its allies had forced Carney et al. to repackage their scheme.

Even the watered-down bail-in language still failed to win the

necessary support at the 2014 summit, however, due to opposition from among emerging nations centred in the BRICS bloc (Brazil, Russia, India, China and South Africa), and also, in part, because host country Australia had failed to adopt a bail-in law beforehand, as had been expected. Instead, the summit's final communique stated that requirements for what banks must be prepared to do when in trouble would be subject to public consultation and a rigorous impact assessment before any final measure were agreed. One year later, with revised targets for emerging markets, the language was agreed to at the Antalya, Turkey G20 summit in November 2015, ahead of which Carney had forewarned that all member nations were expected to comply by legislating new rules.

Mark Carney

CEC interventions

The CEC ran an intensive campaign against bail-in laws throughout 2013. We informed Australians about the Cyprus bail-in beginning with a 26 March media release titled "The Cyprus option, or Glass-Steagall?", and in April warned it was coming to Australia. On 15 April 2013 the FSB reported to the G20 Finance Ministers and Central Bank Governors that legislation for bail-in was "in train" in Australia.

(Advertisement)

To the Australian Parliament:

Don't seize our bank accounts– pass Glass-Steagall!

We, the undersigned, are unalterably opposed to the legislation now being drafted to enable the "bail-in" (seizure) of Australian bank deposits as happened in Cyprus in March of this year. The stated purpose of such legislation, in Australia and internationally, is to save the "Too Big To Fail" megabanks whose unbridled speculation has caused the present financial crisis in the first place. But, as in Cyprus, such legislation will plunge this country into mass misery and even worse.

There is overwhelming evidence that legislation is being planned for Australia, as in a 15 April report of the Financial Stability Board (FSB) of the Swiss-based Bank for International Settlements which is overseeing the global bail-in process, that report explicitly states on page 5 that each legislation is "in-train" for Australia.[1] The FSB and the IMF have classified Australia's "Big Four" banks as "Systemically Important Financial Institutions", which must be saved at all costs.

The Solution

Instead of "bail-in", the Australian Parliament must pass legislation modelled upon the U.S. Glass-Steagall law which functioned so successfully from its passage in 1933 until its repeal in 1999, which separated commercial banking from investment banking. Without such a separation, banks are free to speculate with customers' deposits, which, for instance, is why Australian banks now hold some $21.5 trillion in highly risky derivatives. Numerous prominent individuals–even from the City of London and Wall Street–have spoken out to urge the reinstatement of Glass-Steagall, and legislation to do so has been introduced into both the U.S. House of Representatives and Senate, as well as in numerous other countries.

Urgent though it be, Glass-Steagall legislation is not sufficient by itself to ensure a recovery of Australia's actual physical economy. Therefore, we also demand the establishment of a National Bank modelled upon that of King O'Malley's original Commonwealth Bank, to finance the construction of great infrastructure projects as the cornerstone to rebuild Australia's once-proud manufacturing industries and its family farms.

We say: No to speculation and the seizing of bank accounts; Yes, to rebuilding Australia's physical economy, with well-paying jobs for any Australian who wants one.

Finally, we vow to help to drive from office any Australian Member of Parliament who signs his or her name to legislation for bail-in, but to likewise do all within our power to support any MP who sponsors or votes for an Australian Glass-Steagall bill, and for a National Bank.

1. Implementing the FSB's Key Attributes of Effective Resolution Regimes–how far have we come? p.5. At: http://www.financialstabilityboard.org/publications/r_130410.pdf

Local Government

Political Party Officials

Unions

The CEC's ad against bail-in and for Glass-Steagall, signed by 450 prominent Australians, appeared in the Australian in December 2013.

In early June 2013 the *Australian Financial Review* finally reported on the drive for bail-in. CEC had issued hundreds of thousands of copies of the April/May/June 2013 *New Citizen*, "Do You Intend To Die For The Banks?", followed by the Aug/Sep/Oct *New Citizen* "'Bail-in'—the British Crown's Plot for Global Genocide". In December 2013 the CEC ran a full-page ad in *The Australian*, including signatures of support from 450 elected officials, community and trade union leaders, calling to stop bail-in and pass Glass-Steagall bank separation instead.

On 13 December 2013 Reserve Bank of Australia head Glenn Stevens told the *AFR* that in order to prevent the public purse having to recapitalise banks in a crisis, "The international push is also going towards so-called 'bailing-in'", which he expected to be considered by the upcoming Financial System Inquiry (FSI). At a 10 June 2014 banking symposium in San Francisco, Stevens announced that Australia was "highly supportive" of Carney's efforts, describing bail-in as "an appealing idea".

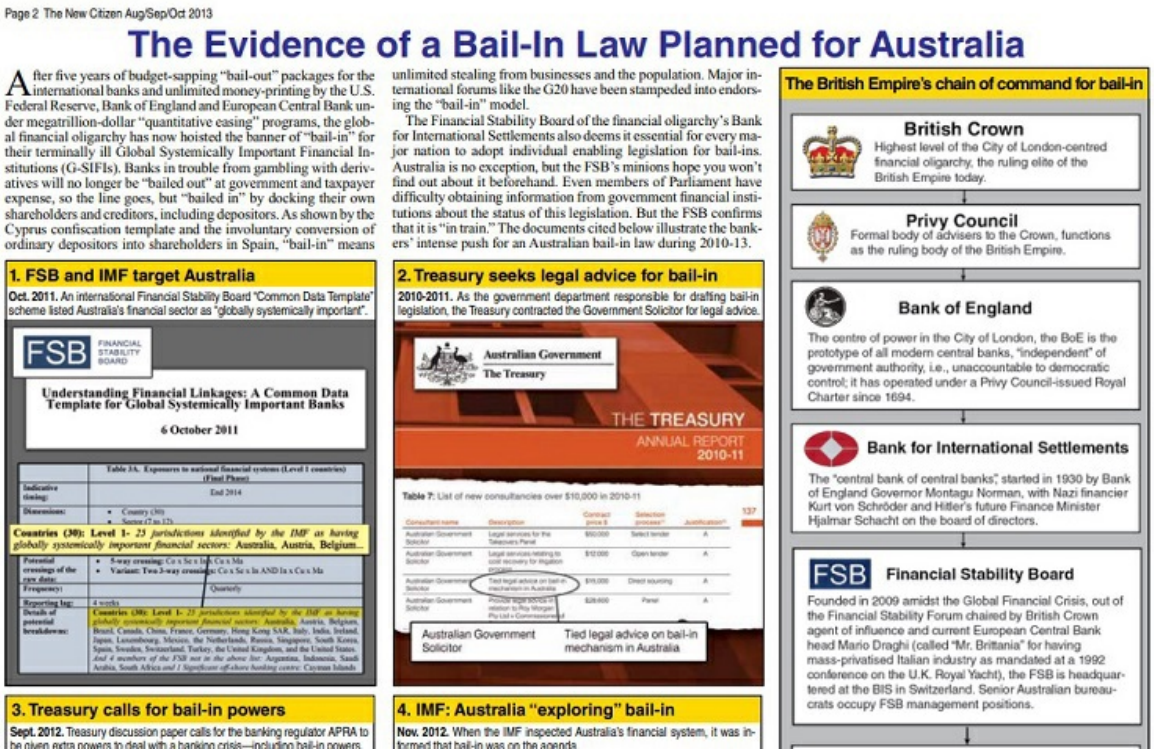
The CEC turned the blowtorch of its anti-bail-in campaign on the FSI throughout 2014, generating, in two rounds of public consultation, over 700 submissions against bailin and in favour of full, Glass-Steagall separation of the Big Four TBTF banks. This flood of submissions attracted mainstream media attention.

As intended, the FSI endorsed the Australian government's push for bail-in. At its conclusion, the Inquiry announced that it was time for the government to revive its plans to give APRA new crisis management powers, as first raised by the Gillard Government in September 2012 then put on hold in 2013 to await the result of the FSI.

Foreshadowing the 2017 APRA bill, the 7 December 2014 FSI Final Report stated that it "strongly support[ed] enhancing crisis management toolkits for regulators". In its own FSI submission, APRA had invoked the BIS/ G20 resolution framework, saying the proposed new powers "would significantly enhance APRA's resolution toolkit, and align APRA's crisis resolution powers more closely with international standards and best practice". It cited the government's 2012 consultation paper, "Strengthening APRA's Crisis Management Powers", which pointed to the FSB bail-in demand.

Other G20 jurisdictions

Another proof of the success of the CEC's intervention in Australia is that most other G20 jurisdictions



Page 2 The New Citizen Aug/Sep/Oct 2013

The Evidence of a Bail-In Law Planned for Australia

After five years of budget-sapping "bail-out" packages for the international banks and unlimited money-printing by the U.S. Federal Reserve, Bank of England and European Central Bank under megatrillion-dollar "quantitative easing" programs, the global financial oligarchy has now hoisted the banner of "bail-in" for their terminally ill Global Systemically Important Financial Institutions (G-SIFIs). Banks in trouble from gambling with derivatives will no longer be "bailed out" at government and taxpayer expense, so the line goes, but "bailed in" by docking their own shareholders and creditors, including depositors. As shown by the Cyprus confiscation template and the involuntary conversion of ordinary depositors into shareholders in Spain, "bail-in" means unlimited stealing from businesses and the population. Major international forums like the G20 have been stampeded into endorsing the "bail-in" model.

The Financial Stability Board of the financial oligarchy's Bank for International Settlements also deems it essential for every major nation to adopt individual enabling legislation for bail-ins. Australia is no exception, but the FSB's minions hope you won't find out about it beforehand. Even members of Parliament have difficulty obtaining information from government financial institutions about the status of this legislation. But the FSB confirms that it is "in train." The documents cited below illustrate the bankers' intense push for an Australian bail-in law during 2010-13.

1. FSB and IMF target Australia

Oct. 2011. An international Financial Stability Board "Common Data Template" scheme listed Australia's financial sector as "globally systemically important".

FSB FINANCIAL STABILITY BOARD

Understanding Financial Linkages: A Common Data Template for Global Systemically Important Banks

6 October 2011

Table 3A. Exposures to national financial systems (Level 1 countries) (Final Phase)

Indicative timing:	End 2014
Dimensions:	• Country (30) • Sector (7 to 12)
Countries (30): Level 1- *25 jurisdictions identified by the IMF as having globally systemically important financial sectors:* Australia, Austria, Belgium...	
Potential crossings of the raw data:	• 5-way crossing: Co x Se x Ins Co x Mz • Variant: Two 3-way crossings: Co x Se x Ins AND Ins x Co x Mz
Frequency:	Quarterly
Reporting lag:	4 weeks
Details of potential breakdowns:	Countries (30): Level 1- *25 jurisdictions identified by the IMF as having globally systemically important financial sectors:* Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, Italy, India, Ireland, Japan, Luxembourg, Mexico, the Netherlands, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. *And 4 members of the FSB not in the above list:* Argentina, Indonesia, Saudi Arabia, South Africa *and 1 Significant off-shore banking centre:* Cayman Islands

2. Treasury seeks legal advice for bail-in

2010-2011. As the government department responsible for drafting bail-in legislation, the Treasury contracted the Government Solicitor for legal advice.

Australian Government
The Treasury

THE TREASURY
ANNUAL REPORT 2010-11

Table 7: List of new consultancies over $10,000 in 2010-11

137

Consultant name	Description	Contract price $	Selection process*	Justification*
Australian Government Solicitor	Legal services for the Takeovers Panel	$50,000	Select tender	A
Australian Government Solicitor	Legal services relating to cost recovery for litigation	$12,000	Open tender	A
Australian Government Solicitor	Tied legal advice on bail-in mechanism in Australia	$15,000	Direct sourcing	A
Australian Government Solicitor	Provide legal advice in relation to Roy Morgan Pty Ltd v Commissioner	$28,600	Panel	A

Australian Government Solicitor — Tied legal advice on bail-in mechanism in Australia

3. Treasury calls for bail-in powers

Sept. 2012. Treasury discussion paper calls for the banking regulator APRA to be given extra powers to deal with a banking crisis—including bail-in powers.

4. IMF: Australia "exploring" bail-in

Nov. 2012. When the IMF inspected Australia's financial system, it was informed that bail-in was on the agenda.

The British Empire's chain of command for bail-in

British Crown
Highest level of the City of London-centred financial oligarchy, the ruling elite of the British Empire today.

Privy Council
Formal body of advisers to the Crown, functions as the ruling body of the British Empire.

Bank of England
The centre of power in the City of London, the BoE is the prototype of all modern central banks, "independent" of government authority, i.e., unaccountable to democratic control; it has operated under a Privy Council-issued Royal Charter since 1694.

Bank for International Settlements
The "central bank of central banks," started in 1930 by Bank of England Governor Montagu Norman, with Nazi financier Kurt von Schröder and Hitler's future Finance Minister Hjalmar Schacht on the board of directors.

FSB Financial Stability Board
Founded in 2009 amidst the Global Financial Crisis, out of the Financial Stability Forum chaired by British Crown agent of influence and current European Central Bank head Mario Draghi (called "Mr. Brittania" for having mass-privatised Italian industry as mandated at a 1992 conference on the U.K. Royal Yacht), the FSB is headquartered at the BIS in Switzerland. Senior Australian bureaucrats occupy FSB management positions.

The Aug./Sep./Oct. New Citizen laid out the evidence for bail-in.

passed bail-in laws far earlier. The US powers were introduced as part of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* in July 2010.

New Zealand's Open Bank Resolution policy was proposed in March 2011 and finalised in June 2013. It allows "a distressed bank to be kept open for business, while placing the cost of a bank failure primarily on the bank's shareholders and creditors", according to the Reserve Bank of New Zealand, which is explicit that creditors include depositors.

France passed bail-in laws in July 2013, and the aforementioned BRRD took effect across the EU on 1 January 2016. The UK put the powers into effect from 1 January 2015.

This story demonstrates that the fight against APRA's bailin powers has implications well beyond Australia, because the law is part of a larger push for a new form of global financial order that must be uniform across the world, to ensure that no one nation's actions can threaten the $1.2 quadrillion global derivatives bubble. Rolling back the APRA bill in Australia— whose financial system as a whole is officially defined as "systemically important"—can derail that agenda, and even in countries where bail-in is firmly in place, or has already been used, it can still be reversed.
