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Independent Political Party

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Australian Banking Association to Senate inquiry: don't break us up, and leave our pet regulator alone

Following the banking royal commission, with its revelations of serious misconduct, abuse and exploitation of customers, and entrenched criminality, how do you think the banks should be treated?

Should they be treated in such a way that makes them "sit back, relaxed", while their share prices soar in celebration?

Or do they deserve a "drastic regulatory intervention" that protects their customers from their predatory abuses and recklessness, and makes their captured regulator APRA more democratically accountable?

The first way is how they were treated in the royal commission's final report. ABC reporter Stephen Long on 4 March described the parliamentary lock-up on 4 February, when Commissioner Hayne's final report was released to the media and industry. "According to several people in the room, some 35 minutes into the lock-up, Anna Bligh, chief executive officer of the Australian Banking Association, sat back, relaxed and looked around the space", Long recounted. "Bligh's brow unfurrowed and the tension in her shoulders slipped away. ... [she] had seen enough to know that it was a good outcome for the banks."

What was banks' captain Bligh most relieved about? Hayne had not recommended they be broken up. We know this because outside the lock-up, at around 11:00 AM it was somehow leaked that they wouldn't be broken up, and bank shares soared on the stock market as a result.

The second way of treating the banks is what the Australian Banking Association (ABA) complains about in the Banking System Reform (Separation of Banks) Bill 2019, which would enact a Glass-Steagall separation of commercial banks with deposits from speculative investment banking and all other financial services. Glass-Steagall was the most successful banking regulation in history, which protected Americans from banking abuses and systemic banking crises for almost 70 years.

But the ABA doesn't care about what it will do for bank customers, i.e. you. It doesn't like what it will do to the banks. In their submission to the current Senate Economics Legislation Committee

inquiry into the Separation of Banks bill, the ABA calls separation a "drastic regulatory intervention".

Banks must have a different understanding of the word "drastic" than their victims. *Drastic* describes banks sending armies of law enforcement officers to force shattered farming families and homeowners off their properties. *Drastic* describes CBA foreclosing on thousands of thriving businesses with loans from BankWest, ruining the borrowers even though they were up to date on their repayments. *Drastic* describes the banks deliberately asset-stripping elderly borrowers who they lured into buying investment properties and borrowing reverse mortgages, and ended up losing everything. *Drastic* describes the recklessness of the banks concentrating around 65 per cent of their lending into one sector, housing, a level of concentration which is far greater than any other banks in the world have come close to, and the very definition of putting all of your eggs into one basket. *Drastic* describes how disproportionate the banks' collective \$38 trillion in derivatives bets are to their \$1 trillion or so in deposits, or Australia's \$2 trillion GDP. And *drastic* definitely describes "bail-in", stealing depositors funds to prop up the banks when their derivatives bets blow up on them, which the international financial authorities cooked up after the 2008 crash instead of forcing the banks to stop gambling with other people's money, and which Australians are now in danger of, since the government snuck a bail-in law through Parliament in February 2018.

Drastic is not the word to describe breaking up the Big Four banks into commercial banks with deposits, separated from investment banks, wealth managers, insurance companies, stockbrokers, and superannuation companies. "Sensible" is the right word; "measured" is another. The Americans who are campaigning to restore Glass-Steagall like a different word: "Banking should be boring", they say.

Bankers' pet

The ABA also took exception to the provisions of the bill bringing the bank regulator APRA under tighter parliamentary control. APRA is completely captured by the banks. Most of its main

executives are former investment bankers; it is funded by the banks; and in truth it refuses to regulate them—its philosophy of regulation is self-regulation. There are numerous instances of APRA protecting the banks from real scrutiny, including from other government agencies and even from APRA's own lower-level staff who were trying to do the right thing.

What APRA does do is apply international banking standards issued by the Bank for International Settlements (BIS) in Australia. This includes "bail-in", which the Financial Stability Board based at the BIS designed so that it has the power to order national regulators like APRA to grab deposits to prop up failing banks in their country, and to stop a banking crisis in one country from triggering a global meltdown. The BIS and IMF both demand that APRA have the power to dictate a bail-in without any interference from the government.

The government does not take responsibility for regulating the banks, but leaves it to APRA. In other words, the government is leaving control of

Australia's banking system to the banks themselves that have captured APRA, and to the international authorities. This means that there are currently no democratic safeguards over banking policy. This is why Section 14 of the Separation of Banks bill increases parliamentary oversight of APRA to, for instance, enable parliament to stop APRA from bailing in deposits.

The ABA is not happy: "This bill seeks to strengthen Parliamentary oversight of the activities of APRA as the banking regulator", their submission complains. Claiming that this will impact trust and confidence in Australia's banking system—when it is the banks by their criminal actions that have destroyed trust in themselves—they state: "The ABA is strongly opposed to the model of oversight in the bill."

Could there be a better endorsement for the Separation of Banks bill? The ABA has demonstrated that this bill is the only measure that will force them to make real change—keep fighting for it!

What you can do

1. Now that the election has been called, contact all of the candidates in your electorate about the need to break up the banks and stop bail-in—show them the CEC's legal advice that deposits can be bailed in.
2. Call or email committee chair Senator Jane Hume and deputy chair Senator Chris Ketter to demand they publish all submissions; extend the reporting date until after the election; and hold public hearings. They are in Canberra this week, so call their Parliamentary offices:

Sen. Jane Hume
(02) 6277 3123
senator.hume@aph.gov.au

Sen. Chris Ketter
(02) 6277 3065
senator.ketter@aph.gov.au

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