

Subject: Submission to the Parliamentary Joint Committee on Corporations and Financial Services
Regulation of auditing in Australia

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
corporations.joint@aph.gov.au

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Dear joint committee members,

I hereby offer my submission regarding the regulation of auditing in Australia not on the grounds of any financial expertise, nor on the grounds of any insider knowledge but rather on old fashioned concepts such as morality and common sense. I also wish this to be recorded **as a matter of witness** (a historical record as it were) against systemic global corruption. You see, in the end I do not think your enquiry will make any difference. Let me explain because we have been here before.

More than a decade ago the ratings agencies failed spectacularly to properly price the risky securities at the heart of the financial crisis. This was attributed to **conflict of interest** (being paid by the issuers of the assets they are rating) and shopping for the best rating (get more than one rating, then only make public the highest one). However, an objection to these explanations is that these incentives have always existed, yet the problems did not emerge until the crisis. That is, people outside the agencies can independently check and verify the ratings easily so any manipulation of the ratings would be easy to discover, and the revelation that their ratings are inflated would damage their credibility and hence their business. But all of this changed **when the assets become more complex**. You see, it is easier to hide fraud under a layer of complexity.

And yet, here we are again. The financial system is about to fail spectacularly because the root problems were not addressed a decade ago. It is no longer the “ratings agencies” that are **the enablers** but the “big four” oligopoly that advise Governments (and collect huge fees) and advise monopolistic global corporations and high wealth customers on tax avoidance (for huge fees).

Of course, just as in the GFC we have a level of complexity that few can understand. No longer are risky securities and CDO's the problem but rather derivatives. These are often kept "off-book" by the banks and I am sure that the "big four" offer sound advice (sic) in this matter. However, since 1.2 quadrillion dollars is tied up globally in derivatives a bit more transparency (sic) would be nice. Perhaps, my favourite quote from that era comes from the movie the "Big Short" based on the character of Mark Baum who said;

"We live in an era of fraud in America. Not just in banking, but in government, education, religion, food, even baseball... What bothers me isn't that fraud is not nice. Or that fraud is mean. For fifteen thousand years, fraud and short-sighted thinking **have never, ever worked. Not once.** Eventually, you get caught, things go south. When the hell did we forget all that? I thought we were better than this, I really did".¹

I am sorry Mark. We did not forget. We learnt the lesson that the taxpayer can be made to pay for financial fraud and moral failure. If anything, the fraud is worse. Banks cheat, launder and lie. We build apartment buildings that fail and jets [REDACTED] that fall out of the sky because of regulatory failure. Wealthy parents bribe universities. The banks and the economy are about to fail globally **because of corruption. Everything is corrupt.** There is no such thing as moral hazard anymore. Everything is corrupt and that is always what happens just before systemic failure. We have LEARNED NOTHING.

I wish you success in your endeavours, but I doubt you will make any headway because government, union, political and corporate interests are captured. How on earth are you going to "break up" the "big four"? In the end it does not matter as the whole system will collapse and it is ordinary people (like me) who will suffer and pay the price (again). And yet I raise *my voice as one crying in the wilderness* as a witness against the system. It can no longer be reformed; therefore, *it deserves to fail*. Let it collapse on their unworthy heads. **Amen.**

Yours Sincerely,

Paulus Wyns

¹ The Big Short (2015) - "Ali vs Foreman" of the Financial World <https://youtu.be/TpCb3xjh-Kk>