



The Senate Standing Committee on Economics

PO Box 6100

Parliament House

Canberra 2600

9th Dec. 2017

Re: Submission with respect to: **Financial Sector Legislation Amendment (Crisis Resolution Powers and other Measures) Bill 2017.**

Dear Chairman of the Senate Committee,

It is with grave concern that I am writing to you as the Managing Director of a small Australian agricultural services business, for as with most small companies the owners/directors have substantial personal assets exposed to the banking industry. I have no criticism as to how our bank, the Westpac Banking Corporation has treated me, or our business, over the last 30 years and in fact would confidently state that we have been treated very well and would not expect this to change unless there was a major financial event that impacted bank liquidity.

This proposed legislative amendment, is clearly directed at the circumstances of a major financial crisis and how it would impact the banks. It is effectively designed to protect the sovereignty of the bank and provides for a "bail-in" procedure where in effect the customer's deposits are deemed to be "assets" of the bank and can be devalued, converted to equity, frozen etc. Was this to happen, in the case of a business, how would it continue to trade. In addition I am concerned as to how bank overdraft facilities would be treated, especially where personal guarantees are given or charges are taken over personal assets of the directors, in order to secure the facility for the bank. Would the bank, or

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the bank administrators, be able to draw on the guarantees or claim the director's assets which have been put up as security?

It is no secret that the World is in a financially insecure position with sovereign debt, bank debt and personal debt at an all time high and if we were to have a repeat of GFC 2008 again, the tools available to governments to address the problem, are no longer available.

I am not suggesting that Australia's financial "risk" should be ignored, quite the contrary, but not just by protecting the bank assets at the expense of small business and personal savings. There have been many prudent ideas put forward, including the separation of investing and saving banks, as was the case in Australia and may-be this "Glass-Steagall" approach needs to be discussed.

It is clear to me, why this legislation is being pushed through parliament while we are distracted by seasonal festivities. But I am hoping that the Senate Committee is made up of men and women of greater virtue, who are less beholden to the financial sector than some senior members of the parliament. This amendment must not go ahead and a more equitable and honest evaluation of the risks and banking structure be considered.

Yours sincerely,


John H McKay
