

To Chair,  
Senate Economics Legislation Committee

**Inquiry into the Banking System Reform (Separation of Banks) Bill 2019**

Thankyou for the opportunity to make a submission to the Committee. This is a very important Bill in the history of Australia's financial system and as such necessitates proper and transparent due diligence.

Firstly, I wish to thank both the Honorable Bob Katter MP and Senator Pauline Hanson for the introduction of this Bill into the Australian Parliament. Their commitment and courage to strongly represent concerned Australians is highly commendable and highly valued.

In this submission I would like to make the following comments under the following broad headings:

- (1) Integrity of the Members of the Senate Economics Legislation Committee
- (2) Who controls our financial system? - the IMF or the Australian Government?
- (3) The importance and regulation of our four big banks.
- (4) Proper and independent auditing of our four big banks.
- (5) Separation of Business Activities/Products in our banks.

**(1) Integrity of the Members of the Senate Economics Legislation Committee**

I note that the Morrison Government snuck a bail-in law through Parliament in February 2018, the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018*, with only a handful of MPs and Senators present when it passed and with no recorded vote.

In my view, this Act authorises the "conversion or write-off", a.k.a. bail-in, of so-called hybrid securities which are better known as bail-in bonds, which have been sold to hundreds of thousands of unsuspecting mum and dad investors and self-funded retirees.

So, in view of the previous performance, is the Senate Economics Legislation Committee prepared to conduct open, transparent and public hearings?

**(2) Who controls our financial system? - the IMF? or the Australian Government?**

The recent IMF Country Report No. 19/54 "Financial System Stability Assessment for Australia" completed September 2018 and published February 2019 contains some highlights as follows:

- (a) That Australia move beyond the back door "bail-in" scheme by the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018* passed last year, and enact a full, statutory bail-in regime that explicitly includes seizing deposits to prop-up failing banks.
- (b) The Australian government remove all democratic safeguards over the Australian Prudential Regulation Authority (APRA) by which the Treasurer can give APRA directions, and by which the Australian Parliament can disallow an APRA policy.

That is, the IMF wants these safeguards removed so that in the event that APRA orders a bail in of bank deposits in a future crisis, the Australian Government will not be able to block the order to protect the Australian people from losing their savings. Examples of these savings are from prudent savers, business accounts, local governments, and retirees with superannuation cash accounts. If the loss of these savings should happen then God help us all.

In my view, the IMF's report aims to end Australia's sovereign control of its own banking system so that global banking authorities can dictate the confiscation of Australians' savings to avert a global financial crisis, and the Australian people and government will be powerless to stop it.

So, who controls our financial system? - is it un-known and un-elected officials of the IMF? or is it the elected representatives in our Australian Parliament?

I hope and trust that it is the latter by the correct and visible actions of my Parliament.

### **(3) The importance and regulation of our four big banks.**

The expression of that our "four banks are too big to fail" or our "four big banks can not be allowed to fail" has essentially put in place an "insurance policy" for these four big banks. The banks now feel that they can conduct their business and take whatever risks to ensure very high returns knowing that if there is another GFC, or something similar, should happen that they will be safe. Safe, because the Australian Government (ie the Australian People) will bail them out.

As further evidence, the recent Banking Royal Commission has revealed some of the poor and unethical practices of our big banks.

So, if our four big banks want an insurance policy to be safe then that must come with a range of conditions set out by the Australian people. As a member of the Australian people, I strongly request greater regulations and controls over the four big banks (if they are not allowed to fail) in order to save our financial system and our economy.

### **(4) Proper and independent auditing of our four big banks.**

Our history shows us that Banking Royal Commission report in 1937 recommended the Auditor-General regularly audit the private banks. Auditing of private banks would tell us if it needed to take over a failing private bank to protect its deposits, by either fixing up the private bank or closing it down and taking over its customers by the then government bank, The Commonwealth Bank.

Today, Australia faces the reality of likely banking failures as Australia's banks are more exposed than ever to a collapsing housing bubble, greater household debt and stagnant wage rises.

Currently the big four global accounting firms - PricewaterhouseCoopers, Ernst & Young, KPMG, and Deloitte dominate the auditing of our four big banks. These four big banks control about 80 per cent of Australia's financial banking system and each have over 60 per cent of their assets concentrated in mortgages.

While these accounting firms may be conducting proper audits, it must be now a condition of our banking controls and regulations to conduct independent audits of these four big banks by the Auditor-General to confirm their true financial position and quantify the level of risk facing the Australian economy.

Hence, it has now become clearly too important to our banking system and to our economy to not conduct proper and independent audits of the four big banks by the Auditor-General.

**(5) Separation of Business Activities / Products in our Banks.**

I believe that this bill will separate traditional commercial banks that take deposits and make loans from all other financial activities.

This bill solves the problems of:

(a) Vertical integration—the gross conflict of interests involving banks advising their customers to buy products from other businesses the banks also own; and

(b) Horizontal integration—banks mixing commercial banking with risky investment banking that puts customer deposits, and the whole economy, in danger.

The bill also brings the failed bank regulator APRA (Australian Prudential Regulation Authority) under much tighter parliamentary control.

In my view, one of other conditions for greater control and regulation of our banks is for a Glass-Steagall separation of banking from speculation. I believe that this will fully protect deposits from financial dangers and bail-in, and to restore some confidence in the banking system after the damning and unbelievable revelations from recent Banking Royal Commission.

**Thankyou**

I sincerely thank the Committee for considering this submission. I trust that this inquiry is conducted with the clear and unmistakable actions of being solely in the national interest of the Australian people. Finally, I sincerely hope that this Bill is passed by the Australian Parliament.

Yours Sincerely,

Adrian Giacobetti



13 March 2019

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