

From: [A&JLane](#)
To: [Economics Committee \(SEN\)](#)
Subject: Submission to the Inquiry into the Banking System Reform (Separation of Banks) Bill 2019
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Tuesday, 26th March, 2019
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary and Senators:

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

We are a married couple, laypeople, with an abiding interest in the efficient and proper national functioning of Australia. Of the myriad facets of Australia's operations as a responsible and advanced sovereign nation, its banking system is, understandably, critical to its success.

The citizenry must be able to rely on the banking system to protect its savings, and leverage them for the greatest good for the greatest number of us. Primarily, once savings (deposits) are as safe as reasonably possible, the onus should be upon the banking industry to put this pool of financial resources to work to generate real wealth in its multifarious forms for the good of the nation.

What is real wealth? It includes manufactured goods, agricultural products, health services, efficient and affordable utilities, transportation and information networks, drought-proofing water infrastructure, rational construction, and the like. What is unreal wealth? It includes swathes of house and land packages and CBD properties that are pushed to increase in dollar value by huge unrealistic percentages year upon year, derivatives and forex trading, blue-sky schemes, and the like.

Glass-Steagall

And thus, our principal focus is upon having our Parliament enact a modern version of the historic Glass-Steagall legislation of The United States, to separate wholesale and investment banking, involving risky, substantially speculative activities, from run-of-the-mill retail commercial banking, used by ordinary people for their savings accounts, and ordinary businesses for running their businesses. This latter being the most appropriate and core business of banking.

By "modern version" we mean that if there be differences, that they only strengthen the original intent and spirit of the 1930's decade legislation, while accommodating any relevant-to-success circumstances of the modern times. No 'playing funny buggers', in other words, or if that's a bit coarse, no subterfuges.

Every activity of a bank should be judged, by the bank itself, against a social-value checklist, and modified, if not rejected, until or unless it fulfils society-enhancing objectives. Given the miserable failure of banks in recent decades to achieve this self-moderating behaviour, due to the obvious ethical vacuum in the leadership strata, this same role must be practiced and enforced by genuine regulation, informed by these same social values, that is, regulation that has teeth and is applied at the first whiff of deviation from propriety.

Bail-in

We are utterly opposed to any form of bail-in being allowed in the Australian banking system, and, frankly, are disgusted by the complicity of parliamentarians and the banking industry, including the so-called regulators, at making the current legal position fuzzy, ambiguous, and indirect, so that no-one can unequivocally state that, in a banking industry crisis, a percentage of deposits cannot be converted to shares, or whatever instruments by any other names the banks care to use, to avoid insolvency. Such a procedure is theft, plain and simple, because even Blind Freddy knows that such shares are only worth what they can be sold for at any given time, and the certainty is that they would not realise anywhere near their paper value in the days, weeks, and months following such a blatant raid on ordinary people's savings; you could probably bet your life that they would never be worth more than at their original conversion date.

General Observations

We believe that if you assembled a class of average lower primary school students, and explained to them the working models and the incorporated incentive schemes, including obscene executive remuneration and bonuses, of the Australian banking industry of recent decades, and the conflicts of interest from the regulatory bodies, including government itself, then most of them would predict much of the reprehensible behaviour and cruel and abysmal outcomes for the customers and sundry stakeholders as exposed by the recent Royal Commission. Common folk losing their homes, farms, life savings, health, even suiciding.

It is crystal clear that the essential ethical core needful to excel in a good and right way, does not approach critical mass in the leadership

levels of the banking industry (nor, sadly, in much of business and government), and until it does, greater enlightened regulation, and execution of such regulation, is essential to avoid predictable, and sometimes manufactured, financial crises. Immense harm has been done to many of our citizens, private and in business, by an industry that, once upon a time, had high trust.

Easy credit at extortionate interest rates is but one of many deplorable practices which harm the weakest and most vulnerable. There is no good reason why the banking industry cannot regain this trust resulting from achieving best practice as the norm, but it obviously will require to be coerced for the foreseeable future.

Of particular import, given that we have an adult child in her mid-thirties who has olympian financial hurdles to overcome in order to buy her own home and have children, as is the case for hundreds of thousands of younger people, the banking industry should be ashamed to have sunk so much of the money in its ambit into funding speculative and 'investment' property purchasing, while real wealth-producing industries and businesses go begging. Result: a looming real estate bubble of frightening and dangerous proportions, a housing-disenfranchised generation, enormous numbers of homeless, and, due to a balancing paucity of affordable funding for industry, an increasingly manufactured-import dependent nation.

Well done!

To hold and invest the citizenry's money is a sacred trust, and only the finest leadership and companies deserve the privilege.

With our kindest regards, hope, and trust ... Allan and Jayne Lane



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