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New bail-in regime in effect: Stop zombie banks taking your savings and your life!

In the lead-up to Christmas 2015 four insolvent Italian banks remained open for business when more than 10,000 of their customers had just lost everything; one loyal customer, a 68 year-old retiree, lay dead, having written a note accusing his bank of stealing all his savings, before committing suicide on 28 November.

This tragedy will repeat on a larger scale, as the London-centred financial oligarchy has unleashed a new fascist imperative on the European Union, adopted a year earlier in the UK itself: the universal bail-in policy called the Bank Recovery and Resolution Directive (BRRD), which went into force on 1 January. It was this which drove the Italian government to bail in the bondholders of the four insolvent banks, knowing the impact would be much worse after the 1 January deadline. As of now bail-in will no longer be done on a case by case basis in the EU—it is the law.

The days of insolvent banks being put through bankruptcy and their assets used to pay out depositors first and foremost, followed by other investors, are gone. Now, the liabilities of the banks—the money they owe to shareholders, bondholders and depositors—will be progressively bailed in, until the ledger balances up enough to allow for the bank's continued operation.

Why aren't they just put through bankruptcy and shut down? The global financial system sits on such a precipice that the collapse of even the tiniest part of it can set loose an avalanche of derivatives, causing the entire banking system to implode. We had a glimpse of this in 2008, when even inter-bank lending ceased, but the bubble is far larger now, and the stakes much higher for the City of London and Wall Street—with a new global order for growth and development, led by the BRICS nations, threatening to take over when their trans-Atlantic system blows.

We are entering a new phase of the global financial crisis. Dozens of hedge funds and mutual funds collapsed from December through January; there has been a spike in defaults and bankruptcies of junk bond debtors; 25 per cent of the \$5 trillion of debt associated with the oil and gas sector held by



Italians protest “furto legalizzato”—legalised theft—outside the bailed-in Banca Etruria in Rome in December. Photo: Il Tirreno video.

large US banks is “distressed”, and resource prices continue to decline; Puerto Rico defaulted on almost \$40 million of sovereign debt on 4 January; European banks were unable to sell a single euro worth of corporate bonds during the first week of 2016; and the famous Baltic Dry Index, which measures cargo transportation, fell to its lowest level ever recorded, just one thirtieth of its 2008 peak. On 29 December Portugal's Novo Banco was bailed in (page 3), and there will be many more to come.

Australia effectively has de facto bail-in powers already through the regulatory agency APRA, as we document on page 5.

How did we enter this new world of bank bail-in? The shift that made our banks “too big to fail” came with the dismantling of Glass-Steagall. Banks have become gambling houses and, as a consequence, people will die. As the looting of the savings of billions of people unfolds, boosted by new waves of austerity measures and fascist laws justified by terrorism brought to you by the same financial oligarchy that is pushing bail-in, the real economies of nation after nation will shut down.

Fortune magazine on 23 December stated that the new EU bail-in model is “meant to weed out the zombie banks from the healthy ones. But clean-ups like this *invariably mean brutal transfers of wealth from one class to another*, causing the kind of political storm hated by governments” (emphasis added).

Only the zombie banks—on perpetual life support, never allowed to die—will prevail, at the cost of humanity, if this new paradigm is allowed. The CEC and our many collaborators across the planet *will* stop this—because who wouldn't prefer Glass-Steagall, national banking and the grand economic development plans which it can fund for a bright and prosperous future? We guarantee there will be a political storm!