Citizens Electoral Council of Australia

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Independent Political Party

18 February 2019

Senate launches inquiry into breaking up the banks—make a submission

The Senate Economics Legislation Committee on 14 February initiated an inquiry into the Banking System Reform (Separation of Banks) Bill 2019.

Click here for the inquiry website: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/BankingSystemReform

This is a major blow for the banks, which had assumed that the Hayne Report from the banking royal commission, which did not recommended structural separation, would be the final word on the issue—bank shares soared on the news they wouldn't be broken up. They celebrated too early, however.

On 12 February, a week after Hayne's report became public, Senator Pauline Hanson introduced into the Senate the same bill that Bob Katter had introduced into the House of Representatives in June 2018. This bill was carefully drafted by the Citizens Electoral Council based on the USA's successful *Glass-Steagall Act* of 1933 and the updated "21st Century Glass-Steagall Act" bill currently before Congress, adapted for Australia's financial system.

The bill separates traditional commercial banks that take deposits and make loans from all other financial activities. This solves the problems of both vertical integration—the gross conflict of interests involving banks advising their customers to buy products from other businesses the banks also own; and 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.

Support

Bank separation has the support of most cross-bench politicians in Parliament, including the Greens, Centre Alliance, One Nation and independents. It is also supported by key backbenchers in all of the major parties. The Labor Party had said they would support it if recommended by the royal commission; however, sticking with that position is untenable. They know that Commissioner Hayne's terms of reference forbade the investigation of "structure", which Labor had intended a royal commission would have looked at. Also, even Labor's senior statesman Paul Keating has strongly criticised Hayne for not recommending structural separation.

(Hayne's recommendation against structural separation is a scandal: that section in his report includes a blatant lie, and experts familiar with public inquiries have accused Treasury of a "dirty trick" to rig the outcome in favour of the banks.)

Opposition

The opposition to separation comes from the big banks, the discredited regulators which are captured by the banks, and the leadership of the major parties who take huge donations from the banks. The banks wish to keep the parasitical structure that has enabled them to amass huge profits, not only through gouging their customers but also through gambling with their deposits, which they use to underwrite their huge derivatives bets that collectively amount to more than $40 trillion. There is a revolving door between the banks and regulators: high-powered executives from banks take key positions in the regulators, such as ex-UBS chief John Fraser taking over as Treasury Secretary in 2013-18 and former senior investment bankers holding six of the nine positions on the executive of bank regulator APRA; and regulators retire to plum banking positions, such as former Treasury Secretary Ken Henry becoming chairman of NAB and former RBA governor Glenn Stevens joining the board of Macquarie Bank. And not only do the big banks donate to the major parties, but so does the Australian Banking Association which lobbies for them, as do the Big Four global accounting firms which audit the major banks and have a track record of covering up dodgy bookkeeping by banks all over the world.

Make a submission

This inquiry is the chance for the Australian public to force the debate on banking separation that the royal commission was not allowed to have. The Senate Economics Legislation Committee is taking submissions from the public, so every concerned Australian should make a submission.

Here are some points to note about the Glass-Steagall principle of full banking separation:

- It works, as proved by its success for almost 70 years (1933-99) in America;
- It ends the conflicts of interests of vertical integration, which is the only way to ensure the misconduct exposed by the royal commission can't happen again;
- It protects deposits from the dangers of speculation, which boosts confidence in the banking system;
- It stops banks from diverting credit into unproductive financial speculation, thus making more credit available for lending to neglected sectors such as small business, industry and farming.

The submissions deadline is 12 April, but don't delay—make your submission today!

How to make a submission

Written submissions can be delivered to the Committee in two ways: 1) by physical post; 2) online.

1. Post your written submission to: Senate Standing Committees on Economics

PO Box 6100 Parliament House, Canberra ACT 2600
Phone: +61 2 6277 3540; Fax: +61 2 6277 5719
Email: economics.sen@aph.gov.au

2. For online submissions, which the Committee prefers, click on this link for the contact details of the Committee, a copy of the Bill and Explanatory Memorandum under "Information about the bill", and information on how to upload a submission: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/BankingSystemReform

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13 February 2019

Pauline Hanson introduces bill to break up the banks

One Nation leader Senator Pauline Hanson has introduced the Banking System Reform (Separation of Banks) Bill 2019 into the Australian Senate, for a Glass-Steagall-style structural separation of the too-big-to-fail (TBTF) banks.

(The US *Glass-Steagall Act* of 1933 separated deposit-taking commercial banks from risky investment banking as well as other financial services, including insurance. It successfully protected Americans from banking crises for almost 70 years until its ill-fated repeal in 1999.)

Senator Hanson moved on 12 February: "That the following bill be introduced: A Bill for an Act to re-establish confidence in the banking system, to separate retail commercial banking activities involving the holding of deposits from wholesale and investment banking involving risky activities, and for other purposes."

The Separation of Banks bill will do what the banks and government ensured the Hayne royal commission didn't do—break up the structure that has transformed the banks into predatory profit-gouging machines at the expense of their depositors and customers.

Virtually every hearing of the banking royal commission threw up evidence that the vertical integration of banks—the combination of normal banking with insurance, financial advice, funds management, stockbroking and superannuation—was a massive conflict of interest which the banks exploited to lure customers into products they didn't need and charge fees for no service, including to the dead.

The government had colluded with the banks to rig the royal commission's terms of reference to ensure that it didn't examine the structure of the financial system; consequently, despite the issue dominating the hearings, royal commissioner Kenneth Hayne did not recommend structural separation, to the extreme glee of the banks and their international investors who profit from their gouging business model.

In essence, by not recommending separation, Hayne's punishments in his final report did not meet the crimes revealed in his hearings, and the banks know they have got away with it. Many experts have criticised this as the biggest failing in Hayne's final report.

Senator Hanson's bill dares to go where Hayne couldn't. It fully breaks up the vertical integration structure, giving the banks two years to divest from their non-core financial businesses.

It also ends the so-called horizontal integration of commercial banking with investment banking, the trading in risky securities and derivatives, which exposes deposits to dangerous speculation. The banks not only use deposits as collateral for their gambling, but when their bets blow up and they face collapse, as happened in the 2008 crash, they use their deposits to extort the government to bail them out, under the threat that if they crash they will take their innocent customers' savings with them. This is what it means to be "too big to fail". More recently, governments, including Australia's, have enacted "bail-in" laws to pre-empt the collapse of TBTF banks by seizing deposits to absorb the banks' gambling losses. Hanson's Separation of Banks bill ends TBTF, and protects deposits by not letting them be exposed to risky activities.

Finally, it brings the failed regulator APRA under much stricter Parliamentary control.

At the conclusion of her speech introducing the bill, Hanson said: "The Australian population are appalled at the bad behaviour of bank management. The quest for greater profits to the detriment of their own depositors is disgraceful.

"The quest for greater bonuses has transcended into pressure on staff throughout the banking system to push their depositors into taking that bank's financial services advice which results in those depositors taking out related company insurance and superannuation policies without concern as to their suitability. Of course, the epitome of that bad behaviour is taking fees from estates of deceased persons.

"The Banking System Reform (Separation of Banks) Bill 2019 will put in place a banking system that, I hope, will prevent a repetition of the history being aired before the Hayne Royal Commission."

And it will. Demand your MPs and Senators support it.

What you can do:

• Call your MPs and Senators today with this message: The royal commission is a massive failure—you must support the Banking System Reform (Separation of Banks) Bill 2019 to break up the banks!