



## IMF demands end of democracy in Australia's banking system, full 'bail-in'

The International Monetary Fund (IMF) is demanding that Australia move beyond the back door "bail-in" scheme passed last year, and enact a full, statutory bail-in regime that explicitly includes seizing deposits to prop up failing banks.

And to ensure the Australian people who would lose their savings cannot persuade the government to block a bail-in order, the IMF is also demanding an end to all democratic safeguards over the Australian Prudential Regulation Authority (APRA), the banking regulator in charge of bail-in.

The IMF's February 2019 Financial System Stability Assessment for Australia makes clear that the agenda is 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.

### Whose 'financial stability'?

The IMF's Assessment of Australia was based entirely on the criteria of "financial stability", which is the pretext for bail-in. The Assessment's main author, Nigel Jenkinson, chief of the IMF's Financial Supervision and Regulation Division, has been on the Financial Stability Board (FSB) since its founding in 2009. The FSB is based at the Bank for International Settlements (BIS) in Basel, Switzerland, and is the command centre of the push for a global bail-in regime.

The FSB was created to ensure there would not be a recurrence of the 2008 global banking meltdown triggered by the collapse of US investment bank Lehman Brothers. Instead of ending the reckless and criminal practices of the banks, however, by restoring successful regulations such as the Glass-Steagall separation of banking from speculation, and cracking down on the banks' gambling in the dangerous derivatives that had caused the crisis, the FSB developed bail-in. Its purpose is to ensure that in future, banks facing collapse won't be allowed to fail and set off a chain-reaction collapse like Lehman did; rather, the authorities would prop them up by seizing the funds of their customers and creditors.

This bail-in policy is evil, unjust and insane. It seeks financial stability for the banking system by destroying the financial stability of depositors and creditors. This will actually destroy confidence in banks!

### Statutory bail-in of deposits

Bail-in has been legislated in the USA, UK, EU,

Canada and New Zealand. An initial form of so-called contractual bail-in was snuck through the Australian parliament in February 2018 with only a handful of MPs and Senators present. Now the IMF is saying that's not enough:

"More needs to be done to ensure that the authorities are well-positioned to resolve a systemically important bank or to address a systemic banking crisis", the Assessment demands. That "more" is statutory bail-in powers, which means a law giving APRA power to bail in whatever is necessary to save a bank.

The IMF is demanding this because it is taking the government at its word that the conversion and write-off provisions in the APRA crisis resolution powers law snuck through last year don't extend to deposits: "in the absence of provisions on statutory bail-in", the IMF states in a footnote, "such conversion and write-off provisions cannot be applied more broadly to other bank liabilities (excluding insured deposits)."

However, the CEC and other experts including former APRA Principal Researcher Dr Wilson Sy, leading banking analyst Martin North and outspoken economist John Adams have shown this isn't true, and in fact the existing law includes a huge loophole that is a back door for the bail-in of deposits. But in accepting the government's claim and saying it isn't enough, the IMF is proving that the whole point of bail-in is to seize deposits.

(The IMF's stipulation that bail-in will exclude "insured deposits", which are deposits up to \$250,000 guaranteed by the government's Financial Claims Scheme (FCS), is no assurance, as the FCS is not activated and the government has discretion whether or not to activate it. Even if true, any bail-in of deposits over \$250,000 will smash thousands of small and medium businesses, local authorities, charities, prudent elderly savers and superannuation cash accounts.)

### End democratic safeguards

In the context of statutory bail-in powers to seize deposits, the IMF demands three changes to APRA:

1. A clarification of APRA's responsibilities, which currently are stated as "the protection of the depositors" of the banks and "the promotion of financial system stability in Australia", to reflect the fact that "financial stability" is the primary objective, ahead of depositor protection;

2. An end to the Treasurer being able to direct APRA, and to the current requirement that APRA obtain the consent of the Treasurer to implement certain measures in a bail-in "resolution";

3. An end to Parliament being able to disallow an APRA prudential standard, a democratic safeguard which the IMF insist “weakens” APRA in terms of its ability to enforce measures (such as bail-in) to achieve financial stability.

In Australia’s official response to the IMF, included in the Assessment, Australia’s authorities disagreed with these latter two demands to make APRA totally “independent”. Worryingly, however, their reason was not that these demands constitute an anti-democratic assault on our sovereignty, but that the democratic controls over APRA have never been used, *implying they never will*. This indicates that for all intents and purposes, Australia’s banking system is already under the control of the international bail-in mafia.

### **Fight bail-in—make a submission!**

Australians must fight bail-in and this assault on our democracy with all their strength. We actually have the upper hand, because the CEC’s tireless campaign against bail-in since 2013 has made the government very nervous about being blamed for stealing

deposits. Even the IMF acknowledges in an accompanying Technical Note that “Australia has adopted a cautious public stance on creditor bail-in.”

The most important way Australians can fight this agenda immediately is by making a submission in support of the Banking System Reform (Separation of Banks) Bill 2019, introduced by Senator Pauline Hanson on 12 February. The Senate Economics Legislation Committee is conducting an inquiry into this bill which, if passed, will smash the bail-in agenda. It does the exact opposite to what the IMF demands:

- it fully protects deposits with a Glass-Steagall-style separation of deposit-taking banks from speculation; and

- it brings APRA under much *tighter* parliamentary control, so it is democratically accountable and cannot impose international directives such as bail-in that will hurt the Australian people.

Visit this link [http://cecaust.com.au/releases/2019\\_02\\_18\\_Submission.html](http://cecaust.com.au/releases/2019_02_18_Submission.html) for instructions on making a submission to the Senate Economics Legislation Committee inquiry into the Banking System Reform (Separation of Banks) Bill 2019.

## **Make a submission before 12 April 2019**

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 your 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: 02 6277 3540; Fax: 02 6277 5719

Email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

or

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](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/BankingSystemReform)