

Citizens Electoral Council of Australia

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Independent Political Party

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The Cyprus option, or Glass-Steagall?

The Cyprus “solution” sets a precedent for future IMF-dictated banking rescues—deposits will be stolen to prop up banks.

A Glass-Steagall-style banking separation will protect deposits, and therefore the solvency of banks, by splitting banks with deposits away from the high-stakes gambling of investment banking, and the investment banks will be allowed to fail without any blowback on depositors. Glass-Steagall will thus altogether eliminate the need for bailouts, all of which ultimately fall at the feet of the taxpayer, and, as we have seen, solve nothing.

Now, as we witness what are potentially the initial rumblings of an avalanche of bank collapses, the question is, which way will Australia go?

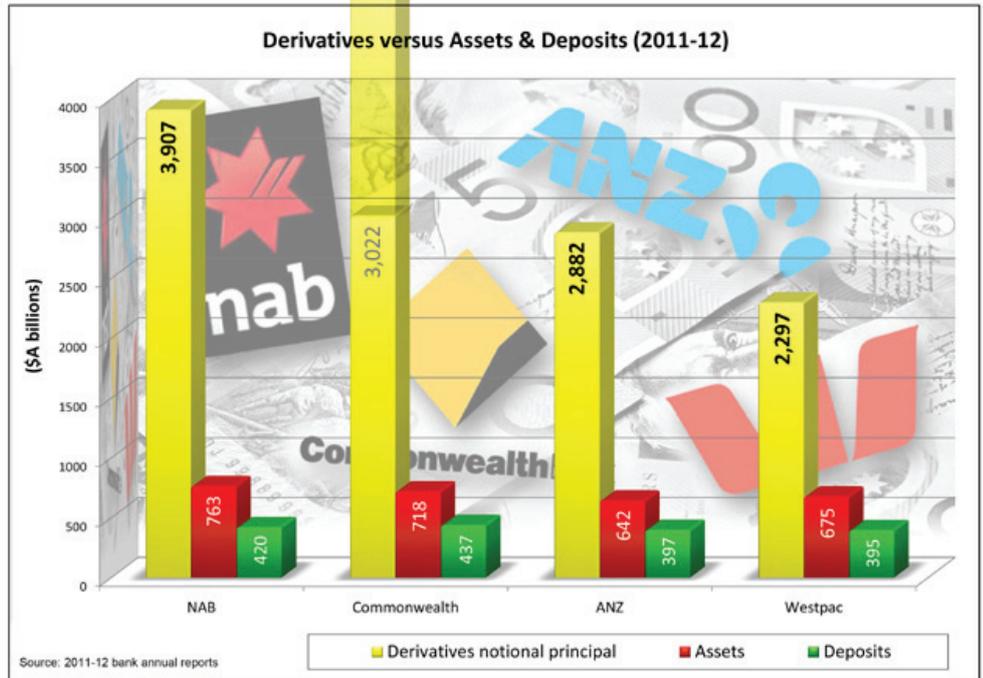
It's pointless consoling yourself with the illusion that Australia's banks are bulletproof. In December, the experts in Europe consoled themselves by declaring the eurozone crisis over, and now look at what's happened in Cyprus.

Cyprus banks made bad bets on Greece's debt, which effectively bankrupted them, and again raised the prospect that a nation might be forced to withdraw from the European Monetary Union and the euro.

To prop up the euro, the Troika—IMF, European Central Bank and EU—demanded Cyprus confiscate money from the banks' customers, the depositors: 6.75 per cent on accounts under 100,000 euros, and 9.9 per cent on accounts over 100,000.

This cure was worse than the disease, because it shredded the Europe-wide guarantee announced by German Chancellor Angela Merkel at the height of the eurozone crisis that bank deposits up to 100,000 euros would be protected; Merkel herself signed off on the Troika's demands to Cyprus, so depositors all over Europe are now in a panic, because they fear their guarantee is worthless.

Only the Cyprus parliament has done anything to preserve the guarantee, by emphatically rejecting the Troika's demands; however, deposits above the guaranteed threshold of 100,000



The derivatives exposure of Australia's big four banks, contrasted to Assets and Deposits, as disclosed in their 2012 Annual Reports. The one exception is CBA, which stopped disclosing its derivatives exposure after its 2011 Annual Report. The CEC asks the question: What is CBA hiding?

are at risk—the Cyprus parliamentarians agreed to massively tax deposits over 100,000 euros, and the Dutch chairman of the eurozone has sparked panic by announcing the Cyprus arrangement would be the template for future crises.

So, which way will Australia go?

The CEC is leading the fight for Australia to go with a Glass-Steagall banking separation. A petition to federal Parliament is circulating nation-wide, and delegations of CEC activists and supporters are meeting MPs.

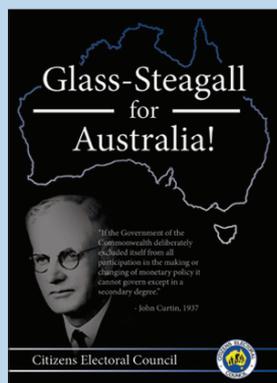
Get involved:

- sign and circulate the petition; www.cecaust.com.au/Glass-Steagall/
- see your MP;
- subscribe to the CEC's weekly publications;
- join the CEC as a member.

GET A FREE COPY

For a complimentary copy of the new pamphlet **Glass-Steagall for Australia**, including the article, “What Glass-Steagall Will Do”, a dialogue with *Executive Intelligence Review* Economics Editor Paul Gallagher who explains the continuing danger derivatives pose to the global financial system, call toll-free **1800 636 432**, or send this coupon to: **CEC, PO Box 376, Coburg, Victoria, 3058.**

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21st of February 2013

Demand your MP support Glass-Steagall for Australia

The Citizens Electoral Council has this week issued a new pamphlet on the urgent need to break up Australia's big four banks through a Glass-Steagall-style banking separation.

Glass-Steagall for Australia explains how only by enacting a local form of the U.S. *Glass-Steagall Act's* strict separation between deposit-taking commercial banks and risky investment banks, can the government protect both depositors and the functionality of the nation's financial system from looming financial shocks.

The pamphlet includes:

The rush to enact Glass-Steagall laws in the U.S. and Europe;

A shocking analysis of Australia's highly concentrated banking system, and how only Glass-Steagall can protect extremely vulnerable Australian depositors;¹

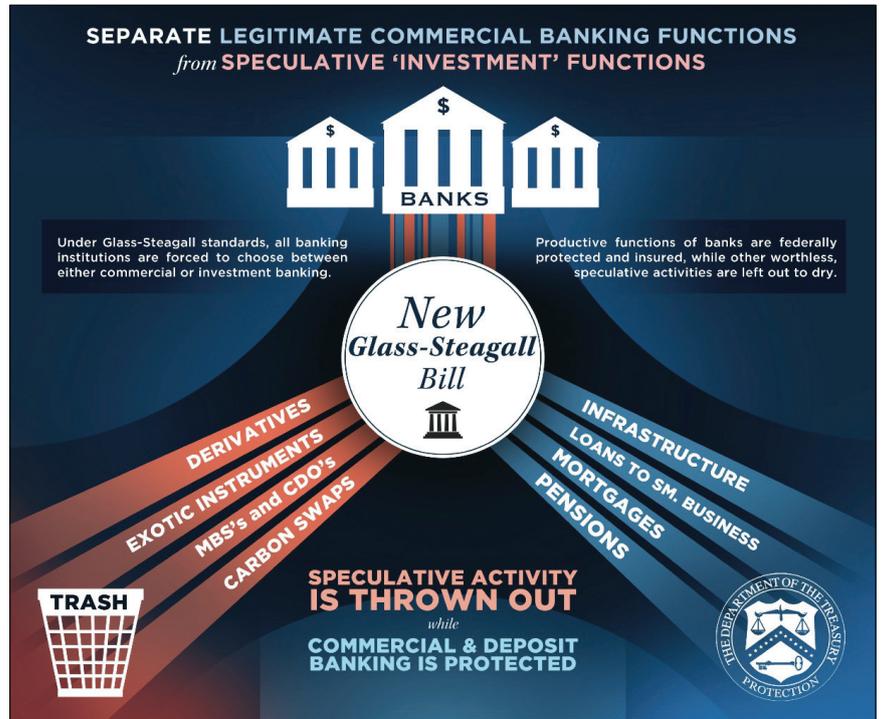
An explanation of what will be protected by Glass-Steagall;

The text of the current U.S. bill to re-enact Glass-Steagall in that country, House Resolution 129.

In this election year, only the CEC is addressing the looming threat to the financial system.

Presently Australian MPs across all parties are ignoring the threat, despite the fact that their international counterparts are rushing to establish Glass-Steagall firewalls in their nations for protection.

The last time Australia's ruling parties ignored such a financial threat, and the CEC's warnings of it, the GFC struck hard, wiping out thousands of retir-



ees, melting down superannuation accounts, forcing thousands from their family homes, and sending the banks to the edge of insolvency.

Concerned Australians should join the CEC's mobilisation to force Glass-Steagall onto the political agenda in Australia:

- Order a free copy of the pamphlet.²
- Show the pamphlet to your federal and state MPs, and local councillors, and demand they act officially to prioritise Glass-Steagall legislation for Australia.
- Join the CEC as a member.



(Left) Roosevelt signed the 1933 Banking Act ushering in 'Glass-Steagall' (Sen. Carter Glass of Virginia is shown at his immediate right and Rep. Henry Steagall of Alabama at his immediate left) and (Right) in 1999 Bill Clinton signed the repeal of Glass Steagall under the influence of the likes of Larry Summers.

Footnotes

¹ <http://cecaust.com.au/main.asp?sub=articles&id=/aus-gs.html>

² http://cecaust.com.au/main.asp?id=aus_glass-steagall.html