

# Citizens Electoral Council of Australia

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Independent Political Party

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## Tell your MP: dictatorial powers for APRA will not prevent a banking crisis—go with Glass-Steagall now!

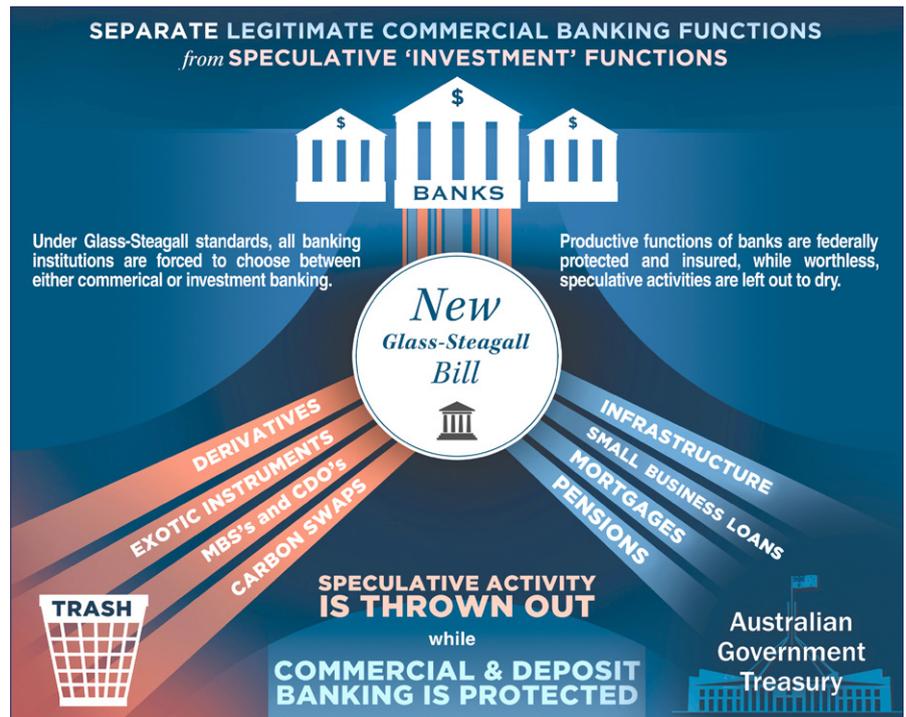
The Citizens Electoral Council is calling on all concerned Australians to demand their elected MPs oppose the new draft bill giving the unaccountable bank regulator APRA dictatorial “crisis management” powers. Tell your MP that instead they should act now to *prevent* a banking crisis by passing a Glass-Steagall separation of deposit-taking banks from financial speculation.

Glass-Steagall is the name of the successful US law that, from 1933 to 1999, strictly separated commercial banks that hold the public’s deposits, from all forms of financial speculation, including investment banking, insurance and stock broking. For the 66 years Glass-Steagall was in place there were no systemic banking crises in the USA; its repeal in 1999 led to the explosion of financial gambling that caused the 2008 global financial crisis. Australia’s major banks are financial Frankenstein’s monsters that combine commercial banking with risky investment banking, insurance, stock broking, and wealth management.

MPs must choose between the successful Glass-Steagall approach that worked, and which will prevent a banking crisis, or giving sweeping “crisis management” powers to the unaccountable agency that allowed the banks to engage in the practices that are leading to a crisis.

### APRA caused the crisis

Under APRA’s “supervision”, the banks have: built up a massive housing bubble by issuing more and more mortgages—now more than 60 per cent of all of their loans—against completely unrealistic housing values; allowed property investors to recklessly increase their leverage by using the unrealised capital gains on existing investment properties as collateral for more investment loans; issued an estimated \$500 billion in so-called “liar loans” to borrowers who only qualified for loans through false information; amassed a \$35 trillion exposure to derivatives, the toxic financial gambling instruments that blew out the global financial system in 2008; and, while being so reckless in housing and derivatives, simultaneously ruined many thousands of individuals, small businesses and farms through mass foreclosures triggered by penalty interest rates, corrupted valuations and a general policy of



starving regional Australia and productive businesses and industries of credit.

APRA, which already has enormous powers, has allowed the banks to put all Australians at risk of a devastating banking crisis, yet the Treasury plans to give APRA even more sweeping powers to “manage” such a crisis. Treasury is doing this under the direct influence of the banks, with which it has a managerial revolving door—for instance, current Treasury Secretary John Fraser moved over from the giant Swiss multinational bank UBS.

### Bail-in?

Treasury is also acting in coordination with the Financial Stability Board (FSB) that is based at the Bank for International Settlements (BIS) in Basel, Switzerland, of which APRA is a de facto subsidiary. These are the organisations that, following the 2008 GFC, developed the crisis-management policy called “bail-in”, under which a failing bank is kept afloat with money seized from its creditors, usually unsuspecting “mum and dad” investors and even depositors, as in Cyprus in 2013. Thanks to an intense mobilisation by the CEC in 2013, Australia has not yet finalised a bail-in regime, but this bill gives APRA the power it will need to direct a bail-in in the future.

Also, these organisations insist on what they call

“independence”, which means they do not want to be democratically accountable, and they do not want elected governments to have any say over the banking system. Current APRA chairman Wayne Byres was the secretary general of the BIS’s Basel Committee on Banking Supervision (BCBS) from 2011 to 2014, when it specified in its 2012 “Core Principles for Effective Banking Supervision”, there must be “no government or industry interference that compromises the operational independence of the supervisor”. Why? Because elected governments are extremely unlikely to implement policies like bail-in, which would cause an enormous political backlash, and in a crisis may be tempted to implement policies like Glass-Steagall that protect people but take away power from the banks. This bill gives APRA the power to manage a banking crisis, not the government.

### Bankers’ power grab

The draft Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017 is 228 pages long and the Explanatory

Memorandum is 174 pages long. A legal expert who examined the bill for the CEC observed that “it is no wonder that MPs have difficulty reading and understanding complex legislation and rely on their parties for explanations and directions as to voting”. It is therefore vital that constituents bombard their MPs with their concerns on this crisis management bill to force them to pay attention; otherwise, most MPs will not know what they are voting on.

The bill gives APRA dictatorial powers to totally control all Australian Authorised Deposit-taking Institutions (ADIs, i.e. banks, building societies, credit unions etc.), insurers and superannuation companies. These include the power to:

- direct the financial institution’s actions; appoint itself to take over the financial institution; and transfer assets from the financial institution, i.e. *all powers that would be needed for a bail-in*;
- exempt officers, employees, agents and APRA appointees from liability, i.e. *no accountability*; and
- prohibit public disclosure of these directives, i.e. *to take over the banks in secret!*

## What you can do

Visit, phone or email your MP with this message:

*The APRA crisis management bill gives dictatorial powers to the unaccountable agency that is responsible for the banking crisis Australia is heading into. Instead of managing the crisis, the government should pass a Glass-Steagall banking separation to prevent it—now!*

Visit [http://www.aph.gov.au/Senators\\_and\\_Members](http://www.aph.gov.au/Senators_and_Members) to search for the contact details of your MP

If you have not already sent your MP a copy of the CEC’s formal “Proposal for a Glass-Steagall separation of Australia’s banking system”, include it with your message (see below).

(Please inform the CEC of any response you get.)

**\*\*\* Call 1800 636 432 to order a hard or PDF copy/copies of the CEC’s succinct “Proposal for a Glass-Steagall separation of Australia’s banking system” to mail, email or deliver to your local MP or Senator. \*\*\***

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