

Citizens Electoral Council of Australia

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Independent Political Party

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Insist the Senate bank separation inquiry hold public hearings

The Senate Economics Legislation Committee inquiry into the Banking System Reform (Separation of Banks) Bill 2019 must be a thorough investigation of structural separation. The banking royal commission was blocked from conducting such an investigation, by its terms of reference written by the government and banks.

The Committee must therefore hold public hearings, so the politicians and public can hear from genuine experts who support separation, instead of having the outcome sewn up by the major parties and banks behind the scenes.

In particular, former bankers in the Liberal Party must not be allowed to rig the outcome of the inquiry.

If the committee does not hold public hearings, the Citizens Electoral Council will demand that Senator Jane Hume recuse herself as chair of the committee, due to her conflict of interest as a former senior banker at NAB, Rothschild Australia, and Deutsche Bank; and that her Liberal Party colleague Senator Arthur Sinodinos also step aside from the committee due to his conflict of interest as a former banker at Goldman Sachs Australia and NAB.

(Frankly, the best member of the committee is Greens Senator Peter Whish-Wilson, who, ironically, is also a former banker, but with Merrill Lynch in the USA and Hong Kong, and therefore he doesn't have a conflict of interest with an Australian bank. He is also an advocate of full bank separation, which is a Greens policy. However, as the sole non-major party member of the committee Sen. Whish-Wilson cannot stop the Liberals from rigging the outcome.)

The danger is that, without public hearings, Senators Hume and Sinodinos could try to use their control of the committee to effectively ignore the submissions supporting structural separation, and only base the committee's report on the submissions from the vested interests against separation—the banks, and regulators Treasury, RBA, APRA and ASIC, which have been captured by the banks.

This is what the Treasury-appointed secretariat of the royal commission did to ensure Commissioner Kenneth Hayne didn't defy his terms of reference and recommend separation. The chapter on structural separation in Hayne's final report, most of which he didn't write, stated of the submissions on structural separation that they considered: "Almost none of those submissions supported the enforced separation of product and advice." But the submissions cited were only from the banks and a few other contributors, which means that the secretariat pretended that thousands of submissions that *did* call for separation didn't exist. So many were there that financial commentator Alan Kohler reported in *The Australian* on 3 December 2018: "I have

been opening a random sample of the 10,140 submissions—just short ones from individuals. Without exception they called for the banks to be broken up and most of them, surprisingly, used the term 'Glass-Steagall'—suggesting that the now-repealed American law that used to forcibly separate banking from insurance and investment banking be introduced into Australia."

Holding public hearings would be the best way to guard against a repeat of the royal commission farce and ensure a fair and transparent inquiry.

According to the minutes of the Senate Selection of Bills Committee, which referred the Separation of Banks bill to the Senate Economics Legislation Committee for inquiry, the committee has a possible reporting date of 13 May, and the possibility of hearings in capital cities within a three-month period "subject to the availability of the committee".

The committee therefore has the discretion to schedule hearings, at which they could question banking experts who are not captured by the banks, and who would testify to the benefits of structural separation, which could include:

- Former ACCC chairman **Professor Allan Fels**, who has endorsed the Greens' separation policy and emphasised the need to end both vertical and horizontal integration, which the Separation of Banks bill does.

- Former ANZ director **John Dahlsen**, also the former chairman of Woolworths, Herald and Weekly Times, and Southern Cross Broadcasting, who would testify on the bill's provisions relating to APRA, which he calls "the monster that protects the banks", and how separation is necessary to change behaviour but would also benefit bank shareholders.

- Former NAB chief executive and BHP chairman **Don Argus**, who said back in 2011 after the global financial crisis that the "right regulation" is to "separate commercial banking from investment banking".

- Former prime minister **Paul Keating**, who led the chorus of criticism of the royal commission for not ending the vertical integration of "product and advice".

- Former APRA and ASIC researcher **Dr Wilson Sy**, an expert on the regulators and their failings, who advocates Glass-Steagall as necessary to protect depositors from the risks of bank speculation, including in complicated derivatives, and to simplify the overly complex financial system so it is possible to regulate.

- Digital Finance Analytics principal **Martin North**, a leading expert on both Australian and international banking, capital markets, financial derivatives, and the domestic housing market, who advocates Glass-Steagall as the solution to too-big-to-fail banks, to reduce the risks in the system, and to drive better customer outcomes.

What you can do

- Make your submission and demand hearings! If you haven't yet made a submission to the Senate Economics Legislation Committee inquiry into the Banking System Reform (Separation of Banks) Bill 2019, do it straight away. In your submission, as well as emphasising the importance of bank separation, demand that the committee hold public hearings so they can get a full understanding of the issue from real experts who aren't beholden to the banks.

For the instructions on making a submission visit this link:

http://cecaust.com.au/releases/2019_02_18_Submission.html

- Call or email the members of the committee today to insist to them that they must hold public hearings:

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