

Citizens Electoral Council of Australia

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Independent Political Party

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FINANCIAL ALERT

What is the Commonwealth Bank hiding?

The mother of all shocks might be about to hit Australia's financial system.

The warning sign of this danger is the alarming decision by CBA, Australia's biggest bank, to hide the full truth about its exposure to trillions of dollars of derivatives obligations.

For the first time ever, CBA in its 2012 Annual Report deliberately omits the face value, also known as notional principal amount, of its derivatives obligations, and only reports the much smaller, and therefore less alarming, "fair value".

What does CBA have to hide?

When questioned by the CEC, a spokesman for the bank claimed that CBA had nothing to hide, and only omitted the figure because it wasn't relevant to the annual report.

However, when pressed, he admitted CBA no longer wanted to make public the figure that has been in every annual report for more than 20 years. By contrast, the other three major banks did disclose the face value of their derivatives exposure in their 2012 annual reports.

In the period since toxic derivatives blew up the global financial system in 2008, Reserve Bank of Australia figures show that Australia's banks have gone on a derivatives binge, massively increasing their collective exposure from \$13 trillion to just short of \$20 trillion. The vast majority of that exposure is concentrated in the big four banks.

The majority of the growth in derivatives exposure has been in CBA, which has seen its derivatives more than double between 2008, when it reported a face value derivatives exposure of \$1.426 trillion, and 2011, when it reported \$2.884 trillion.

At this breakneck rate of growth, the level of exposure CBA reached in 2012 is information that is important to the public's understanding of the state of the bank.

CBA's derivatives binge coincides with its record run of profits, but raises the question: are those profits real?

Former Morgan Stanley derivatives trader Frank Partnoy in his 1997 exposé of derivatives, *FIASCO: Blood in the Water on Wall Street*, insisted that derivatives are sold to cover up losses and to make losses appear to be gains for short periods of time (Partnoy got out of derivatives trading because he was convinced he would go to jail if he stayed in it). Partnoy's admission has been borne out in numerous cases, including the 1995 collapse of the British Barings Bank; the 2001 bankruptcy of U.S. energy giant Enron after years of using derivatives to cover its losses; and the 2008 Lehman Brothers-triggered meltdown of the \$1,400 trillion global derivatives bubble that bankrupted not only Wall Street and the City of London, but entire nations, especially in Europe.

Citizens Electoral Council leader Craig Isherwood declared today, "The CEC is sounding the warning siren on this issue, because after the carnage derivatives caused in 2008 no bank should get away with hiding its derivatives exposure.

"The fact that CBA would try this cover-up proves the point that Australia desperately needs a Glass-Steagall banking separation which breaks up the big four banks, to keep the banks that hold deposits firewalled off from the financial sectors that are so massively exposed to these toxic side-bets."

Isherwood concluded, "The CEC is on an urgent mobilisation to get Glass-Steagall enacted in Australia before the next global financial shock wipes out our vulnerable financial system.

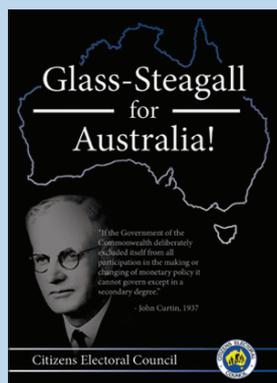
"U.S. statesman and physical economist Lyndon LaRouche has just issued a warning, *A Bail-Out Was Never Possible: The Intent is Genocide*, that has dire implications for the financial system of every nation, including Australia.

"Every concerned Australian should join us!"

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;

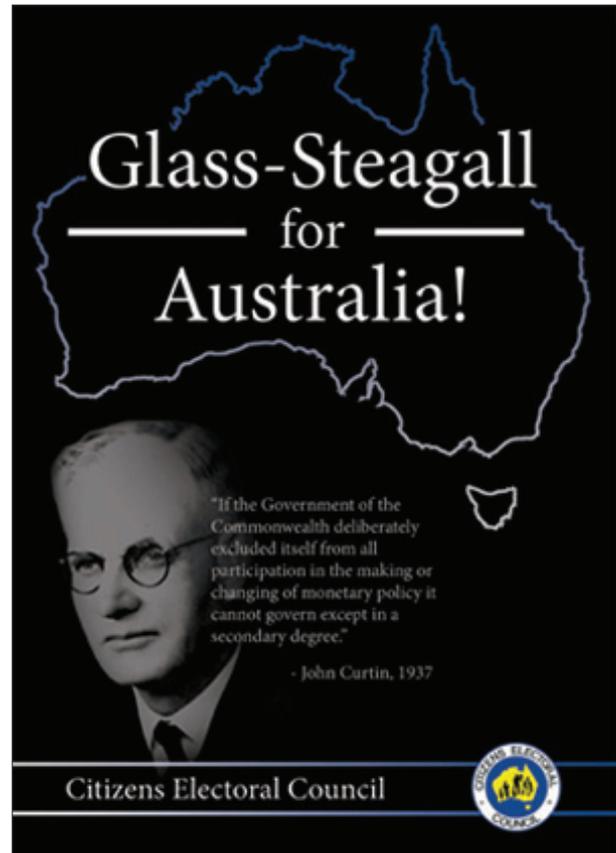
The text of the current U.S. bill to re-enact Glass-Steagall in that country, House Resolution 129.

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 retirees, 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 mobilisa-



Cover of the new pamphlet *Glass-Steagall for Australia*.

tion 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