

Citizens Electoral Council of Australia

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Independent Political Party

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Stop Parliament from secretly legislating to steal deposits; demand Glass-Steagall law instead

The Citizens Electoral Council has just discovered that legislation is being secretly prepared to give Australia's banking regulator "bail-in" powers to confiscate the savings of the Australian people, just as in Cyprus.

The CEC is mobilising to expose and stop this secret plan, and force the Parliament to instead fully protect deposits and essential banking services from an inevitable collapse by passing a Glass-Steagall separation of speculative investment banking from banks that hold deposits.

Except for the CEC, the only information reported to the Australian people that "bail-in" is planned for Australia was the 3 June *Australian Financial Review* article reporting that the Bank for International Settlements (BIS) has "proposed" [sic] to the Australian Prudential Regulation Authority (APRA) that it grab creditors' funds, including deposits, to prop up a failing major bank.¹

However, the CEC has discovered that six weeks earlier, on 15 April, the BIS's global enforcer of bail-in, the Financial Stability Board (FSB), reported to the G20 that "legislation is in train" in Australia to give APRA deposit-confiscating bail-in powers. [See footnote 2.]

What is this legislation "in train"? Has it been passed? If not, is it planned to be rammed through Parliament in this current fortnight's final sitting, under cover of the 200 (!) other pieces of legislation that the government intends to ram through in this fortnight?

The crisis is now!

The CEC is exposing this plot just as the global financial system is being rocked by the beginnings of the next phase of financial meltdown—and Australia's banks are right in the way.

The U.S. Federal Reserve's mutterings, that it is considering "tapering off" the torrent of hyperinflationary money-printing that it has been pumping into the global financial system for four years, have triggered massive turbulence and capital outflows globally, including the sudden rush of capital out of countries such as Australia and Brazil, which has caused currencies to plunge, and a sudden collapse of the global bond market—by almost 90 per cent in the U.S. last week—which the 13 June *Financial Times* warns is "threatening to halt a global refinancing wave".

Australia's banks are exposed to hundreds of billions of dollars of short-term foreign debt, and \$20 trillion dollars

of domestic and global derivatives obligations. The last time capital fled Australia this fast and caused such a plunge in the dollar, in 2008, the big banks found that they could no longer borrow to roll over their foreign debts, and had to go screaming to the Rudd government for guarantees, warning that otherwise they would be "insolvent sooner rather than later".

The Big Four banks have gone on such a binge of derivatives gambling since 2008—led by CBA—that they are even more vulnerable today—a fact which makes the BIS and APRA desperate for the new "bail-in" powers, fully expecting to use them, and soon [see back page].

What you can do

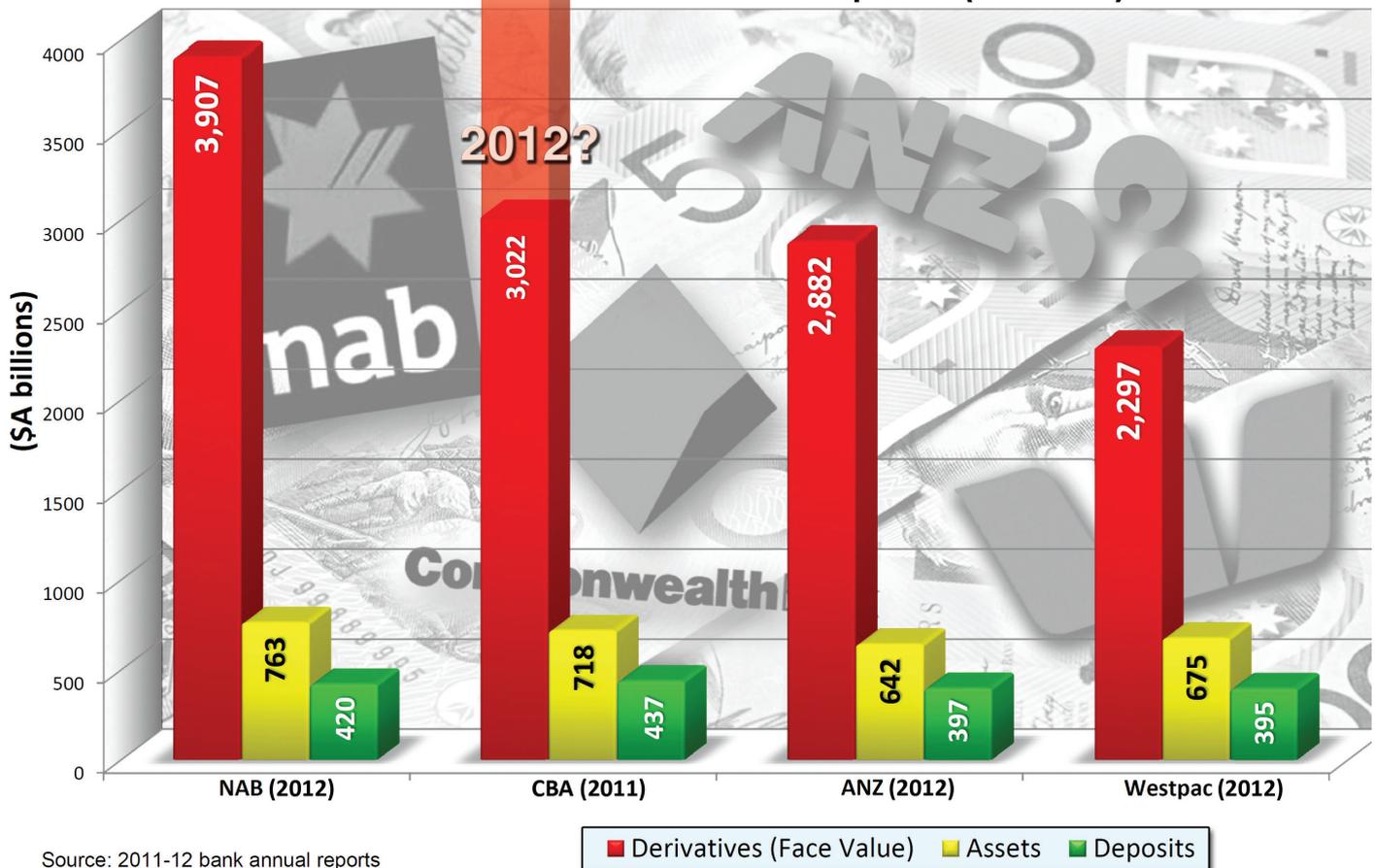
- Join the CEC's days of action. Thousands of copies of this flyer and the New Citizen newspaper are being distributed from coast to coast. Take extra copies for your bank manager, local councillors, and everyone else you know.
- Call your MP, Treasurer Wayne Swan, and Opposition Treasurer Joe Hockey in Parliament House, which is sitting this week and next week. Call the switchboard on 02 6277 7111 and ask for their offices, and demand they scrap any plans for "bail-in" legislation, and enact Glass-Steagall instead.
- Join the CEC as a member. Go to www.cecaust.com.au or call 1800 636 432

Footnotes:

1. http://cecaust.com.au/releases/2013_06_05_Kill_BIS_F.html

2. The FSB report reads: "(1) Completing the resolution toolbox for banks - It is critical that authorities have a broad range of powers at their disposal when faced with a crisis. This is not the case in all FSB jurisdictions. In many jurisdictions, resolution authorities still lack the powers set out in the *Key Attributes* to achieve rapid transfer of assets and liabilities and to write down debt of a failing institution or convert it into equity ("bail-in"), *although legislation is in train in some jurisdictions* (including Australia, Brazil, the EU, France, Germany, Indonesia, Singapore and South Africa) to align national regimes fully with the *Key Attributes*." (Financial Stability Board: *Implementing the FSB Key Attributes of Effective Resolution Regimes—how far have we come?* 15 April 2013, p 3.) [Emphasis added.]

Derivatives versus Assets & Deposits (2011-12)



Australia's Big Four banks are terminally exposed to trillions of dollars of toxic derivatives, the very gambling bets that blew out the global financial system in 2008. CBA's exposure has increased so rapidly that it decided to hide its actual position in its 2012 annual report. These derivatives obligations so completely dwarf their assets and deposits, when one of these banks fails, all deposits will be confiscated to plug the hole.

The only solution is Glass-Steagall:

Citizens Electoral Council Petition to Federal Parliament
Tabled 3 June 2013

Australia Urgently Needs a *Glass-Steagall* Separation of Banks

TO THE HONOURABLE THE SPEAKER AND MEMBERS OF THE HOUSE OF REPRESENTATIVES

This petition of the Citizens Electoral Council of Australia draws to the attention of the House the threat facing Australia's banking system from the deepening global financial crisis, which puts at serious risk the bank deposits of the Australian people, and essential banking services for the real economy.

Australia is now vulnerable because our banking system is concentrated in just four banks, which between them hold the overwhelming majority of deposits and provide the majority of banking services, but which have dangerously exposed themselves to shocks in the global financial system, including through nearly \$20 trillion in derivatives speculation.

We therefore ask the House to take immediate action to protect deposits and essential commercial banking services, by enacting strict banking separation as did U.S. President Franklin Roosevelt's *Glass-Steagall Act 1933*. *Glass-Steagall* split deposit-taking, standard commercial banks from Wall Street's speculative investment banks, creating entirely separate entities under different roofs, thus successfully protecting the U.S. banking system until *Glass-Steagall's* repeal in 1999. We ask the House to apply the *Glass-Steagall* principle to Australia through legislation to divide each of the four major banks into two parts: 1) normal commercial banks as per *Glass-Steagall* standards, and 2) institutions involved in investment banking and other forms of speculation. Banks that speculate will then do so with their own money and at their own peril, with no government protection whatsoever.