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Independent Political Party

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Government senator confirms APRA law is 'bail-in'—amend it to exclude deposits!

A government Senator has contradicted Treasury and the ex-banker who controls the Senate Economics Committee and confirmed that the APRA crisis resolution powers legislation sneaked through Parliament in February is a “bail-in” law.

Queensland LNP Senator Amanda Stoker’s explanation of the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018* proves that there is confusion in the government on this law, and therefore it needs urgent clarification through an amendment to explicitly state what the government claims—that it will not bail in bank deposits. (See below for instructions on demanding an amendment.)

Senator Stoker, a top barrister who has been a prosecutor as well as a judge’s associate in both the Queensland Supreme Court and High Court of Australia, explained in a 5 November 2018 letter to a constituent:

“The legislation facilitates bail-in as a type of resolution power which is available for dealing with financial institution distress. This was done after the G20 leaders endorsed a new Financial Stability Board standard for Total Loss-absorbing Capacity. Specifically, it builds on the Key Attributes which specifies that Financial Stability Board jurisdictions should have in place legally enforceable mechanisms to implement a bail-in. The purpose of the Total Loss-absorbing Capacity standard ensures there are mechanisms in place to stop the ‘domino effect’ and reduce loss on [*sic*] bank shareholders, creditors and the Government.”

This is the most accurate description of the Act ever to come from the government or a parliamentarian of either major party. Senator Stoker confirms: a) the law does implement bail-in for Australia; b) the bail-in mechanism is based on the Financial Stability Board’s (FSB) “Key Attributes”; and c) the intent of bail-in is to prop up a failing bank with the money of its creditors so it doesn’t trigger contagion in the wider banking system, i.e. it sacrifices the

customers of a failing bank or banks to supposedly save the banking system.

(That is a scam—the only sure way to save the banking system is to impose a full Glass-Steagall separation of banks with deposits, from speculative investment banking, which will stop banks from engaging in the dangerous gambling in derivatives that puts them and their deposits at risk in the first place.)

The FSB, based in the headquarters of the Bank for International Settlements in Basel, Switzerland, finalised its Key Attributes of Effective Resolution Regimes in 2012. Its “Bail-in within resolution” applies to “unsecured and uninsured creditor claims”, which means *deposits*.

The barrister vs the banker

Senator Stoker has completely contradicted Senator Jane Hume, the chair of the Senate Economics Legislation Committee who controlled the Senate inquiry into the law when it was a bill in Parliament. Senator Hume is an ex-NAB, Deutsche Bank and Rothschild Australia banker, one of a number of former bankers in key positions in this government which has done all it can to protect the crooked banks. Senator Hume’s inquiry rubber-stamped the law, which was then sneaked through the House of Representatives on 12 February, and the Senate on 14 February, with only a handful of MPs and Senators present and without a proper vote. In a 1 March 2018 letter to a concerned constituent, Senator Hume claimed:

“While I appreciate the concerns raised by the CEC, I can assure you that *this bill does not constitute what some are referring to as ‘bail-in’ legislation*. Treasury, the RBA, and APRA all confirmed in their answers that the Bill is definitely not ‘bail-in’ legislation.” (Emphasis added.)

For its part, Treasury stated in a supplementary submission to Senator Hume’s inquiry that the legislation “does not include a statutory power for APRA to write-down

or convert the interests of other creditors in resolution, including depositors of a failing ADI (a so-called 'bail-in' power)".

Who is telling the truth?

What the CEC knows, having fought the intention to legislate bail-in for Australia since 2013 when the FSB revealed in a report that "bail-in legislation is in train ... in Australia", is that this law is definitely a bail-in law. The only debate is: bail-in of what?

At a minimum, it empowers APRA to bail in so-called hybrid securities—special high-interest bonds that convert to effectively worthless shares in a crisis.

However, the law includes the broadly-worded clause "or any other instrument". The Greens, who were also concerned about the legislation, accepted the government's assurance that that clause did not include deposits, on the basis that it only applied to instruments that have conversion or write-off provisions in their terms, which deposit accounts do not. (Digital Finance Analytics' Martin North and economist John Adams have since revealed that banks are able to change the terms of deposit accounts at any time and for any reason, including on orders from the banks regulator APRA.) But at the time the CEC insisted that as bail-in applied to deposits in every other FSB

jurisdiction in the world, the government's assurance wasn't enough, and that if the government was genuine it should state *in the legislation* that it doesn't apply to deposits.

One Nation Senators attempted to do that back in February, but what happened next proved the government's assurance was a lie. When One Nation notified the government that they intended to move an amendment to the law to explicitly exclude deposits from being bailed in, the government offered to check the wording of their amendment, and while One Nation waited for the response, the government rushed the bill through the Senate and into law while the One Nation Senators were out of the chamber, and with only eight Senators present!

Tell your MP: amend the law!

Senator Stoker's honest appraisal of this law proves there is either confusion in the government's ranks, or they can't get their story straight. This bail-in law therefore requires urgent clarification, which can only be done through an amendment that explicitly states it will not apply to bank deposits. The government promises it won't, so they should have no reason to oppose an amendment that makes that promise explicit in the legislation. If they do oppose such an amendment, it proves they are lying!

What you can do

- Contact your MP and Senators today to demand that they amend the law to exclude your savings from a bail-in!
- Forward or take in this release, to show them the contradictory statements.
- Tell the MPs and Senators: leave my savings alone!

You can find the contact details for your MP and Senators at this link: https://www.aph.gov.au/Senators_and_Members

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