

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

Submitted By: George Neofitou

Email: [REDACTED]

Phone Number: [REDACTED]

Submission for: My Self

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Following rounds of hearings of the Financial Services Royal Commission, we support the move to separate commercial banking from investment banking. It appears evident that trading in both securities and derivatives on mortgages lowers lending standards to even commit fraud to increase mortgage lending.

Without the incentives to concentrate most of their lending into speculating on the housing bubble, they would have more interest in lending to, and looking after, their small business and farm customers.

The financial system would be much simpler if commercial banks were only allowed to take deposits and make loans, and kept separated from other financial services and speculation.

We do not believe that APRA's behaviour has been satisfactory. Using the excuse of financial stability it has allowed the banks to engage in practices that maximise their profits, but at the expense of their customers.

Bank structure of vertical integration, created the conflicts of interest between serving their customers, and exploiting their customers to maximise profits for shareholders. The banks cannot be trusted to "manage" these conflicts of interest, and relying on more rigorous law enforcement is unrealistic. The conflicts of interest must be removed, by separating commercial banks from all other businesses.

The solution appears to be in legislation that is already before Parliament, the Banking System Reform (Separation of Banks) Bill 2018, introduced by the Member for Kennedy Bob Katter on 25 June. It will enact a Glass-Steagall separation of commercial banks from investment banking and all other financial business, and bring APRA under much tighter Parliamentary control.