

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

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Submission for: My Self

Name of other person, business or organisation:

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Your submission:

Is structural change in the industry necessary?

I am a married 77-year old Australian citizen and we own our home, have a reasonable superannuation and have a business with about 20 employees. We require a safe haven for the working capital essential to our business and a safe haven for our savings and this fundamental need should be provided through our banking system.

However, there is no safe haven with our banks because they are now vertically integrated and our deposits are accessible for risky investments into derivatives and such like and greed, a common human fault, has resulted in over-zealous gambling and bank failures appear imminent. My company has been operating successfully for 25 years, and I now consider the risk to the company's working capital through bank failure, as the highest risk faced by the company and have sought to minimise this risk by splitting the funds so that there is no more than \$100,000 in any one account in any one bank and have likewise handled my personal accounts.

For the good of the Australian people and companies, the banks must be broken up with some becoming 'commercial' banks to provide the essential safe haven for deposits, while some remain as 'investment' banks providing higher interests at higher risks. This will protect the wellbeing of both the people and small to medium Australian companies.

The breakup could be through the simple and proven Glass-Steagall style of legislation or perhaps the 'safe haven' goal could be attained through the simple formation of a people's bank while other banks would add the word 'investment' to their name (e.g. ANZ Investment Bank) to help the public understand the difference.

It is interesting to note that all three Presidential hopefuls in the last USA election, Donald Trump, Bernie Sanders and Hillary Clinton, all stated that they were in favour of Glass-Steagall. The UK Labour leader, Jeremy Corbyn, also has a Glass-Steagall policy

The Risk:

Bank failure was not avoided during the GFC by strong regulation, as the public have been encouraged to believe, but by the Government introducing a guarantee for bank deposits up to \$1,000,000 and by the USA Government bailing out the American Insurance Company AIG at the Australian Government's request.

Australia is now at a higher risk than during the GFC because the housing bubble has significantly increased as has the derivative bubble and today there are no reserves available to pump the economy. The bank guarantee has been dropped to \$250,000/person/bank but this has not been activated and thus may not exist. Even if activated, deposits over \$250,000 will be simply confiscated or converted to shares and the balance may almost totally disappear because the maximum allocation of \$20 Billion/bank pales into insignificance against the deposits of \$400 Billion held by each of the big four and against their combined secured debt of \$35 Trillion in derivatives. There is also a possibility that APRA could convert the deposits into shares prior to the activation of the guarantee.

I am aware that the Government has denied that 'Bail-in' laws exist but this is either a misleading statement or their repeated commitments to 'bail-in' to the G20 are false. Their refusal to add a clause to specifically exclude deposits from bail-in, as requested by some members of parliament, is a strong indicator that bail-in now exists in line with most other countries.

In support of the points made, I created a reference document <http://www.politicalalerts.org> for use by friends and political representatives that has links to revealing Government documents. However, most of the matters covered have been included in a discussion format between Martin North and John Adams https://www.youtube.com/watch?v=G_wCRbd3tQA

Glass-Steagall would have prevented the GFC:

A proven solution to the banking problem is to separate the deposit holding banks from all other financial services. A 1933 USA legislation,

known as Glass-Steagall, provides this separation and was introduced when Roosevelt was President, to fix the problem that led to the Great Depression.

This resulted in 66-years (1933 to 1999) of financial stability, free of systemic banking crises, but was then repealed during the Clinton Presidency. Once repealed, the banks again gained access to ordinary deposits to expand their risky speculation in derivatives and after just 9 years, the bank funded property boom and their speculation in derivatives was a cause of the 2008 GFC.

The Banks deny the link between the removal of Glass-Steagall to the GFC but the link is shown by five independent experts engaged in a post-mortem of the crisis at a 26 September event at the USA's National Press Club in Washington, DC.

The five experts were:

- Arthur Wilmarth, a Financial expert and a Professor at the George Washington University Law School. Professor Wilmarth's contribution is perhaps the most significant at <https://youtu.be/rGCTLV0bb6M?t=1567>
- Bart Naylor and Robert Kuttner, Congressional staffers in the 1980s who witnessed the systematic deregulation of the financial system which led to the crash.
- Nomi Prins, a former Wall Street and City of London investment bank executive who quit in the early 2000s over her disgust at financial practices.
- Dr Marcus Stanley, an economist and policy director at Americans for Financial Reform.

Proposal:

I submit that the Royal Commission's Terms of Reference be extended to include a study of the complete system including the Regulators and the potential to solve the problems through the introduction of the simpler and proven 'Glass-Steagall' style of legislation as has been recently tabled as a Private Members Bill. Consideration should also be given to the formation of a 'peoples' bank.

There are several former senior members from the financial industry that have spoken strongly in support of a change to a Glass-Steagall system and I propose that these practical experts be requested to provide evidence to the Commission that otherwise may not be available because of confidentiality agreements. These include:

1. Dr.Wilson Sy, former APRA executive

1. [REDACTED]

3. [REDACTED]

I also propose that the Royal Commission investigate whether Bail-in is possible in Australia as evidence suggests but denied by Government and whether the Government guarantee is real or imaginary and is it adequately funded.