

## SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

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Submission for: My Self

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**You ask "What can be done to prevent the conduct happening again?"**

There is only one solution to prevent this misconduct from happening again and that is the introduction of Glass-Steagall separation of Australia's banks. On Monday the 12<sup>th</sup> June Mr Bob Katter MP for Kennedy in Queensland put forward to parliament a private members bill for a Glass-Steagall (Separation of Banks) Banking System Reform. This was seconded by the member for Denison in Tasmania Mr Andrew Wilkie.

- This bill is not a complex bill, it is simple to implement and easy to understand.
- It tells the banks what they cannot do. Commercial Banks would not be allowed to trade in securities and derivatives on mortgages. Investment banks would not be allowed to take deposits,
- It would end vertical integration which is one of the major causes for the banking misconduct. Stopping the banking industry from fleecing their customers.
- It separates Commercial Banking activities from Investment Activities by banning the use of bank deposits for speculative gambling by the Investment Banks.
- It would provide the real economy with capital to be used solely for productive purposes.
- It would eliminate conflicts of interest within the banking industry.
- It would protect our bank deposits. **(NO BAIL-IN)**
- In the event of a financial crisis the government and the tax payer would not need to bail out a commercial bank.
- This bill is nothing new it has been around for a long time in America and it has a proven track record for financial stability.
- APRA would not be able to use "financial stability" as the excuse for allowing the banks to get away with financial murder.
- It would be much simpler for the banking regulator to do their job.
- Most importantly it would give us back sovereignty and control over the banking industry.

**You Ask. "Is the law governing financial services entities and their conduct too complicated?"** Yes. Look at the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other measures) Bill 2017. In its draft it had 228 pages of draft with 174 pages of explanation.

**You Ask "Does it impede effective conduct risk management?"** Yes. APRA hid a report that was carried out by APRA's research team warning APRA of the economic bubbles being created due to their policies. Yet APRA failed to act on the report. Why? And why did they hide it?

**You Ask "Does it impede effective regulatory enforcement?"** Yes. APRA is there to protect rather than to police the Banks through extreme secrecy restrictions that block proper examinations of banking practices and its own actions.

**You Ask "Is the regulatory regime too complex?"** Yes it is.

**You Ask "Should there be simplification of the regulatory regime?"** Yes. As former APRA Principal Researcher Dr Wilson Sy said in an interview for the 29<sup>th</sup> June 2018 episode of the CEC report, "I think the financial system is too complex for the regulators... I think we need a much simpler system".

**You Ask “Are APRA’s regulatory practices satisfactory? If not, how should they be changed?”** No the regulatory practices are not satisfactory. APRA’s behaviour is inexcusable. They use the excuse that if they were to prosecute the banks it would create financial instability. So it allows the banks to continue engaging in unethical practices that maximise their profits at the expense of their customers. This has become a threat to the financial stability because in seeking to maximise bank profits from mortgage lending the banks have inflated a massive housing bubble and incurred a \$40 trillion exposure to derivatives which threaten the financial system.

**You Ask “Are APRA’s enforcement practises satisfactory? If not how should they be changed?”** No they are not. In light of what has been exposed by the Royal Commission into the banking APRA should be handing out stiff maximum penalties including criminal proceedings against bankers if systemic criminality can be proven. APRA needs to be seen sending a clear message to the bankers that this kind of behaviour will no longer be tolerated and Jail the bankers. Fines should be greater than the profits the banks have made from their illegal activities.

**You Ask “Does the conduct identified in this report call for reconsideration of APRA’s prudential standards on governance?”** Yes. APRA’s prudential standards on governance needs to be reviewed and overhauled based on what is referred to the common good for all Australians and not on what is best for the Bank of England and the Bank or International Settlements who only want to loot us.

**You Ask “Do the events that have happened raise any issues about business structures?”** Yes. The banks have a vertical integrated business model which creates conflicts of interest between serving their customers and exploiting their customers in order to maximise profits for their shareholders.

**You Ask “Do the events that have happened invite consideration of whether structural changes should now be made?”** Yes. The banks have clearly shown that they cannot be trusted to self-regulate. They have failed miserably to manage these conflicts of interest and relying on more law enforcement is unrealistic. These conflicts of interest must be removed by separating commercial banks from all other businesses.

**You Ask “Do the events that have happened suggest that manufacturers of financial products should not be permitted to provide, whether by an employee or authorised representative, personal financial advice in relation to products of a kind it manufactures?”** Yes for the same reasons as above the conflicts of interest.

**You Ask “What responses should be made to the conduct identified and criticised in this report?”**

**You Ask “Are changes in law necessary?”** Yes changes are needed.

**You Ask “Should financial services law be simplified?”** Yes simplification is required. The law should be specific, to the point and state clearly what cannot be done.

**You Ask “Should the regulatory architecture change?”** Yes regulatory architecture should be changed.

**You Ask “Is structural change in the industry necessary?”** Yes. The solution is in legislation that is already before parliament, the Banking System Reform (Separation of Banks) Bill 2018, which was introduced by the Member for Kennedy Bob Katter on 25<sup>th</sup> 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.