

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

Submitted By: [REDACTED]

Email: [REDACTED]

Phone Number: [REDACTED]

Submission for: My Self

Name of other person, business or organisation:

Do you agree to your submission being published: Yes

Do you agree to your full name being published: No

Your submission:

Dear Commissioner Hayne,

I ask that you consider this submission about the financial services industry as part of your duties as the Commissioner for the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

In short, the Banking, Superannuation and Financial Services Industry needs the following reforms, preferably enacted using extant establishments which must ensure:

- the immediate and enduring separation of commercial banks and banking from investment banks and banking, and
- the complete and absolute prohibition of bail-ins of any form from Australian customers, foreign customers may be subject to such practices.

Bank customers in the commercial banking market place need protection from the risks attendant to investment banking. The optimal method to achieve this is to ensure that there is powerful and effective legislative separation. To be clear, bank customers need to be unencumbered from "vertically integrated" financial institutions.

Furthermore, the law governing financial services entities and their conduct is too complicated. It severely impedes both the effective conduct of risk management and effective regulatory enforcement. Hence the law must be improved. This improvement necessarily includes the separation of commercial banks and banking from investment banks and banking. The advantage of this is clear--it will ensure that bank customers are protected from the risks attendant to investment banking and "vertically integrated" financial institutions.

Also, the regulatory regime too complex. This means that there must be radical simplification of the regulatory regime. Such simplification should include the use of unambiguous terminology and plain language.

And, APRA's regulatory practices are unsatisfactory. 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. Ultimately this has become a threat to financial stability, because in seeking to increase their profits from mortgages the banks have inflated a massive housing bubble and incurred a \$40 trillion exposure to dangerous derivatives, all of which is a threat to the financial system.

Thus they should be changed to ensure at least the following three matters are enacted:

- the free and open publication of proceedings and deliberations within 5 business days of occurrence for all meetings that result in changes to policy and/or directions to entities subject to APRA.
- the separation of commercial banks and banking from investment banks and banking.
- the complete and absolute prohibition of bail-ins of any form from Australian customers, foreign

Moreover, APRA's enforcement practices are unsatisfactory. The results of all such instances of those practices must be as publicly announced as the TGA notifications and recalls for suspicious and/or faulty listed or registered items. The "punishment must fit the crime" in that they must be much more than a mere token gesture and include referrals to the Commonwealth DPP for action. Individuals within the Banking, Superannuation and Financial Services Industry must be held accountable.

The conduct identified and criticised in your interim report clearly necessitate the critical reconsideration of APRA's prudential standards on governance with respect to improving the protection of bank customers from entities within the

Banking, Superannuation and Financial Services Industry.

The events that have happened and noted in your interim report raise many issues about business structures. Those events that have happened more than invite consideration of whether structural changes should now be made, but rather demand it. They also clearly show that manufacturers of financial products should not be permitted to provide, whether by employee or authorised representative, personal financial advice in relation to products of a kind it manufactures.

The banks' structure, a.k.a. 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.

Furthermore a number of responses should be made to the conduct identified and criticised in your interim report. Changes in law necessary and the financial services law must be simplified. Both the regulatory architecture should change, ie be improved, for the benefit and protection of the customers and also structural changes in the industry are necessary to achieve that common purpose.

In fact, the solution is 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 2018. 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.

Thank you for considering this submission and I look forward to a much improved sector.

[NAME WITHHELD]