

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

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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:

Commissioner Hayne,

I would like to thank you and your team for all of the hard work in sifting through the muck that we call a financial system.

You and your team have posed some great questions in the Interim Report that I feel open the door to a discussion of real top-down change to the financial services industry. The misconduct exposed for all to see in the course of the hearings, in my opinion, could only happen with a complicit regulator. As I often explain to people using an analogy:

It's a Dog's nature is to sniff another dog's butt. A private banks nature is make a profit, often by any means they feel they can get away with. You are not going to change that in a hurry which is why to regulate the dog's nature you use a leash. The problem with the banks is they have been off the leash and the regulators haven't even tried to put them back on it. In fact it appears that the regulators provided opportunity for the banks to get away with more because there was never any prosecution or threat of.

To put the banks back on a leash they need to be broken up in to manageable entities, as they are too big and complex today. The vertically integrated model has proved to be a conflict of interest through your findings. The solution to this and to prevent this misconduct from happening in the future is to implement a very simple regulation forbidding banks form doing anything but banking. The 1933 Glass-Steagall Act in the USA is a great example of the simple regulation. An Australian version of this legislation has already been introduced into parliament by Bob Katter, MP for Kennedy, on 25 June 2018. Its called Banking System Reform (Separation of Banks) Bill 2018.

An expert on this subject is the former Head of Research at APRA, Dr. Wilson Sy. Please call him to testify at your hearings in Sydney on the Interim report as he has plenty to inform you on based on his time and experience at APRA and ASIC.

In Summary:

1. **The only way to fix the banks is to break them up through a Glass-Steagall separation of traditional commercial banks with deposits, from all other financial services. As you said, "structural regulation of banking activities is not novel."**
2. **Call Dr. Wilson Sy to testify at your hearings in Sydney.**

Thanks you again for all your hard work.