

## SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

Submitted By: Roland Nelson

Email: [REDACTED]

Phone Number: [REDACTED]

Submission for: My Self

Name of other person, business or organisation:

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Your submission:

Royal Commission,

This submission is limited to the mortgage aspect and one commernon superannuation.

The report itself was articulate but the way the media, regulators and other commentators have interpreted it has inaccurate.

The difficulty is untying thengordian know of isunderstnsg. In order to fathom the motivations one has to understand their misunderstandings.

Although one can cut through thrnknkw by asserting it all makes sense if they are greedy..

It is more accurate to say their motivation, in the narrow field of mortgages, was delusion.

Having read the mortgage related interim reports chapters and watched the open hearings not once did the mortgages bankers ever, and there were numerous opportunities, indicate responsible lending would be good sound policy for them. On its own merits. They only ever indicated the reasonable lending laws were onerous.

Banks shared the illusion with the public that house prices always go up. Their additional delusion was that they thought/acted as though that increase was independent of their lending.

To be clear the applications were written in fraud, but not because of a criminal intent, or narrow greed but more accurately a delusion. They honestly thought everyone would win.

This explains why the CEO's and Chairmen wrote an open letter urging the Royal Commission to commence. They didn't realise their mortgage book was written in haste based on a delusion.

The banks broke the law to bet on the losing side of a Ponzi scheme they created. They broke the law to defraud themselves. We need banks, a modern society needs banks, but not those bankers.

The public overtaken by mania, have been largely corrupted with some 80% of mortgage applicants declaring expenses under HEM. This drop in public standards will be difficult to unwind.

The response from the banks and their allies has been nothing short of chutzpah. The unmitigated gall of the person who has killed their parents and pleads for leniency because they are an orphan.

The response was too often "think of the shareholders". The same cohort banks defrauded and robbed on behalf of have to be treated mercifully by the Royal Commsision.

It has been reported the Treasurer Josh Frydenberg asked the Royal Commsion to ease off. Because curtailing fraudulent lending would curtail aggregate lending which supports the economy.

If the banks have entered a crisis due to their bet on house prices always rising, so be it. Don't throw the good reputation of the judiciary after the the bad commitments of the banks. It will cost everything to gain nothing.

The interim stated that the laws were correct but not enforced. Which is correct.

Financial stability was APRA's job not yours.

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The interpretation to the interim finding have to be taken into account in the final report.

Martin Byres of APRA has recently stated house prices falls will not create a systemic issue because unemployment and interest rates haven't fallen. If the only reason negatively geared property was bought was because it was surely going up. Going down makes it a misallloated, hundreds of billions of dollars, resource.

Martin Byres' notion that APRA has done its job maintaining systemic financial stability is incorrect.

A financial system isn't meaningfully stable if it requires more sndnmore lending to increase a nigh on all in bet that house prices will increase. That might seem stable for a time but isn't.

The forces which bent the Culture of APRA to the will of the banks they were supervising can't be dealt with. They must be exorcised.

The single recommendation that encourages regulators and bolsters the financial system stability, is to outsource banking system stabilty oversight to an independent incorruptible third party. The Bank of International Settlements could easily did the role APRA claims to do. Their scale and importance at the centre of the world's banking system ensures they are incorruptible. They have so much to lose and so little to gain. Furthermore the imprimatur of being overseen by the BIS would bolster Australian banks standing in the world. Healing much of the damage done to their reputation.

Closing down the banking element of APRA and sending it offshore will do wonders to encourage other regulators.

A pool of money has to be made available by the banks to sue the banks.

Insufficient funds to pursue the banks can't be a defence.

A pool made from a handful of basis points per annum, with surfeit going to the deposit protection pool.

When the final report is issued banks will still conduct business with more knwoeldge than the public, but with the imprimatur of the Royal Commission.

Mortgagees in distress are still at the mercy of asymmetrical information . There should be a regulation that requires the banks to send the client to a truly independent advisor upon first establishing the mortgage is in distress. This should be paid for from the same pool funded by the bank.

Roland Nelson