
Banking Royal Commission Submission after interim judgement in September 2018

Summary of suggestions

- 1. Establish a Royal Commission into the impact of Political Donations**
- 2. Establish a Federal Crime and Corruption Commission**

About me

My background is that I am an Irish qualified Chartered Accountant and have worked in public practice in Ireland, Australia, New Zealand, Liberia and in Papua New Guinea, as well as in a university, a health service and a publicly quoted legal practice in Australia.

I have followed the Royal Commission in the media and have browsed through the Interim Report.

Financial Institutions are currently racing to make changes before your final report

It is now clear that the financial institutions, their boards and their senior executives are on notice that their behavior will not be tolerated in the future and they are already taking steps to avoid the identified bad behavior in the future. In addition, it is also clear that ASIC and APRA will be more aggressive in the future in prosecuting breaches of legislation and regulations.

The fundamental question to be answered is how did our democracy, our politicians, our legislation, our regulations and our financial systems fail us in our hour of need?

Much has been written regarding our failures in the Royal Commission but nowhere have I read a comprehensive analysis regarding the impact of political donations from the financial sector on the governance responsibilities of our politicians in drafting legislation, regulations, compliance, risk management and penalties on institutions as well as on directors and senior executives in the performance of their fiduciary responsibilities including the prospect of criminal penalties, jail time and banning from directorships and senior positions for reckless behavior.

I believe it is therefore time for you to recommend that a Royal Commission be established to investigate the impact of Political Donations.

Political donations impact on government policies, legislation and regulations including the resourcing of bodies such as ASIC and APRA, as well as on the behavior of public servants, politicians, political parties, lobby groups and other vested interests. Politicians need to be somehow made responsible for reckless policy decisions and behavior that impact on the lives of citizens long after they have retired or moved on to more lucrative positions in the private sector where their sphere of access and influence to their political replacements in power are clearly very well regarded (e.g. Minister for Trade retiring before last election and immediately taking up a position with a Chinese company operating the port of Darwin)

Corruption

How can we allow a system of political access and influence that is not transparent?

Recent international reports on corruption worldwide appear to indicate that Australia may be falling behind in the tables.

It also appears in a recent (Guardian) report that the source of a very significant amount of political donations (\$65m?) cannot accurately be traced back to their original source and so we do not know the individuals, not-not-for-profits, trusts, corporations or the industries that donated the money.

I understand that the largest donations come from industries such as; Property and Property Development, Finance and Financial Services, Gambling and Mining

I have spoken to [REDACTED] about the impact of **political donations** but he does not believe that they have any undue influence on politicians when donors can give to both sides of politics!

[REDACTED] also does not believe that **negative gearing** inflates house prices. Mr. Turnbull (former PM) refused to take any action on negative gearing on the grounds house prices would crash, thereby proving the argument that negative gearing does inflate house prices!

The banking sector magnified the price of houses with '**interest only loans**', advanced on the basis of house prices continuing to rise. This excessive loan interest would also have increased the size of the rental losses for negative gearing purposes and as a consequence would have increased the tax deductions claimed from the government by investors.

One must question the integrity and policy direction of any government that puts housing investors ahead of citizens endeavoring to purchase a home?

Perhaps part of the answer lies in the fact that apparently a very very big majority of our politicians have investment properties that are negatively geared! Surely there is a **conflict of interest** issue where politicians are making decisions that benefit themselves or their families or their associates and they should not be allowed to vote on any changes that arise from time to time?

Mr. Morrison, the current Prime Minister and former Treasurer, apparently stated publicly on over 20 occasions that there was no need for a Royal Commission, thereby delaying the process and allowing the banks time to take some corrective action to limit the inevitable damage to their reputations and allow them the space to call for a Royal Commission themselves!

Our new Treasurer Mr. Frydenburg is also asking questions as to how the sector misbehaved so badly! One has to ask why our politicians behaved so badly? Where were our leaders for the last 20 years? Do they not read or speak to financial journalists or other experts? Where is their integrity or vision for Australia?

Martin Carey [REDACTED]

Why did our politicians allow the finance industry to create a brand new **financial advisory sector** for themselves with little or no training or ethical standards? Why were the existing accounting professional bodies not charged with this responsibility?

In all of this debate to date, one has to also ask where were the whistle blowers? Why were the problems not identified by our Company Board Risk Committees? Why were the fees not no services not identified by the very large and very well remunerated external Auditors? What did members of the Institute of Company Directors talk about at their regular meetings and education sessions? What input or assistance has the Institute of Chartered Accountants provided?

What did the **Australian Bankers Association** talk about at their regular meetings? Was the ABA not aware of what was going on in their own industry? If they had misgivings, when did they become aware of problems and what action did they take?

I therefore also suggest that you recommend the establishment of a **Federal Crime and Corruption Commission** to investigate allegations against politicians, public servants, company directors, senior executives and anyone else not acting in the public interest.