Submission to Royal Commission into Banking, Superannuation & Financial Services – - Interim Report – Policy Issues - Restructure Now

Submission: by and on behalf of [redacted]
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The Australian Housing bubble was engineered by manipulation by the government of the first home owners grant, the Reserve Bank's nominal interest rates, lax lending standards, fraudulent 'liar loans' and political intervention at the time of the 2008 GFC by PM Rudd's request of the U.S. President Bush Jnr for bailout of the 'Too Big To Fail' (TBTF) Australian Banks described as a risk to world financial system. A system awash in too-easy credit has fed the casino economy in Australia of banking interests in risky financial derivatives to the tune of $40 trillion, off balance sheet; 40% bank credit from overseas, 65% Australia's 'big four' banks' investment in housing mortgages – the highest in the world; debt to income ratio of borrowers in Australia at 190%, never before seen in our history.

The effect is that our children are burdened with unpayable loans, a climate of rising interest rates and sudden tightening of lending standards (long overdue) which will very soon create negative equity in housing, foreclosures, denial of loan refinancing and lifelong slavery to this banking fraud. My children have little time to nurture their children, as they struggle to work long hours in order to plug the black hole of their mortgage debt, despite our warnings not to fall prey to this monster. Further discussion with them of the inevitable fast-oncoming housing price collapse has led to their report that the banks' online calculators are still providing assurance of lax lending standards and ready availability of $500,000 - $700,000 mortgage loans on their limited incomes, with automated calculator annual living costs still noted as $24,000 per annum – laughable in today's increasing price inflation without adding burden of mortgage repayments! Our children don't seem to have the time to critically assess these 'liar loans', preferring to trust the ongoing rhetoric of the 'market forces' sentiment and banking trustworthiness.

All this has been created on the basis of conflicted interest of the Australian Prudential Banking Regulator, APRA. APRA's loyalty is to the banks' survival and obscene profits; it does not act on behalf of trusting bank customers. The corporate regulator ASIC is also soft on the 'big four' auditors, PwC, Deloitte, EY and KPMG, who have cosy relationships with their clients, the banks. Criminal and civil prosecutions are required.

APRA, ASIC and the big four auditors have overseen the fraudulent lending and off balance-sheet derivatives trading practices of the banks. The *Financial Sector Legislation Amendment (Crisis Resolution Powers & Other Measures) Bill 2017* now gives APRA sweeping powers to 'resolve' a banking crisis due to such risky speculation, which likely includes '*bail-in*' of the cash savings, bank shares, hybrid securities or bank bonds of ordinary Australians which are classed as unsecure deposits. The so-called government 'depositor' guarantee of $250,000 for each bank account is a joke, with some $2.56 trillion in Australian bank deposits (June 2018), with $4.37 trillion in total bank liabilities. The directors of APRA are not elected representatives of the people and do not support the general welfare of the population.

8.1 Issues

The current generation of Australians do not have adequate or appropriate access to banking services. The housing bubble generated by deregulation and misconduct in the banking sector has created unaffordability and family misery. Mortgage brokers do not disclose their close relationship with the banks to the client and must be regulated to represent the client's best interest as their financial advisor in housing loans, with a newly regulated one-off flat fee remuneration disclosed to the client.

8.1.4 Entities have not responded sufficiently to the conduct identified in the Financial Services Royal Commission (FSRC) Interim Report. They continue to advertise availability of fraudulent 'liar loan' calculation on their websites which would not withstand scrutiny in reality of newly enforced standards, thus giving the ongoing illusion of housing affordability, in their effort to reduce borrower reluctance in a falling housing market.

ASIC's responses to misconduct have not been appropriate as they continue their watered-down approach of negotiation in reform of standards. Criminal and civil prosecutions are required, if only as a strong deterrent to further fraud.

8.2 Causes:

There are clear conflicts of interest and duty in bank lending calculations, intermediary remuneration and advice, and regulatory oversight (APRA and ASIC) whose board members are not elected representatives of the people of Australia.

At the time of the GFC 2008, despite misconduct in the banking sector by CEOs of the TBTF 'big four' banks causing, 'systemic risk', bail-out of the banks occurred while CEOs continued to receive fat bonuses, as they do today.

Profits of the banks based on increasing sales of mortgage backed securities and derivatives trading have soared while businesses and farms are not fairly supported in crucial funding for their enterprises. Family farm foreclosures are rife, as reported to the FSRC – an asset stripping agenda which will only increase as other bank revenues reduce, unless a moratorium on mortgages is conducted. Governance and culture of the regulators APRA and ASIC are to blame.

The regulatory response has been weak to non-existent. The descriptor, 'Too Big To Fail' demonstrates the subservient approach to these greedy private companies, the banks.

8.3 Responses:

1. I ask the Royal Commission into Banking, Superannuation & Financial Services (FSRC) to widen the scope of its investigation to encompass the oversight of APRA, ASIC and the employ wholly independent auditors of the banks.

2. The FSRC must call for the reregulation of the banking and financial sector, beginning with <u>structural separation</u> of our highly integrated banks and oversight by a <u>newly integrated</u> prudential supervision, particularly in mortgage lending and superannuation. The 2019 Banking Code of Practice should be given legislative recognition and application (Why is it not currently?). Financial services have a duty to serve the economy and the people's interest, not the banking sector per se. If the people are thriving, then banks may thrive in equal measure. APRA and ASIC, as

separate and conflicted entities, have not provided comprehensive nor sufficient deterrent to misconduct, nor represented the interests of a thriving productive economy. It is urgent that they now be subject to external review.

3. Recommended changes include the urgent enactment of Glass-Steagall legislation - the Bill as already introduced to the Australian parliament by MPs Bob Katter and Andrew Wilkie this year – which will immediately provide orderly management of this the regulatory process. Structural change now.

4. Mortgage moratoria are needed - a precedent was conducted in Australia in 1930-37, enacted by MP Jack Lang. An entry in Hansard 1935 reads, '… It is against the National Interest that the wealth and profit of the community is imperilled by allowing debtors to be crushed out of existence..'.

Then we may move forward to re-establishing a government bank to fund infrastructure development and real growth in the economy. We owe this to our children. The alternative is a deep recession or depression, loss of jobs, homelessness, hyperinflation, poverty, rising crime and chaos, with police state laws to protect the rich. We are many, they are few.