

After his appearance as data specialist on the recently aired 60 Minutes television show, I have watched Digital Finance Analytics' Martin North and economist John Adams 10th October episode of their regular YouTube show.

It would appear to me that not only APRA but also politicians have lied to enact policies that can prop up the banks in the event of bank failure. On October 12th 2008, the Rudd government announced emergency guarantees for the banks, which the government had repeatedly assured the public were "sound". With another financial crisis looming, the question of deposits being bailed in to prop up failing banks is not academic, but as it was in 2008, a near-term threat.

The language of the recently passed APRA crisis resolution powers legislation is deliberately broad enough to include deposits in its "conversion or write-off" provisions under the words "any other instrument". Until recently, there were some that disputed this, saying that people's savings cannot be confiscated (stolen by banks) or converted into bank shares as was done in Cyprus. This view is based on the premise that a clause in the APRA bill states that bail-in could only apply to instruments that have conversion or write-off provisions "in their terms".

North and Adams have debunked this by checking the terms and conditions of deposit accounts. *Although the terms and conditions of bank deposit accounts do not include explicit terms that allow for conversion or write-off, they do include a catch-all provision that allows the banks to change their terms and conditions any time, to include anything they want, and without advance notice.*

Moreover, the banks cite "regulator guidance" as one reason for doing so. In other words, APRA can order the banks to change the terms and conditions of their deposit accounts to allow for a conversion or write-off. A bail-in of deposits would therefore be legal under the recently passed APRA crisis resolution powers law.

Martin North notes that the only way the government could remove any ambiguity or bad intentions by banks is to amend the law to explicitly exclude deposits, as One Nation had sought to do in the Senate. *Commissioner Hayne, I would strongly advise that you investigate the current APRA Crisis Resolution law and how it can be applied with respect to people's savings deposit accounts.*

To truly protect deposits, it should be recommended that Parliament pass the Banking System Reform (Separation of Banks) Bill 2018, introduced by Bob Katter MP in June, which would enact a Glass-Steagall style separation of Australia's commercial, deposit-taking banks, from investment banking and all other financial services.

This bill would protect deposits in two ways:

1. It would stop the banks from engaging in the risky speculation that puts deposits at risk in the first place;
2. In Section 14 it brings APRA under strict parliamentary control, and forbids APRA from implementing BIS-FSB directives in Australia without the explicit approval of Parliament, so that it cannot order a bail-in of bank deposits. I have put forward my views regarding Regulator reform in my previous submission to the Royal Commission. These are encapsulated in the Banking System Reform (Separation of Banks) Bill 2018.