

- i. trust in banks is essential to the economy,
- ii. trust in the banks has been undermined by adverse findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry,
- iii. misconduct related to poor standards of mortgage lending affects all Australians and risks financial instability,
- iv. concentration on mortgage lending makes the economy vulnerable to a downturn in the housing market,
- v. reliance on overseas debt markets for short-term borrowing by the major banks, and contagion from overseas counterparties through trillions of dollars of derivatives related to mortgages, pose serious systemic risk,
- vi. misconduct related to financial advice, small business lending, superannuation and insurance shows that the business model of major banks is based on exploitation rather than customer service,
- vii. the integrated structure of banks facilitates misconduct due to the lack of transparency when traditional commercial banking is linked with investment banking, financial advice, wealth management, stockbroking, superannuation and insurance businesses,
- viii. the integrated structure creates a conflict of interests because the lack of transparency enables banks to extract profits through cross-subsidies of various activities, and the indirect cost to retail superannuation members runs to many billions per year,
- ix. the enormous profits extracted through the integrated structure entrenches the major banks as an effective cartel, preventing market competition and increasing concentration, and
- x. the integrated structure puts bank deposits at risk as collateral for major banks' speculation in mortgage-backed securities and derivatives—this puts the real productive economy at unnecessary risk; and

I call on the Federal Government to reduce the conflicts of interests by legislating the structural separation of the banking system, where traditional commercial banking of taking deposits and making loans is separated from investment banking and all other financial services, including financial advice, wealth management, superannuation, stockbroking and insurance.