

Commissioner Hayne,

You asked.....

Is the law governing financial services entities and their conduct too complicated?

- Does it impede effective conduct risk management?
- Does it impede effective regulatory enforcement?
- Is the regulatory regime too complex? Should there be radical simplification of the regulatory regime?

Yes to all of the above. *As former APRA Principal Researcher and Glass-Steagall bank separation advocate Dr Wilson Sy said "I think the financial system is too complex for the regulators ... I think we need a much simpler system."*

- Are APRA's regulatory practices satisfactory? If not, how should they be changed?
- Are APRA's enforcement practices satisfactory? If not, how should they be changed?
- Does the conduct identified and criticised in this report call for reconsideration of APRA's prudential standards on governance?

No, *APRA's behaviour is not satisfactory. Using the excuse of financial stability it has allowed the banks to engage in practices that maximise their profits, but at the expense of their customers. Ultimately this has become a threat to financial stability, because in seeking to increase their profits from mortgages the banks have inflated a massive housing bubble and incurred a \$40 trillion exposure to dangerous derivatives, all of which is a threat to the financial system.*

- Do the events that have happened raise any issue about business structures?
- Do the events that have happened invite consideration of whether structural changes should now be made?
- Do the events that have happened suggest that manufacturers of financial products should not be permitted to provide, whether by employee or authorised representative, personal financial advice in relation to products of a kind it manufactures?

Yes, *the banks' structure, a.k.a. vertical integration, created the conflicts of interest between serving their customers, and exploiting their customers to maximise profits for shareholders. The banks cannot be trusted to "manage" these conflicts of interest, and relying on more rigorous law enforcement is unrealistic. The conflicts of interest must be removed, by separating commercial banks from all other businesses.*

- Are changes in law necessary?
 - Should the financial services law be simplified?
 - ...
- Should the regulatory architecture change?
 - ...
- Is structural change in the industry necessary?

Yes, yes, yes, and yes. *The solution is in legislation that is already before Parliament, the [Banking System Reform \(Separation of Banks\) Bill 2018](#), introduced by the Member for Kennedy Bob Katter on 25 June. It will enact a Glass-Steagall separation of commercial banks from investment banking and all other financial business, and bring APRA under much tighter Parliamentary control.*