

Financial Services Royal Commission

Commissioner Kenneth Hayne's

Answers to your Question as my submission.

- 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?

Answer: yes to all of the above the regulatory regime is way too complex as was evident in the lack of response by Apra during the 2008 GFC, they did nothing which left the government and the RBA with no option other than lowering interest rates (which were left too low for too long) and the Governments, state and federal, doubling and tripling the 1st homes owners grant, this has fueled an unsustainable housing bubble with private debt now being 190% of GDP and is a disaster waiting to happen, this will inevitably lead to an Ireland type housing collapse, at best.

This coupled with the financial institution lending for mortgages now at 65% of their loan books the highest by far of most industrialized nations, this is illegal in most countries with 30% being the normal situation set by their regulatory authorities, so where has Apra been while this has been allowed to happen and continue.

- 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 criticized in this report call for reconsideration of APRA's prudential standards on governance?

Answer: No Apra's regulatory practices are far from satisfactory which has been proven with their lack of regulatory oversight of the financial institutions during and since the 2008 GFC, Commissioner lets not forget that up until recently most if not all of Apra's board members were former banking executives this along with most of their funding coming from these same institutions has left us with a self regulated financial sector that is only looking after the banks profits at the expense of their customers of which you have seen first hand in the RC. Since deregulation of the financial sector in the 1990's Apra has allowed the financial institutions to gamble on OTC (over the counter, meaning there is no regulatory market for them) derivative speculation now at 42 Trillion in Australia, between themselves and other institutions with customers deposits at risk in the event of a failing institution, this is only a matter of time, so the question I would be asking Apra why have they let this continue without any prudent regulatory enforcement and why has this speculative gambling been kept off the institutions balance sheets, I can only question the reasons for this as I am sure if the public and other institutions (superannuation companies) new of this derivative gambling exposure the banks shares would be considerably lower than they are today. Lets not forget that in the past, derivative speculation by financial institutions was illegal under the gambling act.

- 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?

Answer: Yes to all, since the deregulation of the financial sector during the 1990's the banks' have been allowed to become vertically integrated which has created the conflicts of interest between serving their customers, and exploiting their customers to maximize 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, without this would allow the banks to continue exploiting customers and home foreclosures which is paramount to just stealing their assets.

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

Answer: Yes to All, with over 1 million house holds in Australia now under mortgage stress and further interest rate rises on the horizon its not unreasonable to think that most of these people will be thrown out onto the streets through no fault of their own, all this while under the watch of a self regulated financial sector run by incompetent regulatory authorities that have created this environment of an unsustainable hosing bubble.

Commissioner: we have before us a solution to the problems within our existing financial sector, these problems have been allowed to grow, unchecked, for nearly two decades no thanks to what I could only consider as an unregulated system as it has been proven without doubt that the existing authorities really have no prudential power over the banks and other institutions, this can only be solved by separation of commercial banks from investment banking and all other financial business, on the 25th June the (Banking System Reform (Separation of Banks) Bill 2018) was introduced into parliament and must be passed as law before this giant debt bubble we see here in Australia burst.

Kind Regards.

Barry Mason.