

Submission to the Financial Services Royal Commission in response to Commissioner Hayne's Interim Report

Commissioner Hayne

22/10/2018

Dear Sir,

With regard to your questions:

Yes; the law is too complicated, and the regulatory regime is too complex.

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.

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.

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.

Unfortunately, there is no point relying on governments to act in the interests of consumers. They have proven repeatedly that they are captive to large corporations and will do nothing to control them unless dragged kicking and screaming, as happened with your own Royal Commission.

Please, act to protect the interests of ordinary Australians, not the banks.