

Dear Commissioner Hayne,

RE: BANKING IN AUSTRALIA

Thank you for the work you are doing with the banking royal commission.

I am old enough to remember when banks were regulated and bankers were highly respected members of society. Now the community often places bankers on a par with used car salesmen.

An article in the Sydney Morning Herald, 2 October 2017, by Stephen Anthony (Industry Super Australia's chief economist) has some lines which express my thoughts on the matter:

- *Public confidence in Australia's banks has steadily eroded since financial deregulation in 1983. The brand of the big four, especially CommBank, is now at its nadir.*
- *It seems Australian banks would rather earn a fast buck than support real, longer-term investments and jobs that better all Australians.*
- *Somewhere along the line, successive governments, the Reserve Bank, the regulator and the institutions themselves forgot that banks do not exist to facilitate investors' speculation via the use of tax-subsidised debt. Rather, banks have a broader social licence, the flip side of their regulated "public utility" sinecure and too-big-to-fail status, requiring them and their executives to always act in the national interest.*
- *Right now, the banks' business model is fairly simple. Make as much profit as you can and maximise short-term shareholder value, achieved through incentivising executives with outrageous bonuses while telling Australians it will trickle down to them.*

I note that even some experts in the banking industry have been calling for the need of breaking up the banks such as Dr Wilson Sy – former director of research at APRA and John Dahlsen –former director of ANZ bank. These are objective people who have great credibility.

With regards the way forward, I believe the only practical solution to save the country from a financial disaster is something like the legislation 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.

There are many voices predicting that the world is heading for another global financial crash. This time bigger than last time because we didn't learn the lessons and put in adequate controls.

I trust that your royal commission will result in Australia now introducing the necessary regulation to safeguard our collective future.

Yours sincerely,

