

25 October, 2018

Dear Commissioner Hayne,

I am writing with regard to some questions you posed in The Royal Commission Interim Report. The questions I address are:

1. *What can be done to prevent the conduct happening again?*
2. *Is the law governing financial services and their conduct too complicated?*
3. *Is the regulatory regime too complicated?*
4. *Are APRA's regulatory practices satisfactory?*
5. *Are APRA's enforcement practices satisfactory?*
6. *Do the events that have happened raise any issues about business structures?*

1. It seems clear that the banks need to be broken up to prevent the *conflicts of interest* between serving their customers and maximising profits for shareholders that seems to be at the root of so many of the bank abuses revealed by the Commission. Commercial banks need to be separated from all investment banking, stockbroking, insurance and other related entities. They should be limited to taking deposits and making loans to stop the reckless speculation with savings, superannuation funds and other customer assets.
2. The laws governing financial service entities and their conduct do need to be made simpler . The current laws have not facilitated risk management and have impeded effective regulatory enforcement.
3. The regulatory regime now in place is clearly unsatisfactory. The current Australian system, where "vertically integrated" banks are involved in commercial activities, along with investment and numerous other speculative practices has resulted in a plethora of abuses of power by these banks. This has been clearly demonstrated in many of the witness testimonies during the Commission hearings. A simpler and more transparent regime would make it easier for enforcement of the laws and more difficult for those laws to be abused.
4. Testimony at the commission has clearly demonstrated that APRA's regulatory practices have not been satisfactory, as to date the banks and bankers who perpetrated the abuses revealed have gotten away with them, repeatedly, for decades. A mere apology is certainly

not adequate. Such shady business practices would result in criminal charges being brought against the perpetrators in other contexts.

5. APRA's lack of action and lack of "real teeth" to deter the many abuses of power revealed during the Commission's hearings have allowed the banks to get away with their criminal behaviour. Control of APRA needs to be taken away from ex-bankers. It needs to be run by people whose main aim is to serve the interests of Australia and the Australian public, not the *too big to fail* banks. It needs to hold the banks and the bankers responsible for their misconduct. It also needs to be able to apply harsher penalties to both the banks and the bankers who fail to obey the laws.

6. The Commission has revealed that serious issues do exist with the business structure of banks. The most important and urgent issue is that of the vertical integration of banks. Commercial banks need to be separated from all other businesses.

Commissioner Hayne is to be heartily congratulated on his strong, no-nonsense conduct of the Royal Commission. The extent of the abuse of power and corruption by the financial institutions uncovered is both frightening and shocking. It is to be sincerely hoped that the Commission's findings will lead to genuine, positive changes in both the financial institutions and in APRA.

Yours faithfully,

Christine Dudley