

SUBMISSION ON POLICY ISSUES RAISED IN ROUND 5

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The most critical issue arising from Round 5 and from the RC investigation of the banks generally, is the disastrous consequences of the vertical integration of the banking system. Compounding that development has been the Government guarantee of the major banks, backed by the taxpayer, which has allowed them to operate in cavalier fashion without fear of the consequences - for themselves and their shareholders at least. They enjoy an exalted and clearly privileged position in the business world which they most certainly don't deserve. Vertical integration and the conflicts of interest it causes, needs to be eliminated from the banking system - a 'vertical disintegration' is what's required. There should be a structural separation of commercial and investment banks as there used to be, a time when the current problems exposed by the RC were virtually unheard of, before the whole system gets right out of hand and puts the entire economy at risk. It is particularly urgent with the increasing warnings of an impending financial crisis. Quite obviously we can't rely on the 'regulators' to exercise control so it will have to be done by Government. There have been calls by prominent people for Government to do just that - Bernie Fraser, former Governor of the Reserve Bank, Prof. Alan Fels, former ACCC chairman, Nick Sherry, former Minister for Corporate Law in the Rudd government, John Dahlsen, former director of ANZ bank - as well as other people in the financial industry who can see the damage that's being done. All have supported structural separation of the banks as the only remedy. The bankers and their Treasury cohorts claim that banks are already in a voluntary separation process but how could you trust them to maintain that position. It needs to be set in stone with legislation. Bob Katter MP has recently introduced such legislation into the Parliament - the Banking System Reform (Separation of Banks) Bill 2018, but none of the major party MP's seem willing to debate it. Clearly they're all waiting on a lead from the RC.