



Australian Citizens Party

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MEDIA RELEASE

13 December 2017

APRA is the 'monster that protects the banks'

Major party politicians are putting the economic security of all Australians at serious risk by their misplaced confidence in the Australian Prudential Regulation Authority (APRA), the bank regulator. Labor MPs, for instance, are sending letters to constituents who are concerned about [sweeping new crisis resolution powers for APRA](#), which express "confidence in the ability" of APRA to ensure the "stability and strength of the Australian financial system".

Yet the current Senate Economics Committee inquiry into APRA's new powers is drawing out experts and insiders who slam APRA for its extreme secrecy, its disregard of bank customers, its protection of the banks' myriad abuses, and its destructive distortion of the financial system.

One of these experts is Victorian businessman John Dahlsen, the former chairman of Woolworths and a director of the ANZ Bank for 20 years. In an August 2016 paper entitled "Banks—I See Things Differently", Mr Dahlsen wrote: "APRA is the monster that protects the banks from disaster and its constant interventions reduce competition."

Mr Dahlsen's paper is a no-holds-barred attack on Australia's banks and their regulator. "The inner world of banking is private, secretive, murky and dark and bank reputation and ranking is low", he describes, adding that it is an industry where there is a "a culture of vultures". He levels charges thick and fast, including:

"Conflict is rife and often abused, and Chinese walls are illusory."

"Insider trading is subtle and obtuse and seldom reported."

"So long as banks collude and are all the same, the risk of concentration for Australia is acute. Only the Government can change that."

"APRA is not concerned with customers and competition because they are not in their remit."

"Banks trade in parallel and are all the same. You could change the labels and no one would notice. They defend their business walls from all intruders and nothing gets through because of APRA."

"Banks treat regulation as a game to protect their pay. They are more concerned about their rewards and their self-interest than the interests of customers and other stakeholders."

This is not a rural populist or a red-hot socialist speaking, it is a former director of one of the Big Four banks, and it is time that politicians took notice.

An insider's view

Former head of research and principal researcher at APRA Dr Wilson Sy has also been speaking out about the regulator he worked for in 2004-10. In his submission to the 2014 Financial System Inquiry, entitled "Implications of the Global Financial Crisis", Dr Sy accused APRA of secret dealings with the institutions it regulates, and for being asleep to the risks that led to the 2008 GFC.

"Secrecy was maintained in Australia during the GFC when Westpac and NAB came close to failure", he revealed, noting that only the flow-on of the US mega-bailout of Wall Street saved the Australian banks; APRA's secrecy "can create various types of corruption", Dr Sy warned. In the GFC, he said, APRA "failed to reject unsound credit risk models or to challenge them on their technical accuracy".

Following Prime Minister Malcolm Turnbull's 30 November announcement of a banking royal commission in which APRA would be excluded from scrutiny, Dr Sy fired off a letter to members of parliament. He warned them that the government's raft of impending APRA bills on "bail-in", superannuation governance and superannuation products "give APRA unwarranted powers to help the banks, more easily and legally, to plunder the wealth of ordinary Australians".

Dangerous ignorance

Most Australian politicians have never heard the views on APRA expressed by the likes of John Dahlsen and Wilson Sy. Their ignorance is dangerous, because they therefore don't question the Treasury's proposal to give APRA even more powers. Treasurer Scott Morrison played on this

ignorance as he introduced the Financial Sector Legislation Amendment (Crisis Resolution Powers and other Measures) Bill 2017 into Parliament on 19 October, repeating the myth that APRA's "excellent supervision and robust capital requirements" were responsible for Australia's banks surviving the 2008 GFC. Unless politicians question those claims, they will end up voting for a bail-in regime that puts the Australian banking system under the control of the Bank for International Settlements (BIS) and its Financial Stability Board (FSB) in Switzerland. This control will be exercised through APRA, which the BIS insists the elected government must not interfere with. APRA will be empowered to impose even more extreme secrecy restrictions than it already does; to bail in hundreds of thousands of self-funded retirees and self-managed superannuation funds who have bought hybrid securities from the banks; and, given the broad language of the bill, possibly to bail in all depositors in Australian banks. In short, a foreign-directed banking dictatorship.

And Australian MPs be warned: in Europe, when governments have been forced to bail in their banks under this global BIS regime, angry voters have driven them from office at the first opportunity. That's why APRA needs to be able to exercise these powers independently and secretly.

Replace APRA with Glass-Steagall

The ostensible reason for APRA's powers—to ensure financial stability—is a fraud. APRA will be the cause of the financial crisis it is being given powers to resolve. As the Citizens Electoral Council in Australia, and thousands of politicians, bankers and financial experts around the world, have said since the 2008 GFC, the only way to ensure financial stability is through a Glass-Steagall separation of commercial banks with deposits, from all other financial services. Only this separation will protect the core banking system, which everyone needs, from financial speculation. Australians must get this message through to their MPs.

Make a submission

There's still time to submit a letter to the Senate Economics Legislation Committee's inquiry into the Financial Sector Legislation Amendment (Crisis Resolution Powers and other Measures) Bill 2017. The deadline is Monday 18 December. Send an email to economics.sen@aph.gov.au to state your opposition to sweeping new powers for APRA and your support for Glass-Steagall instead. Make sure to identify yourself with your name and address, identify the bill by name, and write "confidential" at the top if you don't want it published on the Parliamentary website.