HAVE YOUR SAY! - Make a Submission to the Senate Economics Legislation Committee

The Senate Economics Legislation Committee on 14 February initiated an inquiry into the Banking System Reform (Separation of Banks) Bill 2019.

Click here for the inquiry website.

This is a major blow for the banks, which had assumed that the Hayne Report from the banking royal commission, which did not recommended structural separation, would be the final word on the issue—bank shares soared on the news they wouldn't be broken up. They celebrated too early, however.

On 12 February, a week after Hayne's report became public, Senator Pauline Hanson introduced into the Senate the same bill that Bob Katter had introduced into the House of Representatives in June 2018. This bill was carefully drafted by the Citizens Electoral Council based on the USA's successful *Glass-Steagall Act* of 1933 and the updated "21st Century Glass-Steagall Act" bill currently before Congress, adapted for Australia's financial system.

The bill separates traditional commercial banks that take deposits and make loans from all other financial activities. This solves the problems of both vertical integration—the gross conflict of interests involving banks advising their customers to buy products from other businesses the banks also own; and horizontal integration—banks mixing commercial banking with risky investment banking that puts customer deposits, and the whole economy, in danger.

The bill also brings the failed bank regulator APRA (Australian Prudential Regulation Authority) under much tighter parliamentary control.

Support

Bank separation has the support of most cross-bench politicians in Parliament, including the Greens, Centre Alliance, One Nation and independents. It is also supported by key backbenchers in all of the major parties. The Labor Party had said they would support it if recommended by the royal commission; however, sticking with that position is untenable. They know that Commissioner Hayne's terms of reference forbade the investigation of "structure", which Labor had intended a royal commission would have looked at. Also, even Labor's senior statesman Paul Keating has strongly criticised Hayne for not recommending structural separation.

(Hayne's recommendation against structural separation is a scandal: that section in his report includes a blatant lie, and experts familiar with public inquiries have accused Treasury of a "dirty trick" to rig the outcome in favour of the banks.)

Opposition

The opposition to separation comes from the big banks, the discredited regulators which are captured by the banks, and the leadership of the major parties who take huge donations from the banks. The banks wish to keep the parasitical structure that has enabled them to amass huge profits, not only through gouging their customers but also through gambling with their deposits, which they use to underwrite their huge derivatives bets that collectively amount to more than $40 trillion. There is a revolving door between the banks and regulators: high-powered executives from banks take key positions in the regulators, such as ex-UBS chief John Fraser taking over as Treasury Secretary in 2013-18 and former senior investment bankers holding six of the nine positions on the executive of bank regulator APRA; and regulators retire to plum banking positions, such as former Treasury Secretary Ken Henry becoming chairman of NAB and former RBA governor Glenn Stevens joining the board of Macquarie Bank. And not only do the big banks donate to the major parties, but so does the Australian Banking Association which lobbies for them, as do the Big Four global accounting firms which audit the major banks and have a track record of covering up dodgy bookkeeping by banks all over the world.

Make a submission

This inquiry is the chance for the Australian public to force the debate on banking separation that the royal commission was not allowed to have. The Senate Economics Legislation Committee is taking submissions from the public, so every concerned Australian should make a submission.

Here are some points to note about the Glass-Steagall principle of full banking separation:

- It works, as proved by its success for almost 70 years (1933-99) in America;
- It ends the conflicts of interests of vertical integration, which is the only way to ensure the misconduct exposed by the royal commission can't happen again;
- It protects deposits from the dangers of speculation, which boosts confidence in the banking

system;
- It stops banks from diverting credit into unproductive financial speculation, thus making more credit available for lending to neglected sectors such as small business, industry and farming.

The submissions deadline is 12 April, but don’t delay—make your submission today!

How to make a submission

Written submissions can be delivered to the Committee in two ways: 1) by physical post; 2) online.

1. Post your written submission to: Senate Standing Committees on Economics
   PO Box 6100
   Parliament House
   Canberra ACT 2600
   Phone: 02 6277 3540
   Fax: 02 6277 5719
   Email: economics.sen@aph.gov.au

2. For online submissions, which the Committee prefers, click on this link for the contact details of the Committee, a copy of the Bill and Explanatory Memorandum under “Information about the bill”, and information on how to upload a submission.
