



Australian Citizens Party

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MEDIA RELEASE

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APRA update: Think your bank deposits are guaranteed? Think again!

A former principal researcher at bank regulator APRA has revealed in a submission to a Senate inquiry that, contrary to government reassurances, *Australian bank deposits are not guaranteed*.

This explosive revelation shreds the government's repeated assurances that its new bill to give crisis resolution powers to the Australian Prudential Regulation Authority (APRA) will not allow the "bail-in" (confiscation) of bank deposits, because they are guaranteed up to \$250,000 by the Financial Claims Scheme (FCS).

In the cover letter to his submission to the Senate Economics Legislation Committee's inquiry into the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017, Dr Wilson Sy asks Committee chair Senator Jane Hume: "As a matter of urgency, I need to ask: are you prepared to have your savings in bank deposits confiscated to save insolvent banks? What about the millions of voters you represent? How would they react if you allow this to happen to them?"

Dr Sy charges that the bill "gives the Government and APRA new discretionary powers to confiscate bank deposits", and that it should be rejected.

(Dr Sy's submission, "Protect Deposits Not the Fraudulent System", is the first submission posted on the Senate inquiry's website, and [can be accessed here](#).)

As a Principal Researcher at APRA in 2004-10, during which time he was briefly acting Head of Research for a time, Dr Sy is one of the most qualified people to comment on APRA and the powers it will be given by this bill. Both the 2008 global financial crisis and introduction of the Financial Claims Scheme occurred while he was at APRA.

FCS guarantee not activated

The essential point that Dr Sy makes is that the FCS is not an absolute guarantee. He quotes the FCS website, which makes clear that the FCS will only take effect *if* the government activates it *when* an ADI (Authorised Deposit-taking Institution—a bank, credit union, building society etc.) fails. "That is, when a bank fails, i.e. becomes insolvent, the Australian Government or APRA then has the discretion to decide whether or not to activate the FCS", he says. "Hence, it should be emphasised that:

"Bank deposits are not protected or guaranteed at all."

Under the *Banking Act 1959*, Dr Sy explains, APRA is responsible for two potentially conflicting objectives: the protection of depositors AND the promotion of financial stability. This depositor protection is "illusory", he asserts, because the *Banking Act* doesn't state which objective has priority.

Under the new bill, however, APRA will have the discretionary power to decide which objective has priority; alarmingly, it will be able to make such a decision "in secrecy". Dr Sy references Subdivision D, Section 11CH (p.24) of the bill, which states that APRA may decide that its orders must be kept secret if it is "necessary to protect the depositors of any ADI **OR** to promote financial system stability". (Emphasis added by Sy.) The replacement of "AND" with "OR" confirms that the objectives are in potential conflict. "Therefore", Dr Sy continued, "it is important to recognise that *the Bill allows APRA discretionary powers to decide secretly whether to protect depositors or to promote financial system stability*."

Quoting a 2012 Reserve Bank of Australia paper, which stated that the priority of regulators, mandated under Commonwealth legislation, is to "pursue financial stability", Dr Sy concludes:

"Therefore, the evidence collected here strongly suggests that the Bill is designed to confiscate bank deposits to 'bail in' insolvent banks to save the financial system."

Can't be funded

Dr Sy's revelation is further, damning evidence that the FCS is not a real guarantee. The Citizens Electoral Council had already exposed in 2014 that, by the regulators' own admission, the FCS doesn't have the money to guarantee deposits in any of the Big Four banks, which hold 80 per cent of all

deposits! This was first acknowledged in a 19 June 2009 meeting of Australia's Council of Financial Regulators, comprising APRA, ASIC and the Reserve Bank, which noted in its minutes that a failure of one of the Big Four banks would "exceed the scheme's resources". Later, the Financial Stability Board in Basel, Switzerland, which is in charge of imposing a bail-in regime worldwide, noted in its 21 September 2011 "Peer Review of Australia" that the government's \$20 billion provision per bank "would not be sufficient to cover the protected deposits of any of the four major banks", which each have more than \$400 billion in deposits. [The CEC presented this evidence in its submission to the Senate committee inquiry.](#)

Defeat the APRA bill

Most members of parliament are assuring their constituents that the APRA bill—which virtually none would have read—does not mean deposits will be able to be bailed in, because deposits are guaranteed under the FCS. Dr Sy's revelation explodes that myth. This is not an academic question. With all signs pointing to a near-term collapse of the so-called "everything bubble" comprising property markets in Australia and elsewhere, the US stock market, Bitcoin, and the US\$1.2 quadrillion global derivatives trade, a looming global financial crisis threatens Australia's banking system. It is urgent, therefore, that Australians demand their MPs reject this bill outright, and go with the Glass-Steagall banking regulation instead, which guarantees deposits and financial stability by separating commercial banks with deposits from all forms of financial speculation. As Dr Sy says in his submission: "The global financial system needs fundamental structural reform which many countries believe is the restoration of the Glass-Steagall legislation which had worked well for many decades until it was corruptly or mistakenly repealed at the turn of this century."

What you can do

Before Christmas, upwards of 800 everyday Australians flooded the Senate committee inquiry with submissions opposing the APRA bill and demanding Glass-Steagall. The Committee is expected to hold hearings in either late January or early February, by which time it is imperative that every MP and Senator is confronted with the truth about this bill.

1. Forward this release, the CEC's submission ([download here](#)) and Dr Sy's submission ([download here](#)) to your local federal MP and Senators before the end of the month. If possible, print copies and deliver them in person.
2. Sign and share the CEC's latest petition: ["Global crash coming—Australia needs Glass-Steagall and a National Bank"](#).