



# Australian Citizens Party

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## MEDIA RELEASE

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### More evidence that APRA can 'bail in' Australian bank deposits

More evidence has emerged that the APRA bail-in law passed in February does not exclude ordinary deposits from being converted into worthless shares or written off to prop up failing banks, a.k.a. bailed in, as some politicians assumed.

Digital Finance Analytics' Martin North and economist John Adams revealed the sensational evidence in a 10 October episode of their regular YouTube show. Click here to watch: ["Adams/North - An Urgent 'Bail-In' Update - Parliament Is 'Too Stupid To Be Stupid'!"](#).

This evidence is crucial, because it proves yet again that politicians have lied to enact policies that can prop up the banks. Today is the 10th anniversary of the Rudd government's 12 October 2008 announcement of emergency guarantees for the banks, which the government had repeatedly assured the public were "sound", but which behind the scenes were on their knees, the bankers begging for guarantees without which they would be "insolvent sooner rather than later". With another financial crisis looming, the question of deposits being bailed in to prop up failing banks is not academic, but a near-term threat.

The Citizens Electoral Council fought a [massive campaign](#) against the APRA bail-in law, the [Financial Sector Legislation Amendment \(Crisis Resolution Powers and Other Measures\) Act 2018](#), knowing it targeted deposits for bail-in. The CEC based this on the following:

- By the government's own admission, the law conformed with the international bail-in regime established by the G20 Financial Stability Board (FSB) based at the Bank for International Settlements (BIS) in Basel, Switzerland, as laid out in the FSB's Key Attributes of Effective Resolution Regimes, which explicitly includes depositors, called "uninsured, unsecured creditors", in its section on "Bail-in within resolutions".
- In all other jurisdictions that have established bail-in systems in compliance with the FSB, including New Zealand, the EU, and the United States, deposits can be bailed in.
- In 2014 in response to the political backlash to the March 2013 bail in of deposits in Cyprus, the chairman of the FSB, Bank of England governor Mark Carney, announced that bail-in would not include deposits after all, but he lied: when the EU's Bank Recovery and Resolution Directive (BRRD) bail-in system came into force in January 2016 it included deposits.
- The language of the APRA crisis resolution powers legislation is deliberately broad enough to include deposits in its "conversion or write-off" provisions under the words "any other instrument".

The government's sneakiness was also a strong indication that the law applied to deposits, and that they knew it would be hugely controversial. They timed the release of the bill for consultation late on a Friday afternoon in August 2017, to ensure minimum publicity. They downplayed its contents as just "technical amendments". Both major parties kept their caucuses in the dark. They rushed it through the House and Senate with minimal debate and only a handful of Members and Senators present, and passed it "on the voices", without a recorded vote. And having been informed by One Nation Senators that they intended to move an amendment to explicitly exclude deposits from bail-in, the government made sure they spirited it through the Senate when One Nation's senators weren't in the chamber.

#### Have you read the terms and conditions of your bank account?

In their show, Adams and North reveal that one of the few politicians who had examined the bill closely, was convinced that the CEC was wrong, and that it didn't apply to deposits, because of a clause in the bill which states that it applies to instruments that have conversion or write-off provisions "in their terms". This politician's office said that as deposits don't include provisions for conversion or write-off in their terms and conditions, they couldn't be bailed in under this law.

When asked if they had checked the terms and conditions of deposit accounts, however, this politician's office admitted they hadn't.

*They should have!*

The stunning new evidence that Adams and North present is that, although the terms and conditions

of bank deposit accounts do not include explicit terms that allow for conversion or write-off, they do include a catch-all provision that allows the banks to change their terms and conditions any time, to include anything they want, and without advance notice.

Moreover, the banks cite “regulator guidance” as one reason for doing so. In other words, APRA can order the banks to change the terms and conditions of their deposit accounts to allow for a conversion or write-off, and a bail-in of deposits would be legal under the APRA crisis resolution powers law.

[Watch the episode](#) to see for yourself in black and white the catch-all clauses that each of the Big Four banks, which hold 80 per cent of Australia’s deposits, have in the terms and conditions of their deposit accounts. (Previous episodes, and John Adams’ ongoing work on this subject, can be viewed on his new website: <https://www.adamseconomics.com/>).

### **To protect deposits, fight for Glass-Steagall**

In response to the CEC’s campaign against the APRA law, the Treasury, APRA, ASIC and Reserve Bank all made submissions to the Senate inquiry assuring that deposits wouldn’t be bailed in. However, as the CEC said at the time, their assurance was meaningless unless it were written into the legislation. Martin North notes that the only way the government could clear this up is to amend the law to explicitly exclude deposits, as One Nation had sought to do.

To truly protect deposits, all Australians should join in the CEC’s fight to get Parliament to pass the [Banking System Reform \(Separation of Banks\) Bill 2018](#), introduced by Bob Katter MP in June, which would enact a Glass-Steagall separation of Australia’s commercial, deposit-taking banks, from investment banking and all other financial services.

This bill would protect deposits in two ways:

1. It would stop the banks from engaging in the risky speculation that puts deposits at risk in the first place;
2. In Section 14 it brings APRA under strict parliamentary control, and forbids APRA from implementing BIS-FSB directives in Australia without the explicit approval of Parliament, so that it cannot order a bail-in of bank deposits.

### **What you can do**

- Make sure your MP sees this video. Forward it to their office, follow it up with a phone call to make sure they watch it, and ask for a written response.
- Demand your MP protect your savings by supporting the [Banking System Reform \(Separation of Banks\) Bill 2018](#).