



Australian Citizens Party

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MEDIA RELEASE

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Stop Morrison rushing through emergency powers for APRA. Tell your MP: replace APRA with Glass-Steagall, national bank

Treasurer Scott Morrison has today introduced into Parliament the bill to give emergency powers to APRA, the regulator that has allowed the banks to abuse their power and positions.

The CEC exposed this bill in a [12 September release](#):

The Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017 gives APRA dictatorial powers to totally control all Australian Authorised Deposit-taking Institutions (ADIs, i.e. banks, building societies, credit unions etc.), insurers and superannuation companies. These include the power to:

- direct the financial institution's actions; appoint itself to take over the financial institution; and transfer assets from the financial institution, i.e. *all powers that would be needed for a "bail-in"*;
- exempt officers, employees, agents and APRA appointees from liability, i.e. *no accountability*; and
- prohibit public disclosure of these directives, i.e. *to take over the banks but keep it secret!*

The government will justify these powers as necessary for a crisis, but APRA would not be using them to protect the public from the consequences of the recklessness of the banks, which would be the cause of the emergency, but to protect the banks from public demands for justice, accountability and strict re-regulation.

As an APRA whistleblower reported in the Citizens Electoral Council's *Australian Alert Service* magazine, APRA by its own admission *does not police the banks, it protects them*.

Under APRA's "supervision", Australia's banks have:

- concentrated the market into four Too-Big-To-Fail megabanks which hold around 80 per cent of all deposits;
- gone on a gambling binge in dangerous off-balance-sheet derivatives, from holding contracts valued at less than \$4 trillion when APRA commenced in 1998, to \$14 trillion by the time of the 2008 GFC, and skyrocketing since to a dizzying \$36.7 trillion today—roughly 22 times Australia's GDP;
- put all of those deposits and the broader financial system at risk by piling way too much credit into the housing market, such that more than 60 per cent of new lending is for housing, around 80 per cent of housing loans are to buy existing property, 60 per cent of new loans are to investors for negatively geared investments, and 40 per cent of housing loans are interest-only;
- created, through this mortgage lending, one of the biggest speculative bubbles in the world that will bring down the system when it bursts—APRA didn't just allow the banks to do this, it incentivised them by rigging their "risk-weightings" to make mortgages more profitable than all other kinds of loans;
- starved the small businesses and industries of the productive economy of credit, to gamble everything on mortgages;
- manipulated customers and fraudulently doctored paperwork to justify investor loans to customers who really couldn't afford them and so ended up losing their family homes in the process;
- repeatedly exploited their customers, through fees, bad financial advice, and dodgy financial products like insurance, which has left thousands of Australians ruined in their wake while they have racked up super-profits; and
- engaged in blatant criminality, including money-laundering for drug- and terrorism-related activities.

So why on earth is this miserable failure of a bank regulator getting even more, "emergency" powers?

Scrap APRA

APRA's failings and crimes are even more obvious when compared with the alternative: a Glass-

Steagall banking separation and a national bank.

Glass-Steagall, the name of the US law passed in 1933 to reform the banking system after the 1929 crash and Great Depression, was the most successful banking regulation in history. Instead of trying to manage the minutiae of banking practices, such as risk weightings, tier 1 and tier 2 capital ratios and the myriad of possible derivatives scams, it simply mandated a firewall between commercial banks that held deposits and served the community, and investment banks and insurance companies that engaged in risky speculation. Under Glass-Steagall there was no cross-ownership, no shared directors, no contact whatsoever. Until its erosion in the 1980s and final repeal in 1999 it made the USA's banking system unquestionably strong. Deposits in commercial banks were super-safe, and investment banks were on notice that if they gambled and lost, they wouldn't be bailed out. No banks were TBTF—too big to fail.

Australia's major, TBTF banks are all vertically-integrated universal banks, whose deposits are at grave risk from their reckless speculation. APRA's major responsibility—protecting deposits—would be accomplished by scrapping APRA and imposing Glass-Steagall instead.

APRA's supervision/regulation role should be replaced by a national bank, returning to the system that worked in WWII when the Commonwealth Bank imposed strict controls on the private banks. The banks hated it, but they always made a profit, and, more importantly, it worked for the economy—the banking system provided credit where it was needed and the private banks didn't speculate. The government must bring the Reserve Bank back under government control and restore the functions of the original Commonwealth Bank, which always guaranteed the public's deposits in full.

What you can do

[The Treasury has revealed it received 253 submissions](#) on this APRA bill in support of the CEC's campaign for a Glass-Steagall banking separation; otherwise the bill received very little attention. Let's step it up. [Call, email or write your federal MP](#) now to protest this bill, and demand they examine and act upon the Glass-Steagall/national bank alternative.