Australian Citizens Party

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MEDIA RELEASE

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Why did Australia's Treasury hold covert meetings in Europe on a banking crisis?

Sensational information has surfaced that an Australian Treasury delegation travelled to Europe in February for discreet meetings with European countries on how they handled their banking crises.

Former Coalition economics advisor John Adams made the revelation in a 31 March discussion with Martin North posted on their *Interests Of The People* YouTube channel, entitled "Scandal - Australian Officials Caught In Covert Banking Meetings".

Adams attributed the information to an unnamed source, who spoke with both him and Martin North.

This information emerged following news.com.au on 19 March reporting Adams and North for their explosive analysis that Australia's plunging property market could trigger a banking crisis that could spread overseas, "Australia could be 'first domino to fall' in next GFC ", in which they compared Australia's housing market and banking system to that of Ireland before its crash in 2008. Adams followed this up with a top-rating appearance on Peter Switzer's Money Talks program on 25 March to debate establishment economist Chris Joye on "Is Australia facing a house price collapse?", in which he also made the comparison to the banking crises in Europe.

The Citizens Electoral Council can attest that Treasury has consistently denied the likelihood of an Australian banking crisis, despite the growing number of signs. Treasury's claim that a banking crisis is "unlikely" is one of its excuses for opposing the need for a Glass-Steagall separation of banks.

So why would a Treasury delegation be holding covert meetings in Europe to consult on how to handle precisely such a crisis?

Don't tell the passengers the Titanic is sinking!

As noted on the latest episode of the *CEC Report*, the Australian government has a policy of not telling the truth about the economy. Their logic is they don't want to "spook" the market, or "talk down the economy". John Adams has reported that government MPs have asked him not to speak out about the economy.

More to the point, according to Adams, one MP admitted they are anticipating a crisis, but hope it would be triggered by an international financial shock, so the government can have plausible deniability and not have to admit that their domestic economic policies, centred on inflating the biggest housing and debt bubble in Australian history, caused the crash.

This amounts to: "If we don't tell the passengers that the Titanic is sinking, maybe they won't blame us." The regulators are even worse. Their attitude is: "If we don't find out whether the Titanic is sinking, maybe it will stay afloat"! This is evident in Reserve Bank of Australia (RBA) deputy governor Guy Debelle's statement in December 2018 that when it comes to assessing Australia's record debt, "there is little to form a strong conclusion about how much is too much". It is also evident in the recent revelation by analysts at Deutsche Bank that the Australian Prudential Regulation Authority (APRA), the bank watchdog, has understated mortgage debt by as much as 40 per cent! This is not incompetence from APRA, but a result of its see-no-evil, speak-no-evil approach to regulation, even to the point of ignoring systemic threats. APRA in 2007 suppressed an internal report by its research department that warned lowered mortgage lending standards by banks had created a bubble, in which defaults were rising and were on track to cause a banking crisis and recession. In 2010 APRA went one step further and disbanded its research department.

Bail-in

Two possible explanations for the Treasury meetings in Europe are: 1) a genuine desire to learn from their experience so they can spot a crisis coming and take action to avert it—unlikely; 2) an opportunity to assess the "bail-in" system that is in force across all EU member states, the Bank Recovery and Resolution Directive (BRRD), which authorises financial authorities to contain a future financial crisis by seizing savings deposits to prop up failing banks, so they don't set off a chain-reaction collapse.

The latter is far more likely as, also in February, the latest IMF Financial System Stability Assessment for Australia ordered the government to implement a full, statutory bail-in system, like the EU's BRRD.

Unlike the government, the IMF was frank about the trouble Australia is facing: "Stretched real estate valuations and high household leverage pose significant macrofinancial risks", the report stated. "Household debt has risen by some 25 percentage points since the previous FSAP [Financial Sector Assessment Program] to about 190 per cent of disposable income, one of the highest levels in the world. … The major banks run similar business models, raising the vulnerability of the system to a common shock. All are heavily exposed to real estate…."

The government is very secretive about its bail-in agenda due to the intense public opposition that the CEC has mobilised for the past seven years, since the first application of bail-in in Cyprus in March 2013. The IMF alluded to this secrecy in its report, noting that "Australia has adopted a cautious public stance on creditor bail-in." Other jurisdictions, including the EU, USA, Japan, Canada and New Zealand, passed their bail-in laws easily because they kept their populations in the dark; India is the only other country where there has been a political backlash like in Australia, to the point that last year the Indian parliament was forced to withdraw its bail-in legislation.

That said, Australia already has certain bail-in powers that include a loophole through which bank deposits can be seized. The CEC has legal advice that the broad language of the APRA crisis resolution powers law snuck through Parliament without a recorded vote in February 2018, and the fact discovered by John Adams and Martin North that banks can change the terms and conditions of deposit accounts effectively without notice, can be used to bail in deposits.

Treasury's covert preparations for a banking crisis, and bail-in agenda, confirms they are expecting a crisis. It is imperative that we win the CEC's fight for the Banking System Reform (Separation of Banks) Bill 2019 currently in the Senate, to protect Australians and their deposits from a banking crisis by breaking up the banks and stripping APRA of its powers to bail in. The Senate Economics Legislation Committee's inquiry into the bill is receiving submissions until 12 April—support the fight for bank separation and against bail-in by making your submission today!
