



Australian Citizens Party

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MEDIA RELEASE

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Ask all Labor politicians: Why do you oppose protecting deposits from Morrison's 'bail-in'?

The Morrison government is trying to fool the public. Scott Morrison wants Australians to take his word that bank deposits won't be "bailed in"—confiscated to prop up failing banks—but he's doing everything he can to stop legislation that will put the assurance into law where it matters.

He'll only get away with it if the Labor Party helps him, but that's what they are doing. Why?

Between now and 30 November when Senator Malcolm Roberts' [Banking Amendment \(Deposits\) Bill 2020](#) is debated, all concerned Australians should call Labor Senators and MPs and demand to know: why are you siding with Scott Morrison to oppose protecting bank deposits from bail-in?

Labor's collusion with Morrison on this is especially pathetic because Morrison can't even convince senior, qualified figures on his own Liberal Party side to accept his assurances.

In June, the Liberal Member for Goldstein, **Tim Wilson**, admitted in a letter to a constituent that bail-in "is a reflection of the economic reality and risk (though low) that comes with deposits. If people don't want to be exposed to this risk then they have other options, such as buying precious minerals or holding non-deposited cash."

Wilson's statement completely contradicts his own government's assurance that bail-in cannot happen.

In July, **Nick Hossack**, a former advisor to Liberal Party doyens former Prime Minister John Howard and former Foreign Minister Alexander Downer, and, more importantly, a former Australian Banking Association Policy Director, confirmed that there is a risk that Australian bank deposits could be bailed in: "Senator Roberts has identified uncertainty in the *Banking Act 1959* over whether bank deposits can be written off or converted to equity", Hossack wrote to the Senate inquiry into the anti-bail-in Bill.

He then advocated that bank deposits *should* be bailed in—proving once and for all that senior political and banking figures in Australia *do* support bail-in.

By contrast, former Liberal Party Opposition Leader **Dr John Hewson**, himself a banker, revealed in a 19 July tweet that he agrees deposits are in danger of being bailed in, but he insisted the law should be changed to protect deposits. Dr Hewson tweeted: "Parliament should endorse the Banking Amendment (Deposits) Bill to explicitly rule out the possibility of 'bail in' where authorities would allow banks to convert your deposits to shares in a banking crisis—should be a 'no brainer' for any government".

Labor's cover-up

So if these very senior and qualified Liberal Party figures aren't fooled by Morrison's reassurances, what's Labor's excuse?

In a 12 November letter to a constituent, an advisor to Tasmanian Labor Senator Catryna Bilyk simply repeated the Morrison government's excuses for not supporting Senator Roberts' Bill.

The letter stated: "The Bill purports to address a problem *which simply does not exist*. The *Banking Act 1959* explicitly provides for priority repayment of deposits in the event that an authorised deposit-taking institution is unable to meet its obligations. *There is already legislative certainty* that deposits cannot be subject to any form of conversion, write-off or bail-in." (Emphasis added.)

Wrong! Wrong! Wrong!

First, as demonstrated, even senior Liberals acknowledge the problem does exist!

Second, priority repayment of deposits relates to a bank collapsing and being liquidated and its creditors repaid, at which time depositors have preference. That has absolutely nothing to do with a bail-in, which is a desperate, emergency policy to prop up a failing bank so it *doesn't* collapse. Depositor preference is in no way relevant to that situation (nor is the \$250,000 Financial Claims Scheme deposit guarantee, which also only applies after a bank fails and then only if the government

chooses to activate it—it isn't a blanket guarantee).

Third, and most importantly, as Nick Hossack confirmed there is absolutely not “legislative certainty that deposits cannot be subject to any form of conversion, write-off or bail-in”. *There is nothing in Australian legislation that explicitly protects bank deposits from a bail-in scenario!*

There *is* a general requirement for the Australian Prudential Regulation Authority (APRA) to protect depositors, **but** this is qualified by APRA's other responsibility for “financial system stability”. And there is the \$250,000 FCS deposit guarantee, **but** as stated this only applies after a bank fails, and so is no protection against bail-in. Thus, neither of these *explicitly* protects deposits from bail-in.

The only way to truly have “legislative certainty” is to insert a section in the *Banking Act* that explicitly says that the “conversion and write-off”—i.e. bail-in—provisions in the Act cannot apply to bank deposits. That is what the Banking Amendment (Deposits) Bill will do.

Protected Accounts vs Deposit Accounts

The Senator Bilyk letter also repeated Treasury's claim that “the bill introduces a definition of ‘deposit account’ which is not used consistently in potentially relevant places throughout the *Banking Act*, which risks introducing uncertainty regarding the interpretation of the *Banking Act*.”

“For these reasons Labor does not support the bill”, the letter stated.

This is a red herring from Treasury, to make out the Bill's use of “Deposit Accounts” will cause confusion with the *Banking Act*'s use of “Protected Accounts”. The Citizens Party has legal advice that: “There is no likelihood of any confusion between ‘Deposit Accounts’ and ‘Protected Accounts’.” The reason the Bill uses Deposit Accounts is to ensure legislative certainty. The term Protected Accounts currently in the *Banking Act* isn't strong enough, because the Act provides that the status of Protected Accounts can be changed by regulation without the need for Parliamentary legislation. To guard against bail-in, the Bill uses watertight language and terms that cannot be changed, hence the use of Deposit Accounts and a definition that ensures it covers all deposits.

The onus is now on Labor. Will they side with Scott Morrison and keep the law ambiguous? The only reason to do so is to retain the option of bailing in deposits—is Labor in on it?

Or will they support the Banking Amendment (Deposits) Bill and protect Australians from bail-in?

Demand to know!

13 days to end the ‘bail-in’ nightmare

It's very important that in the next two weeks you call all the Senators from your state, your local federal MP, and Labor's Shadow Assistant Treasurer Stephen Jones to demand they vote for the Banking Amendment (Deposits) Bill 2020. [Click here to find contact details for your MP and Senators.](#)

Ask ALP Shadow Assistant Treasurer Stephen Jones: “Why would Labor protect the government on bail-in, instead of making the law explicit that deposits can never be bailed in?” Canberra: (02) 6277 4661 Electorate: (02) 4297 2285

[Click here to sign the petition: Hands off our bank deposits—stop ‘bail-in’!](#)