

Mr David Murray AO
Chairman
Financial System Inquiry
GPO Box 89
Sydney NSW 2001

6th August 2014

Dear Sir and Panel Members.

Banks – “Too big to Fail”.

I wish to present a written submission to the Financial System Inquiry.

I am just an ordinary bloke, retired and living in the suburbs with my wife and family. We have some cash in savings accounts and term deposits and we receive a part old age pension. I have worked all my life and paid taxes; I have served with the Australian military services and contributed to my community in municipal public office and volunteer activities. I guess there are many others who can relate similar life experiences.

Fortunately I ditched my share portfolio just prior to the 2008 global financial crisis and decided not to re-enter that market. But it seems that that crisis occurred mainly as a result of Hedge Fund's (or as they are now sometimes referred to as “Vulture Funds”) speculative trading of derivatives and other gambling investment instruments.

I'm also informed that the major Australian Banks are involved in this casino like speculative trading and have accrued trillions of dollars debts which are not disclosed on the company's annual balance sheet.

I am concerned that should another financial crisis occur in the near future and the Banks having a protected status as being “too big to fail”, the possibility of allowing them to do a “Cyprus” and take all or part of my meagre savings to repay their debts is a depressing situation to contemplate.

Most Australians have no option but to use the banks for financial transactions and we expect NOT to be robbed and that the security and availability of those funds should be guaranteed at all times.

With this in mind it is clear to me that Australia requires new Banking legislation which separates the Bank's speculative derivatives gambling activities from the normal commercial banking (savings deposits, loans, mortgages, development investment). In other words, split the banks into two separate organisations with Government guaranteeing the deposits of what are currently classified as “Unsecured creditors”, my deposits.

There are a number of models which may be considered to provide such security including "Glass-Steagall" legislation formally used in the USA, and now being considered (but not publicized) by many other State and Country legislators. Also and to a lesser extent "Ring-Fencing" legislation currently being adopted in the UK.

It is imperative that any attempt to implement in Australia "Bail-in" legislation, which is currently being formulated by Treasury and also proposed for adoption by the G20 at the forthcoming meeting in Brisbane, be rejected outright and I expect your panel to make such a recommendation to the Federal Government.

In summary below are those issues relating to

Banks – "Too big to Fail".

- I want my Bank deposits in savings and term deposit accounts to be protected from compulsory confiscation by Banks. They should be protected either by Bank reserves or Government guarantee.
- I support the introduction of new Banking legislation "Glass-Steagall" in order to separate the normal commercial banking from the speculative investment activities in today's banking system.
- Any attempt to implement in Australia "Bail-in" legislation must be rejected.

Thank you for considering my submission and I hope that you are able to support my recommendations.

Yours Sincerely

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