

Glass - Steagall law required to safeguard bank depositors

I am very concerned that banking regulators are considering the 'bail-in' concept that would allow banks to claim depositors' funds, either directly or under the guise of them being 'unsecured creditors' to ensure their survival in the event of a financial system failure.

The most notable features of 'bail-in' is its outright theft and unfairness. Money depositors worked for would be taken without compensation, because the bank had failed in its due diligence and judgement. This changes the relationship between customer and bank from one of freely participating parties to one of financial master and servant.

But aside from the basic moral issues, the suggested policy puts depositors in a situation where they no longer know if their money is still theirs, as the bank is free to claim any amount they wish from their customers in the name of their own survival and profits. Is this a small risk? consider relevant recent events:

* The GFC banking failures were due to banks dealing in debt obligations they could not convert to real value by continually selling these derivatives to other banks, institutions government and private and ultimately consumers; the banking system has therefore shown there are no obstacles or safeguards preventing future, larger failures no matter how reassuring their words. Instead, banks' established behaviour indicates these will be inevitable .

* Derivative values currently stand in the hundreds of trillions to quadrillions range, greatly exceeding any value that can be obtained for these debts when called in; it follows that 'bail-in' cannot even meet its stated aim of ensuring the survival of the financial system, but it will definitely lead to impoverishment of its depositors

* 'Bail - in' establishes a regime where the major banks get rewarded for failure, encouraging them to keep gambling, and making our financial situation a case of when (not if) the next crash will come, and the wildly inflated derivative values indicate the crash will come sooner rather than later.

At a even more fundamental level; 'Bail - in' and the related concept of 'too Big to Fail' banking violates even the basic capitalist theory banks themselves defend their basic usefulness on; the individual (or corporate fiction of a person) who gets the benefit of a transaction has to assume the potential risk of losing their investment involved. Under 'bail-in', the bank gets to take their depositors money to a financial casino AND have depositors pay them for the benefit of their incompetence when they lose.

Glass - Steagall needed in Australia

The recent morally criminal behaviour by the banks outlined above was driven top down from major merchant banks such as Goldman Sachs and began with the repeal in 2000 of the Glass - Steagall act of

1933 which had enforced separation of commercial (stable, low risk) banking from investment (high risk) banking with any collusion between them classed as a crime. It took just 8 years for unregulated bankers to destroy their own financial system, demonstrating that their own ability and integrity is completely unreliable. I would happily give bankers the freedom to operate unregulated if they had shown they were responsible, but they have instead shown themselves not just irresponsible, but criminal.

Given that the United States and other western powers have deregulated and are pretending there are no issues, Australia can no longer depend on any alleged protections from other jurisdictions and **must at minimum regulate our banking system at the Federal level under a law equivalent to Glass - Steagall.**

Separation of the commercial and 'investment' sides of the banking industry just as Glass - Steagall did must be guaranteed to ensure that the physical economy is backed by savings and credit that can be relied upon by private citizens.

Nothing less than putting the rights of depositors to their own money first is worthy of the Financial Services Inquiry.

Matthew Pearce, Adelaide, SA