

Financial System Inquiry
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Submission towards David Murray's Financial System Inquiry

The interim report of David Murray's Financial System Inquiry, released 15 July, pushes the case for supposedly solving the problem of too-big-to-fail (TBTF) by implementing "bail-in"—the system; which includes **confiscating customer deposits** to prop up failing banks, Cyprus-style.

How many depositors understand that they are going to be become/have already become unsecured creditors with a lower hierarchical position than bondholders?
Governments are elected to protect Australian citizens from big business especially banks.

The repeal of many of the laws in 1983, that were put in place after the Great Depression, has now led to a position that the whole banking system is now in jeopardy due to the risky practices of commercial banks. The loss of ratepayers' money in my municipality of Gosford was upwards of \$135,000,000 due to Lehman Bros. collapse 2008. It was rated AAA. Who rated it that and why hasn't that system been overhauled? Nothing structurally was done to fix the problems of 2008 GFC. Investing in risky structures such as Interest Rate Swaps IRS (a hedging device) and Sovereign Bonds and its hedging devices has put tremendous strain on the banking and financial system. Whilst the growth in these derivatives has been enormous the public has been unaware that their time and energy that they store in deposits in a bank have been put at risk. You the government MUST act on behalf of your electorate. Separate the banks into safe commercial banks for depositors and investment banks for risky speculation.

Glass-Steagall

There is only one genuine solution to TBTF banks, which protects both the economy and bank deposits: a full, Glass-Steagall separation of investment banking from commercial

banking, as mandated in America's 1933 Glass-Steagall Act. Under Glass-Steagall, the Big Four banks and Macquarie would be split up into completely separate new institutions: commercial banks that hold deposits and perform the so-called "boring", but safe, banking functions that service the community; and investment banks that engage in risky financial speculation. The two types of banking would have no contact whatsoever: no cross-ownership, no shared directors, no joint ventures. The commercial banks will be super-safe, and the investment banks will know that if their financial gambling goes bad, they are on their own, and will not be bailed out.

Murray's interim report noted that Glass-Steagall is an option, but argued the bankers' case, that a separation would be "expensive", to discourage any moves in that direction. A Glass-Steagall separation would indeed be **expensive—to the financial gamblers** who are currently able to gamble with depositors' funds, **not to the depositors**.

Who is the government working for..... big banks or Australian citizens.

May the God of Abraham, Isaac and Jacob cause the corrupt to come and bow down and know the He loves His own.

For your own souls, choose that which is right.

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