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MR DAVID MURRAY
CHAIRMAN

FINANCIAL SYSTEM INQUIRY
COMMONWEALTH OF AUSTRALIA
DEAR MR MURRAY AND PANEL,

I REFER TO THE FINANCIAL SYSTEM INQUIRY.
I HAVE BEEN VERY CLOSELY FOLLOWING THE INQUIRY
WITH GREAT INTEREST AND CONCERN.

THE INTERIM REPORT OF FINANCIAL SYSTEM INQUIRY,
RELEASED 15 JULY, SERIOUSLY CONCERNS ME & MEMBERS
WHOM I REPRESENT, THIS HAS URGED ME TO PROVIDE
A SUBMISSION TO THE INQUIRY.

THE INTERIM REPORT 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.

FURTHERMORE IT RECOMMENDS THE ABBOTT-HOCKEY
LIBERAL COALITION GOVERNMENT CONTINUE THE PROCESS
COMMENCED UNDER THE GILLARD-RUDD-SWAN LABOR
GOVERNMENT, OF ALIGNING AUSTRALIA'S REGULATIONS WITH
THE FINANCIAL STABILITY BOARD'S (FSB) KEY ATTRIBUTES
OF EFFECTIVE RESOLUTION REGIMES,

THE FINANCIAL MEASURES TO WHICH 620 MEMBER COUNTRIES ARE COMMITTED TO COMPLY, INCLUDING BAIL-IN. (CYPRUS-STYLE.)

THE REPORT PERPETUATES THE FRAUD THAT BAIL-IN IS A SOLUTION TO TBTF BANKS, EVEN THOUGH BAIL-IN DOES NOTHING TO REDUCE THE SIZE OF THE BANKS SUCH THAT IF THEY FAIL THEY WILL NOT INFLECT DAMAGE ON THE REST OF THE ECONOMY. ALSO BAIL-IN IS PRESENTED AS A WAY TO ENSURE GOVERNMENTS WILL NOT NEED TO BAIL OUT A FAILING BANK, BECAUSE THE COST WILL BE CARRIED/BORNE BY THE BANKS CREDITORS RATHER THAN. (A BANK FAILS WHEN ITS LOSSES ARE GREATER THAN ITS CAPITAL. IN A NORMAL BANKRUPTCY, THE BANK'S ASSETS WOULD BE SOLD UP AND THE PROCEEDS DISTRIBUTED AMONG ITS CREDITORS, WITH DEPOSITORS HAVING A PRIORITY CLAIM. IN A BAIL-IN, THE TBTF BANK IS KEPT GOING, BY FORCING THE CREDITORS, INCLUDING DEPOSITORS WHICH ARE "UNSECURED CREDITORS", TO TAKE A DRASTIC CUT ON WHAT THEY ARE OWED, SUFFICIENT TO REDUCE THE BANK'S LIABILITIES BELOW ITS ASSETS, TO PRETEND IT IS AGAIN SOLVENT. IN CYPRUS IN 2013, ALL DEPOSITORS LOST MONEY, SOME MORE THAN 40 PER CENT OF THEIR TOTAL DEPOSIT.)

THE INTERIM REPORT SUGGESTS THAT FAILING TBTF BANKS MUST BE ABLE TO BE RESOLVED INTERNALLY, SO THAT THERE IS NO NEED FOR GOVERNMENTS TO BAIL THEM OUT. HOWEVER, IT CAUTIONS, THIS MEANS THAT A BANK'S CREDITORS (TO WHOM IT OWES MONEY) WILL BE REQUIRED TO ACCEPT LOSSES,

AND THE PROBLEM IS THAT CREDITORS ARE OFTEN OTHER BANKS. IF ONE BANK'S PROBLEMS CAUSES LOSSES IN OTHER BANKS, IT COULD TRIGGER A WIDER BANKING CRISIS, WHICH BANKERS DESCRIBE AS CONTAGION.

THEREFORE, THE REPORT ASKS, WHICH CREDITORS ARE BEST ABLE TO ABSORB LOSSES, IN A WAY THAT DOESN'T RISK FINANCIAL INSTABILITY?

THIS REASONING EQUATES THAT THE ARGUMENT HAS ONE CONCLUSION: SHAREHOLDERS AND DEPOSITORS. THE REPORT HIGHLIGHTS IN BLUE THE QUESTIONS FOR FURTHER DISCUSSION: "IS IT POSSIBLE TO REDUCE THE PERCEPTIONS OF AN IMPLICIT GUARANTEE FOR SYSTEMIC FINANCIAL INSTITUTIONS BY IMPOSING LOSSES ON PARTICULAR CLASSES OF CREDITORS DURING A CRISIS, WITHOUT CAUSING GREATER SYSTEMIC DISRUPTION? IF SO, WHAT TYPES OF CREDITORS ARE MOST LIKELY TO BE ABLE TO BEAR LOSSES?"

WHAT IS LEFT UNSAID IN THIS INQUIRY, IS THAT THE SPECIFIC AREA WHERE DEFAULTING BANKS ARE IN DANGER OF DAMAGING OTHER BANKS, IS IN THEIR MULTI-TRILLION DOLLAR DERIVATIVES GAMBLING. WHEN LEHMAN BROTHERS' BANKRUPTCY IN SEPTEMBER 2008 CAUSED IT TO DEFAULT ON ITS OBLIGATIONS TO ITS DERIVATIVES COUNTERPARTIES IN OTHER BANKS, IT BLEW A MASSIVE HOLE IN THE GLOBAL DERIVATIVES BUBBLE WHICH TRIGGERED THE GLOBAL FINANCIAL CRISIS THAT IS CONTINUING ONGOING TODAY. IS YOUR INQUIRY EFFECTIVELY MAKING THE CASE THAT A BANK'S DERIVATIVES GAMBLING BETS MUST BE HONOURED ABOVE ITS DEPOSITORS?

(IN THE PAST 12 MONTHS, DERIVATIVE GAMBLING GLOBALLY GREW BY 20 PERCENT, TO AROUND \$2 QUADRILLION (THOUSAND TRILLION) BY SOME ESTIMATES, SETTING THE WORLD UP FOR A NEW ROUND OF FINANCIAL MELTDOWN THAT WILL BE WORSE THAN 2008)

THE INTERIM REPORT MENTIONS BAIL-IN FOUR TIMES, AS A POSSIBLE SOLUTION TO TBTF. IT ALSO NOTES THE GAPS BETWEEN AUSTRALIA'S CURRENT FINANCIAL LAWS, AND THE FSB'S "KEY ATTRIBUTES":

"THE GAPS IDENTIFIED INCLUDE: POWERS TO ADDRESS A DISTRESSED FOREIGN BANK BRANCH IN AUSTRALIA; THE ABILITY TO REQUIRE RESTRUCTURING OF A REGULATED ENTITY TO FACILITATE RESOLUTION; DEFICIENCIES IN POWERS TO RESOLVE GROUP DISTRESS; A LACK OF STATUTORY "BAIL-IN" POWERS TO IMPOSE LOSSES ON PARTICULAR CREDITORS..."

YOUR INQUIRY EXPLICITLY RECOMMENDS THAT THE HOCKEY LIBERAL GOVERNMENT CONTINUE THE GILLARD-RUDD-SWAN LABOR GOVERNMENT'S PROCESS OF WORKING WITH FSB TO CLOSE THE GAPS, WHICH CAN ONLY MEAN ONE THING: IS THAT TO FINALISE THE LEGISLATION FOR BAIL-IN POWERS THAT THE FSB NOTED IN ITS 15 APRIL 2013 REPORT WAS "IN TRAIN IN AUSTRALIA"?

MR MURRAY & PANEL; 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 (US) 1933 GLASS-STEAGALL ACT.

UNDER GLASS-STEAGALL, AUSTRALIA'S BIG FOUR BANKS AND MACQUARIE BANK WOULD BE SPLIT UP INTO COMPLETELY SEPARATE NEW INSTITUTIONS: COMMERCIAL BANKS THAT HOLD DEPOSITS AND PERFORM THE NORMAL 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 HABITS GO BAD THEY ARE ON THEIR OWN, AND WILL NOT BE BAILED OUT.

YOUR INTERIM REPORT NOTED THAT GLASS-STEAGALL IS AN OPTION, BUT YOU 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. THIS AUSTRALIAN GOVERNMENT IS ELECTED TO REPRESENT ALL AUSTRALIAN CITIZENS NOT JUST THE SELECT ELITE FEW!

THE PURPOSE OF AN ECONOMY IS TO SERVE THE COMMON GOOD AND THE GENERAL WELFARE OF ALL OF THE CITIZENS TAKING PART WITHIN IT. YOUR INQUIRY HAS A MORAL OBLIGATION TO ALL CITIZENS OF THIS COUNTRY. THE COMMON GOOD IS A MORAL IMPERATIVE, WHICH RANKS ABOVE THE SUPPOSED RIGHTS OF A "FREE MARKET" TO RULE AT THE EXPENSE OF THE INCREASING IMPOVERISHMENT AND UNEMPLOYMENT OF AN EVER-GROWING NUMBER OF AUSTRALIANS.

WHAT IS THE PURPOSE OF A "FINANCIAL SYSTEM," IF NOT TO SERVE THAT COMMON GOOD? IS IT JUST, FOR INSTANCE, OR MORAL THAT THE SPECULATION IN DERIVATIVES BY AUSTRALIA'S BANKS LED BY THE BIG FOUR AND MACQUARIE, NOW EXCEEDS \$24 TRILLION AS AGAINST A GDP OF ONLY \$1.6 TRILLION?

WE DO NOT NEED MORE OF THE SAME FINANCIAL DEREGULATION WHICH HAS HELPED CAUSE THE PRESENT CRISIS, BOTH IN AUSTRALIA AND WORLDWIDE, NOR THE "BAIL IN" OF AUSTRALIAN DEPOSITORS IN ORDER TO BAIL-OUT THAT WORTHLESS \$24 TRILLION.

THEREFORE, WE AS AUSTRALIAN CITIZENS DEMAND THE FOLLOWING:

- 1/ THAT THERE BE NO BAIL-IN OF DEPOSITORS IN ORDER TO "SAVE THE BANKS".
- 2/ THAT AUSTRALIA MUST SEPARATE LEGITIMATE COMMERCIAL BANKING FUNCTIONS FROM THE SPECULATIVE ACTIVITIES OF "INVESTMENT BANKS", AS DID THE GLASS-STEAGALL LAW IN THE UNITED STATES SO SUCCESSFULLY FROM 1933 UNTILL ITS REPEAL IN 1999. SUCH COMMERCIAL BANKS SERVING THE INTERESTS OF THE AVERAGE AUSTRALIAN SHOULD BE BACKED BY THE GOVERNMENT, BUT THE SPECULATIVE BANKS SHOULD BE LEFT ON THEIR OWN TO SINK OR SWIM.
- 3/ THAT TO ANCHOR SUCH A SYSTEM OF PRIVATE COMMERCIAL BANKS, AUSTRALIA MUST ALSO ESTABLISH A NATIONAL BANK TYPIFIED BY OUR OLD COMMONWEALTH BANK, WHERE OUR GOVERNMENT DIRECTS CREDIT INTO THE REAL PHYSICAL ECONOMY OF AGRICULTURE, MANUFACTURING, AND INFRASTRUCTURE PROJECTS WHICH PROVIDE FOR THE COMMON GOOD, INCLUDING EMPLOYMENT OPPORTUNITIES FOR ALL.

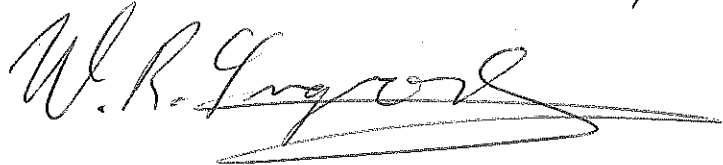
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IN MAKING THIS SUBMISSION, WE TAKE NOTE OF THE RECENT CALL BY POPE FRANCIS FOR A SWEEPING REFORM OF THE GLOBAL FINANCIAL SYSTEM BASED UPON THE "PRIMACY OF THE HUMAN PERSON" RATHER THAN THE "DICTATORSHIP OF AN IMPERSONAL ECONOMY LACKING A TRULY HUMAN PURPOSE", AND THAT "IT IS THE RESPONSIBILITY OF THE STATE TO SAFEGUARD AND PROMOTE THE COMMON GOOD OF SOCIETY".

WHETHER ONE HOLDS A PROFESSED RELIGIOUS OUTLOOK OF ANY PERSUASION, OR IS SIMPLY A PERSON OF GOOD WILL, THOSE UNIVERSAL PRINCIPLES WHICH EMPHASISE THE DIGNITY, WORTH, AND PHYSICAL WELL-BEING OF EVERY SINGLE HUMAN BEING—IN THIS CASE EVERY SINGLE AUSTRALIAN—— MUST BE THE BASIS UPON WHICH ANY FINANCIAL SYSTEM MUST BE CONSTRUCTED.

YOURS SINCERELY,

WILLIAM R. INGREY



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