

Friday the 3<sup>rd</sup> of December 2010

Committee Secretary  
Senate Committee on  
Competition within the Australian banking sector  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

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Dear Sir/Madam,

**Committee Terms of Reference;**

Competition within the Australian banking sector, including:

**(a) the current level of competition between bank and non-bank providers;**

(b) the products available and fees and charges payable on those products;

(c) how competition impacts on unfair terms that may be included in contracts;

(d) the likely drivers of future change and innovation in the banking and non-banking  
20 sectors;

(e) the ease of moving between providers of banking services;

(f) the impact of the large banks being considered 'too big to fail' on profitability and  
competition;

(g) regulation that has the impact of restricting or hindering competition within the  
banking sector, particularly regulation imposed during the global financial crisis;

(h) opportunities for, and obstacles to, the creation of new banking services and the  
entry of new banking service providers;

**(i) assessment of claims by banks of cost of capital;**

**(j) any other policies, practices and strategies that may enhance competition in  
30 banking, including legislative change;**

(k) comparisons with relevant international jurisdictions;

**(l) the role and impact of past inquiries into the banking sector in promoting  
reform; and**

(m) any other related matter.

The following is my submission to the Senate Committee described above.

1). Concerning **(a)** above, there is no real competition between bank and non-bank

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providers because of the fact that banks do not loan out depositors funds, nor do they borrow in order to lend, whereas credit unions and building societies depend largely upon their depositors funds to loan. Banks are not financial intermediaries, as that is the realm of financial institutions other than banks, and banks have been known only to advance credit created in their ledgers, hard copy previously, and then computer generated and recorded since the days of physical books have disappeared, since, at the very least, 1889 when H D McLeod published his first volume in his "*Theory of Credit*".

10 2). Concerning (i) above, I wish to comment on the fact that the claims by banks regarding a cost of capital is false, as the only cost to a bank for capital is creating the credit in its own computers and the ongoing, but minimal cost of servicing loans, which is all done by computer automatically. Bankers also continually claim that they have to charge interest to cover their costs of borrowing, when it is clear that is not true as there is no borrowing in order to lend. Bankers claim that using their claimed system, they borrow at, say, 5% interest and have to lend at 10% interest, thereby demonstrating that they only make 5% on their money. That is demonstrably false, as borrowing at 5% and lending at 10% would be making 100% on their money. However, as this is pure nonsense to claim that they do borrow in order to lend, their other claims can be taken  
20 with a grain of salt.

3). Concerning (j) above, I believe that the only strategy that will enhance competition between banks, as well as competition between banks and other financial institutions, is for those corporations to institute the system outlined in my book "*Out of the Red and Into the Black*" ISBN 978-0-9585822-2-3 as included with this submission, in order that the huge and ever increasing debt associated with the present system in use, which weighs heavily upon every corner of society needlessly, be lifted and removed.

and:

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4). Concerning (l) above, it has been made very clear over the almost last century, that nothing of great effect has been learned or implemented from the *Royal Commissions* into banking in the 1930's, nor the *Tasmanian Parliament Inquiry* into the monetary system in 1935, wherein the faults of the system in use were clearly demonstrated but

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never acted upon.

5). My final submission is a copy of my Banking System which demonstrates how a banking system can work for interest-free and fee-free loans to government, business and individuals, wherein banks can still make the same profits they make today without the heavy burden of debt being cast upon the nation and destroying the very fabric of our society.

Enclosure:

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*"Out of the Red and Into the Black"* (includes 3 page insert on banking quotes.)

Leonard Clampett

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The Book *"Out of the Red and Into the Black"* is copyright and not available for publication on the World Wide Web, or in any other form.

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