

**From:** [John Bird](#)  
**To:** [Economics, Committee \(SEN\)](#)  
**Subject:** Banking separation [REDACTED]  
**Date:** [REDACTED]

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Good morning - many thanks for accepting submissions on this issue.

It has been taken for granted for several decades that banks should be free to operate in the range from commercial and retail banking, through to derivatives trading.

However when things go wrong, the taxpayer (ie you, me, the Government etc) are required to bail out the whole structure because a government can't afford to let commercial and retail banking fail.

There is merit in separating out commercial/retail banking (which is of a size that can be bailed out), from all other risk-taking arms of a bank (which are probably too big to be bailed out).

This separation should be real and complete - ie in ownership, operation and board. We have seen elsewhere "ring-fencing" which is a sham, being incomplete.

There are always concerns that one bank may stumble (as happened recently when Westpac was called upon to the rescue). But the big concern in my mind, is if a derivatives trader overseas fails, the repercussions could be systemic making all integrated banks fail worldwide (except in China where banking separation already exists). Imagine the implications for the Australian government if vertically integrated ANZ, Westpac, Commonwealth and NAB all failed at the same time. Their derivative contracts would be called, and their counterbalancing security would have no value at all - the Australian government budget would be dwarfed by the shambles.

The banks are dead against real and complete separation. The banks are supported by the regulators ASIC and APRA and also by the Treasury (all of whom are managed predominantly by ex-bankers). I plead that you exercise your judgement independently.

Best wishes  
John Bird