

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

12th December 2017

Dear Committee Members

1. The Australian Government is consulting on the draft of the Financial Sector Legislation Amendment (**Crisis Resolution Powers and Other Measures) Bill 2017**—this submission against any bail-in proposal within that Bill. Although, in the Bill, avoiding the specific term, **bail-in** (and uses the alternative “conversion or write-off provisions”) the couching of the bill allows the **Australian Prudential Regulatory Authority (APRA)** to permit **bail-in** of the unsecured deposits (average commercial and domestic bank accounts). This bill must be specifically amended to exempt unsecured deposits from any bail-in.
2. In September of 2012 The Australian Government, Department of the Treasury, issued the consultation paper, “**Strengthening APRA’s crises management powers**”. Page 5 of that document included the infamous **bail-in** as a strategy to manage the Australia’s financial system in crises. To paraphrase that document “...powers that jurisdictions should have available for dealing with financial institution distress... include the need for robust statutory powers to (enact a raft of proposals including) bail-in”
3. Sadly, the international banking system has accepted the bail-in principle; with its first practical test carried out in Cypress 2010 with devastating consequences. Now this policy is advocated by the international banking fraternity, to apply to the peoples of our nation. This policy should not be permitted to occur in this country.
4. All know that Australia has sold herself “lock, stock and barrel” into the free trade system and without industry our nation is vulnerable. We sell very little now but our land. Perhaps the Reserve Bank of Australia is of the view that the property market is sufficient to float the Australian Economy; the infamous property market is a bubble as all in the property industry surely know. The last leg of Australian financial growth now rests on the property market. A significant proportion of our property market is being propped up by Chinese real-estate buyers. But as we speak, China, to manage her own spiralling debt is placing capital controls on her people. This is a bad omen for our and other international markets.
5. Australia, because of free trade, has no other productive sector and if the property market collapses, the Australian economy will be put under great strain with the likelihood of further collapse. Bubbles, by definition, always collapse! If the (**Crisis Resolution Powers and Other Measures) Bill 2017** becomes law, our banks will have

the legislative power to apply bail-in (**under APRA's policy in crises management**) and bail-in will enable a legal sequestration (holding of money) from the average Australians bank account. This sequestration would exacerbate a financial collapse, which could easily follow if the speculative property market down turn occurs under the current economic landscape, forcing interest rates to increase and consequently imposing downward pressure on fixed income markets and the stock market. Such a cascade of deleterious effects would leave our economy "on the ropes". Mortgage holders will be unable to service their loans and the sequestration of savings would be enforceable by law. Is this the legislation we truly want?

6. If our politicians want act in the best interest of the Australian people they should think carefully about the ramifications of passing this legislation.
7. At a minimum, this bill must be specifically amended to exempt unsecured deposits from any bail-in. In addition to amending the Bill more appropriate if a **banking separation bill** was tabled. Such a bill would protect the unsecured creditors of the banking system (the Australian Citizen) and invoke a clearer separation of speculative banking practices from legitimate lending and commercial activities.
8. This would be a preferred direction rather than the path considered in the draft of the Financial Sector Legislation Amendment (**Crisis Resolution Powers and Other Measures**) Bill 2017

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