

Submission to the Australian Parliament Senate Post-GFC Banking Enquiry

30th April 2012

This Submission relates to Terms of Reference '(f) Any Other Relevant Matters'.

Subject: Bank Depositor Protection and Empowerment

The Context: As a retiree who has worked hard all my life to save for my own and my wife's retirement, in this post-GFC era my wife and I are constantly worried about the safety of our bank deposits, be they in current accounts or, particularly, in Term Deposits.

With the collapse of one of the World's largest banks, Lehman Brothers, and the collapse or governmental shoring-up of numerous others, we now have little confidence in the image projected to the public of the strength and ongoing viability of our banks, building societies and credit unions.

We are not naïve investors in the sense that we do have a portfolio of investments, skewed towards capital preservation and current income (reflective of our ages and income/asset replacement capabilities), that includes ordinary and preference shares, property, Term Deposits, and cash, and we realise the risks inherent in each of those asset types, rightly expecting Term Deposits and cash to be at the very bottom of that risk spectrum.

However we are certainly not sophisticated investors, whom I would define as those with their finger on the pulse of day-to-day financial and economic affairs and who would typically have better insight into the more detailed financial performance, and exposure to not-always-obvious market conditions, of our financial institutions (this might be termed *industry*-insider information, if not institutional-insider information), and hence of their viability going forward.

In much media and public comment, bank depositors are seen as deserving of loss in the event of a failure, as though we were equity investors rather than creditors, which is wrong.

The Problem: It is extremely difficult, if not impossible, for the ordinary person dealing with a bank, building society or credit union to really know how that institution is travelling financially and therefore whether it is safe to make, or retain, a deposit, especially a longer term deposit, with it. Six monthly reporting of already out-dated historical information is totally inadequate to this task.

The Solution: Make appropriate (assets, liabilities, bad & doubtful debts, payment defaults, income, expense, profitability, and the like), current (no older than one week) institutional financial information, including trend-lines and industry comparisons for appropriate periods of time (weekly, monthly, and annually for at least the most recent two full years), available to the public online.

When: This is urgently required to maintain the integrity of our banking system in the eyes of the public. If this cannot be done, which means that the risk of bank runs and failures is borne primarily by bank depositors (it is one thing to lose my investment in bank shares but another, entirely, to lose my deposits), then the Federal Government should guarantee all deposits.

It is clear that financial institutions have this information readily available for their own decision-making purposes on a daily basis. There is no reason that it should not be made available to the public for the public's empowerment in making more reliable and more confident banking transaction decisions!

Thank you for your consideration of my Submission.

Malcolm McKellar