

Submission;

Financial Systems Inquiry'

GPO Box 89,

Sydney 2001

The Inquiry, I wish to make a submission to the above inquiry.

The banking system that we have in Australia needs restructuring to get it back as it was prior to deregulation. Since deregulation and the sell off of the Commonwealth Bank the banking system has deteriorated to a great extent. The major four banks control about 85 to 90 percent of all banking in Australia. They cannot be guaranteed not to fail by the government as it probably would bankrupt it due to the huge financial debt that has been accumulated by derivative dealings. These dealings has the banks in a precarious position . Any call to settle some of these would mean the banks would have to find billions or trillions of dollars to pay out the debt.

The banks ,as they stand , do not have the capacity to honour these debts. Their assets would not go any where to cover their exposure . They would , if the new "bail in " legislation is passed, try to raise funds by taking saving in a Cyprus style from all customers. Peoples hard earned deposits would be raided and ,probably told they now have shares in the bank. They would be worthless as the bank would have no tangible assets.

The only way to restructure the banking system is to separate the normal banking,that is savings, loans to business, homes , and farms etc from the derivative investment side. Why should ordinary depositors and taxpayers bail out the gambling debts of our banks.

The American Glass Stegal Act controlled the wall street financial dealings until repealed. We need a similar act here.

The deregulation of the money market has contributed to extreme fluctuations in currency values. this has allowed large investors to make trillions in

hedging on the money market. As we are only a very small player , as far as population is concerned, our currency exchange rate varies day to day. The population saving for a trip overseas , which may take several years, have to make sure that they have enough spare money in case the value of their money drops by several percent in a week. there should be fixed exchange rates between countries reviewed every three to five years. Exporters would have much more certainty in dealings with overseas clients and overseas purchasers would know how much they were paying .

Being tied to the American dollar was o.k. when the dollar was stable but with the financial crash it value has been fairly erratic. Exchange rates based on the dollar can vary too much.

We need a Bretton- Woods style agreement to be introduced to the world economy.

The separation of the banking sections is needed now. This would allow the banks to operate in the traditional way and the gambling section could survive or fail with no loss to taxpayer or depositors.

Australia needs the separation to move forward. The establishment of a new government owned bank to finance major capital development with credit should be considered with any financial review. The sale of the Commonwealth bank was a backward step as all the banks now have to impress their share holder with huge profits. Any profit a government owned bank makes would be ploughed back into the country.

Why we let our superannuation be invested off shore is unreal. The amount of money in super should have been used to fund our major infrastructure programmes. It also should have been used for housing loans at a fixed rate thus giving super members certainty that their super would grow despite world share fluctuations in shares etc. A fixed rate would allow the population to make informed decisions when buying a house and not have to put up with the uncertainty of rates increasing.

Please make your decision based on the needs of all Australians

and not just the big banks. Have the fortitude to do the right thing for Australia.
Government for the people by the people is how it should work.

Yours Sincerely

Anthony Johnson B.ag