

July 28, 2014

The Committee
David Murray's Financial System Inquiry
"Stability - addressing too-big-to-fail."

We hear from our beloved Treasurer, Joe, that our Australian banks still have AAA ratings in overseas banking circles. We have survived the latest global derivatives bubble which triggered the global financial crisis that is still ongoing today. What then is the reason David Murray's Financial System Inquiry - released 15th July - advocates "bail-in" - the system which includes confiscating customer deposits in the event our banks fail "Cyprus-style".

Banks fail because they are badly managed, mainly through gambling with depositors' money on derivatives. When Lehman Brothers' bankruptcy in September 2008 caused it to default on its obligations to its derivatives counterparts in other banks, it blew a hole in the global derivatives bubble which triggered the global financial crisis that is still ongoing today. Surely Murray cannot be making the case that a bank's derivatives gambling bets must be honoured above its depositors???

It seems to me, as an ordinary housewife, that gambling is not the way to make a fortune. Sometimes you win, but most often you lose! In fact, using money as a commodity in itself, instead of a means of exchange, is immoral, although that way of thinking, I know, is considered definitely old fashioned. It is frightening to know our banks use gambling in the hope of increasing their wealth with the thought in mind that, because they are considered TO BIG TO FAIL the ordinary depositors money can be confiscated to prop them up. Surely that is THEFT on a large scale.

I am a retired public servant and, with my husband, live on our superannuation and a small pension. We have deposited small amounts in several banks with the thought that if one of them fails, then we will have something left in the others to pay for necessary "old age" requirements. It is a sad thought that we have so little faith in the honesty and integrity of the Government, who is supposed to look after the peoples' interests, and the quality of the management of our Australian banks.

The gambling of depositors' money in ordinary bank accounts must be regulated against. A method existed in the dUSA which, had it not been "de-regulated" would have saved us from the Global Financial Crisis. It was the Glass-Steagall Act which protected depositors and the economy by separating commercial and investment banking. Under such a system the Big Four and Macquarie would be split up into entirely separate institutions - commercial banks and investment banks. No joint ventures would be permitted. Anybody depositing their money with an investment bank would know they were taking a risk and, furthermore, would expect to share the dividends in the event of good investments. Should they fail no bail-out would be required - liquidity would not be an issue.

I have been told that "Glass Steagall" was considered in the interim report but was dismissed as being "expensive"!

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