

In the event of the failure of one of Australia's 'big four' banks, or any other bank, a 'bail-in' or confiscation of depositors' funds could be disastrous for many 'not-for-profit' organisations or charities that maintain fixed term deposits.

Not only would a 'bail-in' prove disastrous for them but it would also be disastrous for the entire financial services industry in Australia.

Short term confidence in all financial institutions would not only be shattered in the short term, it would be shattered for the long term.

A total lack of confidence in financial institutions would result in mattress stuffing, flight to bullion and other investments perceived as being free of counter-party risk.

This would lead to massive distortions in all capital markets.

It would certainly lead to a paucity of capital available for investment in private and public capital works programs thus impacting on employment and other social programs.

It would also take decades for the national psych to recover from what would be viewed as a betrayal of convention and everything held dear by all Australians.

At some point in time, failure of at least one of the TBTF Australian banks is inevitable.

This inevitability is due to both under regulation and over regulation.

In a truly capitalistic market place where true competition is played out on a level playing field, it is impossible for any business to gain TBTF status.

Misguided regulation has permitted the TBTF phenomena to emerge.

In a true free market the failure of a very large enterprise may inconvenience and/or cost in the short term, however competitors will rapidly jump at the opportunity to 'take up the slack' and fill the void.

The least disruptive resolution for the unsustainable situation that prevails in the Australian banking system, is to introduce Glass-Steagall type legislation.

If enacted, that (G-S) would immediately provide some form of security for depositors and could possibly save the entire Australian financial system