

## **Financial System Inquiry**

**GPO Box 89**

**Sydney, NSW, 2001.**

**9/8/14**

### **Submission to the Financial Systems Inquiry**

The current system, as I understand it, allows banks to get involved in the derivatives markets and doing so means they are gambling with the money of their depositors. As such they expose not only themselves to risk of failure, but their customers, other banks and hence the economy as a whole as well. This is completely unacceptable. When a bank cannot meet its obligations to its depositors/creditors (as occurred in Cyprus recently) the action of the banking system is to take money from depositors to sure up their losses (bail-in), which does nothing to solve the problem or stop the banks' continued gambling.

When I deposit my money in a bank I expect it to be safe. If I want to take risks with MY money then I would invest in other options as is my prerogative. I certainly don't want the BANK to be taking risks with my money. We have all seen what happened recently with the Commonwealth Banks' scam. Although it is currently quite legal for banks to invest in derivatives using the money of its depositors, this gambling must be regulated against!

A method existed in the USA which, had it not been 'de-regulated' would have saved us from the Global Financial Crisis. This system was the Glass-Steagall Act which protected people's investments and the economy by separating commercial banking from investment banking. Under such a system, the Big Four Banks and Macquarie would be split into entirely separate institutions—commercial banks and investment banks. No joint ventures would be permitted. I understand that the Glass-Steagall option was considered in the interim report but that it was dismissed as being "expensive." As I see it, NOT having Glass-Steagall has already proven too expensive and has created the Global Financial Crisis.

**Please - DO NOT allow a bail-in system to be implemented in Australia!**

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