

Rob McCormick

12<sup>th</sup> August 2019

## **Submission - Exposure Draft - Currency (Restrictions on the Use of Cash) Bill 2019**

I am writing to suggest that this Bill should be deferred (in its current form) at this stage, but preferably it should be reassessed in its entirety, as, in my opinion, it fails to take into account the public's now distrust of the banks as a result of what was disclosed during the course of the Banking Royal Commission – i.e. the October 2017 Final Report of the Black Economy Taskforce was before the disclosures and final report of the Banking Royal Commission, which clearly demonstrated banking misconduct and exploitation of customers.

The explanatory note about this Bill states:

*In the 2018-19 Budget, the Government announced it would introduce an economy-wide cash payment limit of \$10,000 for payments made or accepted by businesses for goods and services. Transactions equal to, or in excess of this amount would need to be made using the electronic payment system or by cheque. The Black Economy Taskforce recommended this action to tackle tax evasion and other criminal activities.<sup>1</sup>*

However, the chronology of events since the Black Economy Taskforce has seen a marked change in the general community's belief about banks. To properly appreciate the recommendations of the October 2017 Final Report of the Black Economy Taskforce it states:

*Our strategy, at the highest level, is to:*

- 1. Move people and businesses out of cash and into the banking system, which makes economic activity more visible, auditable and efficient (Chapter 3 in this Report).***
- 2. Strengthen the identity underpinnings of the banking system by introducing a more reliable, safe and modern individual identity credential (initially for interactions with the Commonwealth Government) and reforming the Australian Business Number system (Chapter 4) <sup>2</sup>***

Such an approach to resolving the problems of the black economy was understandable at the time in October 2017, but since then the revelations about banking misconduct and exploitation of customers has surely changed the general community's attitudes towards banks.

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<sup>1</sup> <https://www.treasury.gov.au/consultation/c2019-t395788>

<sup>2</sup> P.4 Black Economy Taskforce Final Report – October 2017 (P.17 pdf format)

At the time of black Economy Taskforce, the significance of tax evasion was seen as fairly important, but since then our society has become aware of a number of things. Breaches by the Commonwealth Bank of money laundering was largely ignored for some time<sup>3</sup>, with APRA being not overly concerned with bank misconduct, and did not see the protection of the public as a major issue - APRA's main concern was bank stability above all else.

On a broad level, questions remain about how will breaches of the proposed cash limit law be ascertained, and will there be a substantial directorate of inspectors – the implementation of this may be unduly invasive for society, and the cost of investigation and prosecution may well be prohibitive.

Seen alone, the reduction of the black economy is something to be aimed for, but it is now apparent that money laundering may be a far bigger issue both locally and worldwide.

The use of electronic media for financial transactions has become widespread, but the excellent work of iDcare has shown that international fraudsters see Australia as a soft target<sup>4</sup>, and that this type of fraud is increasing at a substantial rate. It seems that State and Australian Governments have not allocated sufficient resources to protecting Australians – government focus appears to have largely been concerned with protecting government revenue, but not the actual protection of Australians from international financial fraud. More broadly, in a democracy there is the general concept of freedom to go about your life without unnecessary and unreasonable interference from government. We all hope and assume that there is a proper balance between individual freedom and government doing all it reasonable can to protect us, but it seems governments worldwide have failed to keep up with the international fraudsters in protecting the citizenry.

Having regard to the international policies of the Bank for International Settlements, the Financial Stability Board, and the International Monetary Fund - that Australia has agreed to implement – together with their dictates to Australia, it does not seem at present that a factual evidenced based reason for curtailment of normal financial choice has been clearly established, especially in light of the proven banking misconduct and exploitation of customers. These international policies together with cash curtailment do not appear to be isolated things, but a broad implementation of a bigger agenda.

It is vitally important that the Australian Government be open and honest with the public and explain the implications of this cash limit policy, together with bail-in of bank deposits, and possible negative interest rates. Australians who have acted responsibly and have saved their money during their lifetimes, are now potentially facing unprecedented policies (that the Government has not openly and properly disclosed), which could lead to them losing much of

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<sup>3</sup> <https://www.theguardian.com/australia-news/2017/dec/13/commonwealth-bank-admits-to-failures-in-money-laundering-case>

<sup>4</sup> <http://www.abc.net.au/news/2017-02-27/cybercrime-boom-leaving-victims-with-no-police/8308686>

their life savings. The Banking Royal Commissioner, Mr. Hayne, has recently said that there is now general distrust of banks, government, and politics<sup>5</sup>. With the economy clearly deteriorating, now is the time for clarity – the broad implications of this cash limit policy should be openly and honestly disclosed.

The following surveys have shown that there is now a common distrust of banks by most of the public:

(a) Deloitte Trust Index – Banking 2018<sup>6</sup>

(b) ME Bank survey of Australian banking customers<sup>7</sup>

Accordingly, to proceed with forcing the public to use the banks when there is now a general distrust of the banks, is, in my opinion, both unconscionable and wrong.

Whilst there is a general moral belief that we should all contribute to society and pay our way in taxes, the reality, as we all know, is substantially different. The legal distinction between evasion of tax (which is illegal) and avoidance of tax (which is legal) can often be debatable, requiring a court to decide - the reality is that the wealthy in society often do not pay their fair share of tax by legally using tax avoidance. In setting overall government policies, the issues of balance and materiality should always be kept in mind, and the blanket \$10,000 cash limit seems unreasonable low to actively detect, investigate, and prosecute.

In summary, it is suggested that this Bill should be deferred (in its current form) at this stage, but preferably it should be reassessed in its entirety.

Yours faithfully,

Rob McCormick

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<sup>5</sup> <https://www.smh.com.au/politics/federal/kenneth-hayne-trust-in-politics-has-been-destroyed-20190807-p52evf.html>

<sup>6</sup> <https://www2.deloitte.com/au/en/pages/financial-services/articles/deloitte-trust-index-banking-survey.html>

<sup>7</sup> <https://www.mebank.com.au/news/australians-feeling-bank-xious/>