

# Citizens Electoral Council of Australia

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Independent Political Party

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## Who is terrified of Australia's local councils supporting Glass-Steagall?

Australia's peak local government forum has blocked from the agenda of its next meeting a motion supporting a policy to ensure, among other things, there could never be a repeat of the financial fraud that cost many councils tens of millions of ratepayers' dollars in 2007-08.

The motion, which the Strathfield City Council put forward for discussion at the Australian Local Government Association's (ALGA) National General Assembly in Canberra on 16-18 June, opposes the planned "bail-in" legislation being drafted in Treasury, and supports instead a Glass-Steagall separation of the real economy from financial speculation. Similar motions have been passed in other local councils, including Beverley Shire Council in WA, and Glenelg Shire Council in Victoria; moreover, 166 current and former councillors and mayors added their names to a full-page advertisement in *The Australian* on 3 December 2013, entitled "To the Australian Parliament: Don't seize our bank accounts—pass Glass-Steagall", which can be viewed online: <http://cecaust.com.au/main.asp?id=bail-in-ad.html>

Please go online to read the motion.

<http://cecaust.com.au/main.asp?sub=Glass-Steagall&id=alga-motion.html>

The content of this motion is directly relevant to the financial security of local councils. The planned bail-in law as applied in Cyprus in March 2013, would seize funds from "unsecured creditors", including a portion of every bank deposit, to prop up a failing bank. By necessity, local councils maintain large deposits in banks, and if such a law were used it would wreak havoc on the daily functions of all individuals and organisations, including, emphatically, local government.

The Glass-Steagall part of the motion presents a far better alternative to bail-in: It would keep Australia's banks functioning without damaging individuals or organisations, by completely separating retail banking from high-risk, speculative investment banking that is currently threatening to crash the entire banking system. A Glass-Steagall separation will protect the retail banks, their deposits, and the real economy that they service, but the investment banks and their \$23 trillion in derivatives gambling bets will be left to sink or swim on their own.

### Who's got something to hide?

Under a Glass-Steagall separation of speculation from the real economy, Wall Street and London banks would never have been able to prey on Australian local councils and charities, the way Lehman Brothers' subsidiary Grange Securities, and others such as ABN AMRO and the investment arm of CBA, did before 2008, defrauding hundreds of millions of ratepayers' dollars.

Why, therefore, would ALGA block a motion to debate a policy that would protect councils from such predatory and fraudulent financial practices?

*In the CEC's experience, the only opponents of Glass-Steagall are those with a vested interest in keeping the system in which financial predators are able to loot regular people and public finances!*

Investment bankers preyed on local councils because they regarded them as easy touches to be conned into buying their toxic derivatives. To ensure that the municipal fund managers were oblivious to how risky the investments were, the banks would fraudulently structure the derivatives into very complicated products that could be passed off as gilt-edged; in the case of the CDOs (collateralised debt obligations) that cost Australian councils millions, ratings agency Standard & Poor's was in on the sting, taking money from the banks to give the CDOs a triple-A credit rating.

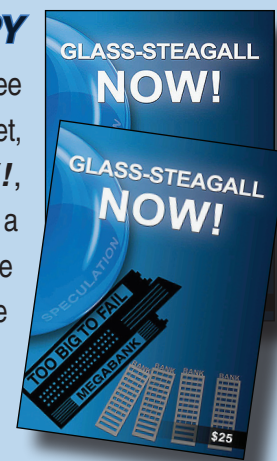
Nobody in the banks or ratings agencies anywhere in the world has gone to jail for this fraud!

In the case of the two states where local councils lost heavily, NSW and WA, Lehman's subsidiary Grange Securities had the added advantage of being officially recommended to its victims: the Western Australian Local Government Association appointed Grange as a "preferred supplier for investment advisory services to local government"; and in NSW the company that manages superannuation for local councils, Local Government Financial Services P/L, recommended Grange to its local government clients. Councillors have recalled to the CEC that Grange was very aggressive in its sales tactics, and that if councils didn't respond to Grange's deal promising two per cent interest more than similarly rated investments from other sources, their superiors at a state level would imply they were being irresponsible.

This raises serious questions that demand answers: How did this official recommendation of Grange et al. come about? Who was involved from the local government side, what are their connections to the banks, and are they involved in the decision to block this Glass-Steagall motion?

### GET YOUR FREE COPY

Call toll-free 1800 636 432 for a free copy of the CEC's new pamphlet, **Glass-Steagall NOW!**, which exposes the danger of a banking collapse in Australia due to derivatives gambling, and a free copy of a speech by U.S. farm leader Frank Andres explaining the need for parity pricing.



# What you can do

Ratepayers who support Glass-Steagall and oppose the bail-in law should call their local councilors, and the executive members of ALGA, to demand that they allow the Glass-Steagall motion to be debated.

**Call or email** the executive members of ALGA from your state (below) and tell them that Glass-Steagall is clearly a local government issue, and it must be debated at ALGA's **16-18 June** National General Assembly in Canberra.

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