Citizens Electoral Council of Australia

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Independent Political Party

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Hard questions for Australia's banks

Following are the questions that Australia's banks *should* be asked when they front up to Parliament this week:

1. What is your over-the-counter (OTC) derivatives position, and what is the ratio of your derivatives exposure to equity, and to deposits?

2. [To CBA:] Why did you suddenly stop disclosing your true derivatives position in 2012, after a period of rapid growth when it went past *$3 trillion*? What is the full, face-value derivatives exposure of your bank as of right now?

3. In a Lehman Brothers-style chain reaction meltdown of your derivatives exposure, would you remain solvent?

4. If, as is claimed, your derivatives "hedging" is in "safe", plain-vanilla derivatives, why has your derivatives speculation grown so rapidly since the 2008 global financial crisis, while banks around the world have been aggressively reducing their derivatives exposure?

5. Why did total Australian bank derivatives expand by a record $6.2 trillion in just the June quarter of this year, to an all-time high of $38 trillion—around 23 times Australian GDP (and many more times total bank assets and deposits)? What undisclosed event in the financial system sparked such a massive increase?

6. With house prices in Sydney and Melbourne more than nine times annual household income, compared with the historical ratio of around three times, if and when the market snaps under the increasing lack of affordability and prices collapse by 40-50 per cent, would your bank survive?

7. Why are you targeting unsuspecting retail investors—mum-and-dad retirees—to buy risky hybrid securities that other jurisdictions such as the UK forbid banks from selling to retail investors? Are you doing it because you need to raise capital in a hurry, and if so, why?

8. Were the bad products the sales staff in your wealth management division sold to customers, which have caused massive losses and ruined many investors, designed to shore up the underlying position of your bank at the expense of your customers? Did your bank have a separate commercial interest in any investments that were sold?

9. How much do you love the major political parties, Labor and the Liberals/Nationals, which since Hawke, Keating and Howard colluded to deregulate you, privatise the Commonwealth Bank so your private cartel wouldn't have any competition, and thereby unleash you for your present profit-gouging spree? When you add up all of the donations you give to the major parties, compared with your profits, can you believe how cheap they have been to buy?

Impending crisis

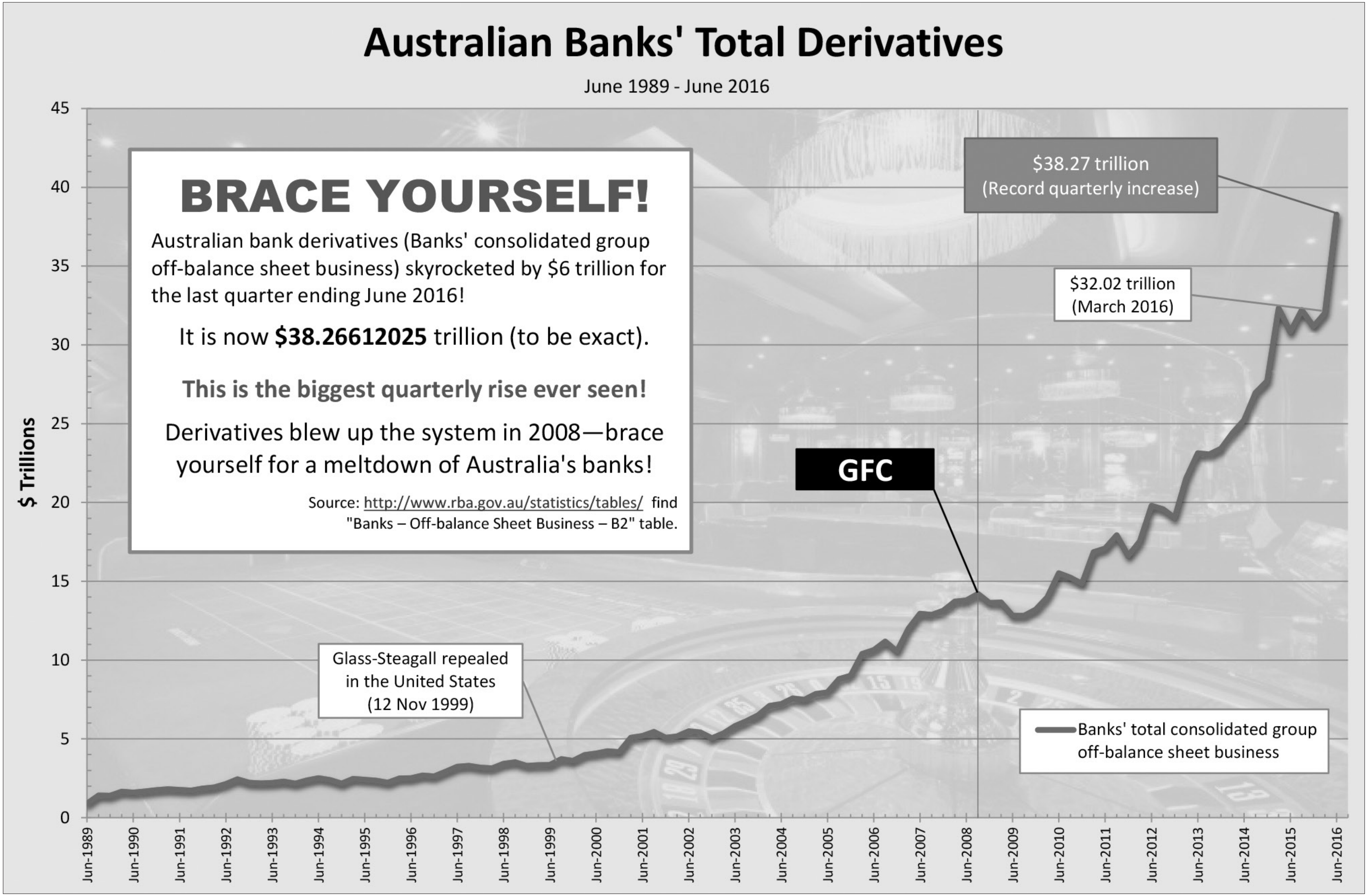
Deutsche Bank is looming as the next Lehman Brothers, but is far more interconnected and therefore will have far greater consequences for the global financial system. When Australia's banks begged the Rudd government in October 2008 for guarantees in order to survive, their combined derivatives exposure was around $14 trillion. Just eight years later, it is now $38 trillion!

In March 2014 the Citizens Electoral Council toured Parliament with the former Deputy Director of Japan's Ministry of Finance, Daisuke Kotegawa, who successfully managed a derivatives crisis in the Japanese banking system in 1999, by over the course of a weekend closing out the Japanese banks' derivatives so that the crisis did not spark a global meltdown. Kotegawa spoke to Australian MPs and the office of then-Treasurer Joe Hockey of the need for Australia and the world to adopt a Glass-Steagall separation of commercial banking from all other financial activities, including investment banking, insurance, stock broking and wealth management.

With another global crisis looming around Deutsche Bank, Kotegawa has reiterated what all governments should do to secure their banking systems, which the politicians who question Australia's banks this week should heed:

- Break up their banks along Glass-Steagall lines;
- Send criminal bankers to jail—much more effective in stopping bad behaviour than fines;
- Set and announce a target date to cancel all bank derivatives, so that banks can begin to "net out" their positions and the cancer of derivatives speculation can be excised in an orderly fashion.

Glass-Steagall is the number one financial issue in the world. People and increasingly more political leaders are recognising that it is the only way to protect the public from the next collapse of the global financial system, but the London and Wall Street bankers who don't want to give up their scam of being able to gamble with depositors' money are fighting to stop governments from enacting it. This is a fight we can and must win if Australia is to survive economically—join the CEC!



Australian Banks' Total Derivatives
June 1989 - June 2016
$ Trillions
0
5
10
15
20
25
30
35
40
45
BRACE YOURSELF!
Australian bank derivatives (Banks' consolidated group off-balance sheet business) skyrocketed by $6 trillion for the last quarter ending June 2016!
It is now $38.26612025 trillion (to be exact).
This is the biggest quarterly rise ever seen!
Derivatives blew up the system in 2008—brace yourself for a meltdown of Australia's banks!
Source: http://www.rba.gov.au/statistics/tables/ find "Banks – Off-balance Sheet Business – B2" table.
$38.27 trillion
(Record quarterly increase)
$32.02 trillion
(March 2016)
GFC
Glass-Steagall repealed
in the United States
(12 Nov 1999)
Banks' total consolidated group off-balance sheet business
Jun-1989
Jun-1990
Jun-1991
Jun-1992
Jun-1993
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Jun-2013
Jun-2014
Jun-2015
Jun-2016