

File no: 53-55-1

22 August 2014

Mr David Murray
AO Chair
Financial System Inquiry
GPO Box 89
SYDNEY NSW 2001

Dear Mr Murray,

Re: Second Round Submission to the Financial System Inquiry

In the interest of the Blacktown City Council residents, Council at its Ordinary meeting on 6th August 2014 carried the following motion:

Blacktown City Council to make a submission to the Financial Systems Inquiry opposing any form of bail-in type legislation in the financial system.

In respect to this submission to the Financial Systems Inquiry, Council would seek to have relevant legislation drafted to protect the rights of Australian depositors in the event of a systemic bank failure from seizure of their deposits as has recently occurred overseas.

It is noted that in Cyprus in 2013, banking failures came primarily from purchases of government bonds purchased from Greece before the economic downturn caused by the global financial crisis. In response to the financial crisis and in a bid to create financial stability in the economy, the Cyprus federal government seized deposits from Authorised Deposit-taking Institutions. It could be argued that the absence of clear procedural guidance and the clarity of process did not have the desired impact on preventing the Cypriot banking system from failing bank depositors at the time.

In response to the global financial crisis of 2007-2008, global banking regulators in September 2010, agreed to implement Basel III. The main goal of Basel III is to enhance bank and banking sector resilience to unexpected shocks and promote financial stability. As such, Australian Authorised Deposit-taking Institutions are in the process of implementing the Basel III changes, these are to be progressively phased in by 2019. This will result in the banks holding higher levels of capital quality to protect them against possible future losses.

With regard to "bail-in" type legislation for the Australian Financial System, Council considers it prudent for such legislation to be drafted before any future banking failure event to strengthen depositor protections inherent in the existing Banking Act. Any future "bail-in" legislation should be designed to convert debt from other bank lenders, to ensure continuity of the payment system and not to confiscate depositor funds.

Council considers it essential that Australian consumers should not have to bring forensic skills to the tasks of finding a clearly identifiable "safe harbour" for essential financial products such as deposits, superannuation and insurance.

Should you wish to discuss this matter further, please contact Council's Director Finance and Corporate Strategy, Mr Wayne Rogers on 9839 6516.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Kerry Robinson', with a stylized flourish at the end.

Kerry Robinson
GENERAL MANAGER

cc: Mayor