Bank Licences To Operate Now On The Line

Summary:
When BRN first formed one of our first claims was that banking was "organised crime on a grand scale." This article is so perfect it is a must read. Banks really are run and organised by lawbreaking supervillains. We need powerful superheroes to bring them to justice. Apart from all the activists, whistleblowers and journalists that are doing a great job exposing crimes - the regulators have now been embarrassed into action after decades of the light touch "see no evil" approach.

Yes - a bank's licence to operate should be on the line for criminal breaches and serious misconduct. BRN's SUMIR program has called for a Sovereign Monetary system that functions in the interests of the country and its people. Other countries of the world will need to do the same. Australia is now positioned to set the example and do this. A National Bank is a big stepping stone. Westpac cannot afford the fines it will incur from the latest scandal.

Scott Morrison has made it clear he wants to crackdown on criminal transactions. Unfortunately his target was dead wrong. Ordinary citizens are the target of his Cash Ban Bill. How dare Morrison and his government force us to be at the mercy of these criminal organisations! The real targets should be the bankers and other white collar criminals that snub their noses at the law .... and use electronic transactions to do it. Will Morrison use Westpac or another big bank to establish our National Bank?

Economist Richard Denniss says - "The scrutiny of the big four should not stop until their staggering, systemic breaches of the law do." We agree.

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Why not a big stick for Westpac and the banks? They're acting like Marvel villains

Imagine if the government were as keen to deregister banks that broke the law as it is to deregister unions.

The regulator has accused Westpac of **23m breaches of anti-money laundering laws involving a staggering $11bn in transactions.** That includes money transfers that could have been involved in **funding child exploitation and terrorism.** If proven, this would constitute one of **the most systematic breaches of the law in Australian history,** and it is hardly the first time Westpac – or the rest of the big-four banks – have fallen foul of the regulator.

Indeed, these latest allegations come only a day after the Commonwealth Bank pleaded guilty to 87 criminal charges relating to the "hawking" of life insurance. It's hard to believe that only **two years ago the Morrison government, the big banks, and even the finance regulators themselves were assuring the public that a royal commission into the banks was not just unnecessary but dangerous.**

That would be the same royal commission that brought to light a **staggering quantity of alleged law breaking by banks and other financial corporations.**

If the government thinks that unions are filled with criminals that need to be deregistered, then the **banking sector must be super villains, as powerful as any featured in a big-budget Marvel movie.**

So what's going on? How can it be that the **best-paid executives in Australia**, working at some of the most profitable banks in the world, can't afford, or **can't be bothered, to meet their regulatory obligations?**

Economic theory assumes that the managers of a business want to maximise their (risk-adjusted) profits and in turn they look at the likely costs and likely benefits of everything from closing a bank branch, spending millions a year on advertising, lending money to new coalmines, or spending money employing people to ensure the bank is compliant with the law.

Given that Westpac made $6.8bn in profit last year it seems its managers are pretty good at comparing the costs and benefits of their decisions.

As anyone who has ever overstayed their paid parking knows, there are costs and benefits when it comes to ignoring the law. If you had to choose between being late for a job interview or risking a

parking ticket, it's likely you'd opt for the fine.

So, if you were running one of the most profitable banks in the world, and getting paid about $5m a year to do so, how would you go about deciding whether to spend millions ensuring compliance with the law to reduce the very small chance of getting caught for breaking the law 23m times? What if it were a decision about whether to charge fees to dead people? Or whether to sell products you knew were a rip-off? If I told you that your multimillion-dollar income would rise with the profits your company made, would that help decide what was the "right" decision?

At the royal commission we were told that the big banks have never taken the threat of getting caught, or the fines in the unlikely event they were caught, particularly seriously. So compliant was the regulator that banks often negotiated their way out of paying fines in exchange for the positive PR story of "donating" money to NGOs instead.

But what if the sanctions for the systematic breach of our laws really hurt? What if instead of fines that are dwarfed by the big banks' own advertising budgets, let alone their profits, banks risked losing their licence to operate in Australia if they proved themselves incapable of complying with the law?

The government clearly thinks that making such a threat to the unions would have an impact in the way unions conduct their affairs.

Similarly, when the government's frustrations at electricity companies boiled over, it introduced the so-called "big stick" regulations that have the capacity to break energy companies up to increase competition. **Why not a big stick for the banks as well?**

Australia's big banks are among the most profitable in the world. Even with all the fines and compensation they've had to pay customers (by the royal commission we were told we didn't need), the big four still made $27bn in profits this year.

But if all that size and profit can't finance effective compliance with the law, perhaps the banks have just become too big and too complicated for even the best-paid executives and boards to oversee?

Something clearly needs to change. If those running our big banks have deliberately put profits ahead of complying with the law, they need to go. Or if the leaders of these institutions have no idea of the scale of illegality happening under their watch they need to go, or their institutions need to be broken up, or both.

In 14 months, from a standing start, the royal commission found more breaches of the law than the banks, their auditors and the regulators had in a decade. But this week's news shows that we have barely scratched the surface.

Back in 2005 the Coalition introduced the Australian Building and Construction Commission with incredible powers to oversee the unions. **It's clear that in addition to breaking up the biggest banks we need a standing royal commission into the finance industry.**

The scrutiny of our banks should not stop until the systemic breaches of the law do. Sadly, I won't hold my breath for either. Remember, we never really needed a royal commission into the banks in the first place, did we?

Richard Denniss is chief economist at the Australia Institute

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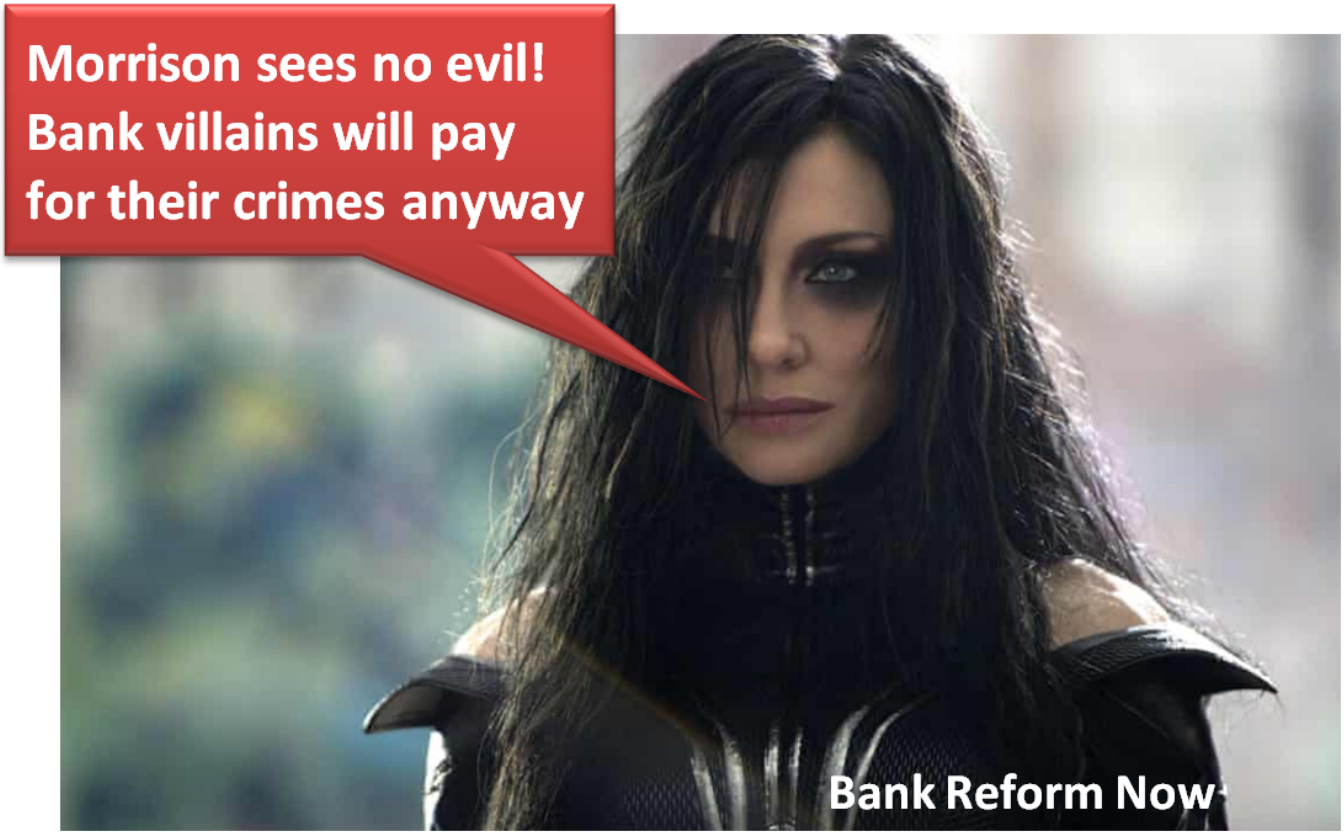
BRN Comments

What can we add? Every point in Richard's article is a knockout blow. The current cases against the big banks totally vindicates the position we have taken. We have cases in front of all the banks that alone would threaten their licence to operate .... and they know it. That's why some have been very

resistant to settle and prefer to continue playing hardball. This week they have finally realised what we told Andrew Thorburn in October last year and other bank executives since then -

"Some of your bankers and their lawyers have dirty hands. The environment has now changed. Remediation is inevitable. No more of the delay, deny, deceive routine."



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https://www.theguardian.com/australia-news/commentisfree/2019/nov/21/why-not-a-big-stick-for-westpac-and-the-banks-theyre-acting-like-marvel-villains

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