

Dear Financial System Inquiry Panel,

I'm an Australian Citizen and would like to make some comments in relation to two requests for views in the Interim Report of July 15, 2014. The first is in relation to the Banking Sector and Competition.

Section 2 – Competition

Banking Sector

The Inquiry would value views on the costs, benefits and trade-offs of the following policy option or other alternatives:

- *No change to current arrangements*
- *Decrease the risk weights for insured loans*

I believe decreasing the risk weights for insured home loans shifts the liability onto Insurers. In an environment of large loans and low purchaser's deposits; who will ensure that Insurer's will be able to find the necessary funds to pay claims?

What if incentives were given for people to save money in an account so they can afford to pay the deposit upfront?

Section 5 - Stability

Too-big-to-fail and moral hazard

The Inquiry seeks further information on the following area:

- *Is it possible to reduce the perceptions of an implicit guarantee for systemic financial institutions by imposing losses on particular classes of creditors during a crisis, without causing greater systemic disruption? If so, what types of creditors are most likely to be able to bear losses?*

Does the term "Creditors" of financial institutions include Superannuation Funds, Depositors, and Shareholders? As we have seen during the Cypriot Bank Bailout; Depositors were slugged with a levy of 47.5% of their savings. Cash in Superannuation and Bank Accounts should be immune to poaching by Financial Institutions or the Government.

Could the fractional reserve banking system be changed to increase stability?

Losses from a business should not be imposed on others! Bank Executives should be held accountable for risky behaviour.