HOW TO SCREW 'YOUR' BANK

Which Bank? Any Bank.

SECOND EDITION

A Self-help Manual

by

Laurence F. Hoins

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LAURENCE AND JUNE HOINS

"He could talk under wet cement" ***Sir Robert Menzies***

Laurence Hoins is described as an iconoclast of immense proportions - delighting in pricking the bubbles of conceit. A razor sharp wit which will entertain you immensely.

An outrageous humorist who delights in unlocking lawyers, politicians, public servants, academics, economist, bankers, journalists and radical feminists.

Renowned for speaking without notes, he thrives on challenges from the audience.

Editor, publisher, journalist, TV public affairs commentator, advertising man, corporate manager, political organiser, Canberra lobbyist, Ijcenced financial dealer, management consultant, training specialist, air traffic controller, navigator, sailing master, and seaman – winner of an Export Aware, a NSW Development Ambassador Award and winner of a high commendation Small Business Award – designed an energy saving product which the University of NSW described as “unique” and “highly innovative”.

Barred for life from the Dept. Defence for his articles on ‘Fort Fumble’, ‘Malice in Blunderland’ and 'The Aimless Big Guns of Defence’ in the 1979 defence debate in 'The Australian’ (“The finest compliment one could be paid by a government department” he says) he was, nevertheless, awarded a high commendation from the very same department for showing as senior people how to implement MbO In their dept. – “A waste of my time and your money” he says.

Specialised in analytical techniques at Princeton (USA).

Trained senior staff from the federal Treasury. CSIRO, Census and Statistics, Navy, Army and Air Force in analytical problem solving.

Founding President or the Australian Institute of Training and Development (AITD) he assesses training needs and designs courses to meet those needs.

Seminars Arranged...

...For those who need more information, more confidence, on matters dealing with your bank. Laurence is available to talk to groups, such as members of the Chamber of Commerce, business executives, farmers etc.

If people in your area want to hear more, someone in your area could act as an organiser and co-ordinator regarding arrangements, please get in touch with June Hoins on (044) 232 962 or write to them at P.O. Box 795. Nowra. N.S.W. 2541.

THE NOBLEST AIM IN LIFE

IS TO STRIVE

TO MAKE OTHER LIVES

BETTER AND HAPPIER

The banks, the lawyers, the courts, the receivers, the politicians, the public service, the police, the farmers federations and the rural counsellors fail on all counts.

Apparently acting in concert they have made our lives a misery.

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INTRODUCTION

What a title! Evocative? Certainly Accurate? Deadly.

A lady lawyer (there's a contradiction in terms!) telephoned me to say that someone had dropped a copy of my first edition on her breakfast table for her to read and She told me that her son said "How can the man who wrote that title be a Christian?"

I don't claim to be a 'Christian'. To do so would join me (unwillingly) to the hordes of frauds and charlatans who use His name to pervert and destroy.

The lawyers in their black and sometimes red robes and ratty wigs all trot off to church from time to time and a more ungodly lot one can't imagine.

If the banksters and the lawyers were themselves Christ-like then they wouldn't be acting (together) like Attila the Hun (who at Mast had the saving grace of not bothering to pretend he was something he wasn't) pillaging the whole country.

On 4/12/91 Westpac withdrew and settled (without claims or costs) from a court action they had been pursuing against me since 1986. [1]

I defended myself and saved an estimated $60,000 in legal fees.

My defence is the core of this self-help Manual.

This self-help Manual is intended to enable you to,

(a) Take the initiative such that 'your bank will more than likely give the game away and settle with you out of court.

(5) Defend yourself in court against 'your' bank. assuming the case actually goes to court.

Since defeating Westpac It has become obvious that most farmers and many other small business people have no choice but to take the initiative and sue 'their bank rather than waiting to defend themselves.

Thus, the draft court documents are orientated to taking the offensive rather than meekly waiting to be savaged by *'your'* bank.

This Manual provides all reasonable assistance assuming that the fight may well go to trial. The key, as with all things in life is not necessarily the battle itself but the planning and preparation that takes place before the action. The battle itself may be won or lost in the planning stage.

lt would he obvious that if several thousand farmers and small businessmen used my basic defence (which must be altered to suit your actual situation and facts) or took the initiative and sued 'their' bank then the court system may be clogged for many years. [2]

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1. I never actually had to set foot in a courtroom.
2. One would not, of course, desire such an unfortunate event but the fact remains that it is highly likely and, in that event, your case may take many long years to come to trial if 'your' bank is suing you.

This Manual shows you how to take the initiative, how to take the fight to the enemy. The facts standing behind the basic defence loom over the banks like a spectre.

Copies of letters and hitherto secret bank documents arranged as Exhibits (to be attached to your Defence or Writ) for your own action are laid out for easy photocopying; that's why the Manual is spiral bound - for your convenience.

A professional list of books and learned articles, combined with the letters and bank documents, proves beyond doubt that my basic point of defence is true and correct. Nevertheless, there are thirteen (13) separate, specific and detailed grounds for your action.

All are backed with a comprehensive list of the relevant laws and other factual sources including evidence from within the banking industry itself.

You may, of course, have additional grounds, and all you do is add those additional grounds to the document as per the drafts contained in this Manual.

You will be asking the Judge to read all of this material.

This Manual shows you how to argue the multiple attack, line upon line, precept upon precept, fact upon fact, question upon question, fighting all the way.

But first 'your' bank and their lawyers will have the privilege of reading all of the material. The lawyers, of course, will see it as a way to make even more money from their client banks, but you can be sure that the banks themselves will see it in public relations terms and in that respect this Manual is a disaster for them.

Your' bank would have to be very brave or very stupid to allow you to get them into open (public) court [4] and expose what they really do.

I disclose The Great Secret in awfully clear detail as to what the banks really are doing, then prove it with their own documents (including the now infamous Westpac Letters, as well as the equally infamous Commonwealth Bank internal memos) and other indisputable sources.

This self-help Manual is not a book in the conventional sense.

It is, in fact, a Manual of strategy and tactics; a loaded monster gun waiting for you to point in the right direction and fire.

This Manual represents some years of hard-nosed research and front line practical experience.

It may be your best shot.

This Manual is intended for those who have given all their hard earned money to the lawyers and have nothing else to do, other than cave in and allow the banks to take their home and property.

Your last shot may be the winning one.

"Always march to the sound of the guns!"

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3 They are the same whether you are defending yourself against 'your' bank or suing the boast at your own initiative (as fanners will probably have to do) or doing it as a toss action.

4 Media reporters will be sitting there, pens in hand, taking down all the (public) evidence which is then available for public broadcasting all over the country.

RESPONSIBILITY

Basically, the person who wants a change is responsible for making it happen. It is not only infuriating but utterly futile to wait around for someone else to make our lives better.

When we wait, we feel passive, and worse, at the mercy of the sensitivity of others. When we become responsible, we don't wait.

We are not passive, and instead of allowing ourselves to be victims of the fates, we move things in the direction of our choice.

“Give me a lever long enough, and a fulcrum strong enough, and single-handed I can move the World.”

Archimedes of Syracuse.

THE FROG

If you throw a frog into a pot of
boiling water then the frog will,
of course, immediately jump out
in order to save itself.
But if you gently place the frog
in a pot of cold water and then
slowly heat the water then the frog
will acclimatize to the not
unpleasant and ever so slowly
increasing heat until, lo and behold,
The frog is suddenly cooked.

SOME OLD INFANTRY ADVICE

Always select your own killing ground.

Always make the enemy come to you.

Always concentrate all your forces at his weakest point.

Kill him.

By contrast. you (and the rest of Australia) are allowing the enemy (the banksters and the lawyers) to play with you like cat playing with a mouse before devouring it. It’s time to become the hunter instead of the hunted.

DEDICATION

This self help Manual is dedicated to the men and women [5] of the farming communities of both Australia and the United States of America who have been thoroughly screwed by the banks.

Without the farmers the nation is doomed. The best (worst) anarchists know (as the Communist Manilesto [6] clearly stated) that the quickest and most brute, way to control any country is to destroy the agricultural sector and control the money supply.

This secret combination is well and truly under way all around you. Can you conceive of any valid reason, for example, why our own food producers should be mined by unrestrained imports of fresh foods from other countries? Why would our parliamentarians and bureaucrats allow (let alone encourage) such a thing? Don't for a moment think it is ‘free trade’ (a canard I long used to actually believe in).

Telephone (06) 261 3590 (Treaties Support Unit, Department of Foreign Affairs) and ask them to send you copy, 'The Lima Declaration’ and, while you are at it, a copy of ‘International Treaty on Civil and Political Rights (ITCPR).

'The Lima Declaration', signed by the Whitlam ALP government in March, 1975 and endorsed by both the Fraser coalition government and more recently by both the silver bodgie and the undertaker (who is now prime minister of Australia) and, of course, the Liberal Party's Dr. Hewson (who worked for the IMF for seven years) explains to you why our farmers and food producers, manufacturers and workers are being slowly but surely reduced to third world levels of poverty.

Don't for a moment think it is only the farmers who are being thoroughly screwed. That which happens to the agricultural workers inevitably will be visited upon the cities. It is to prepare us for what is yet to come the new agrarian feudalism - you and me, dear reader, are intended to be the new peasants while they dine on pheasants.

How does it work? It already is working.

Consider, by way of example, what the Japanese are doing in both Australia and the United States. [7] They are long term planners. On that score they leave our American cousins for dead. Ten years is nothing to the Japanese. They will run a business at a loss for ten or even fifteen years if they think that it will eventually buy them a slice of the target economy. [8]

The ultimate for them is not only to acquire a good slice of the available market but to enforce integrated vertical marketing. This means that they control everything, i.e., the airline seats, the tours, the hotels, the gift shops, the restaurants, the food chain, the suppliers, everything - and the loot goes back to Tokyo (or Osaka).

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5. And let’s not forget the children who are killing themselves in ever increasing numbers in the rural communities and in the cities too. And can we blame them? Every time a bank evicts a farming family it destroys both the family and the patrimony (inheritance) of the children.

6. The communist monolith may, perhaps, have been crushed (by its own stupidity and uselessness) but don’t allow yourself to be inordinately swayed by this traditional ‘left’ versus ‘right’ nonsense. Professor Anthony Sutton proved conclusively that both the Russian communist government and the German Nazi government were established with credit provided by the American bankers and the cohorts. Every time one looks behind the public picture the banks are to be seen hard at work.

7. We have worked for them and with them (including their navy) and written about the. One Japanese diplomat, when under the weather, used to love coming up under the author’s starboard ear and whispering “How goes the White Australia Policy?” to which one invariably replid, “Almost as good as the attack on Pearl Harbour!”

8. I am not suggesting that the Japanese are the secret combination, They are, as you can read in my book ‘THE MAN’, playing their own little game of world economic control but they are when all is said and done only bit players in what is really going on all around us today.

The Japanese are not alone in that type of thinking. The secret combinations are using exactly the same strategy to bring the whole world under their central control.

Hence the destruction of our farming communities, the towns which support them (and live off them) and then, the coup-de-grace, our enforced dependence on international food and financial cartels.

It's all about centralised control. In 1977 I was invited to give a talk at an Economic Teacher's Seminar. The preceding speaker was a 'practising economist' who extolled the virtues of central planning. There was on display a selection of university economics textbooks and I had read some of them.

As the economist pressed on with his talk, I tore up my prepared speech and dropped it into a rubbish bin on the stage. When it was my turn to speak I walked over to the book display and found the section in one of the textbooks describing how Joseph Stalin had murdered five million Kulak middle class peasants in the Ukraine in order to enforce central planning.

I read straight from the textbook 'for all to hear. The 'practising economist' went berserk, calling me a troglodyte. I pointed out that I was merely quoting from one of their own textbooks. The (un)worthy opponent shouted, "You shouldn't read rubbish like that!"

I was never invited to speak again....So much for economists...So much for university education...

Always fragment the power.

As a former management consultant I was for years besotted with the awfulness of the waste of having a multitude of State governments and all those vise-regal Governors and the Governor-General. It was very easy to see the financial benefits of reducing all that nonsense to one central government.

By a careful study of the American and Australian Constitution Papers [9] I was led to the inevitable conclusion that the Founding Fathers of both countries knew that men are venal and untrustworthy [10] and that the only way to safeguard the people was to fragment the power and accept the financial cost thereof.

Don't ever let anyone con you with the need for central planning.

Better to have some waste than to have highly centralised control (of you and me). As with Joseph Stalin, they will (to use the common vernacular) end up 'wasting' us if we are not careful.

The collapse of the Russian Soviet economy (set up in the first place by American financiers [11]) shows just how parlous is that concept of central control of the people's lives. It never works and it is never of benefit to the ordinary men and women.

Who is at the operational heart of the secret combinations? The banks

If this self-help Manual helps only one family to save all that they have worked so hard to achieve, then it will have been well worth it.

A pox on the bankers and secret combinations.
May the God of our Fathers blight them in all that they do

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9. The Australian Constitution Papers comprise the writings of the public figures who argued for and against federation of the Australian sovereign colonies. The argument raged for 20 years prior to 1900. The fathers of the Australian Constitution had the American Constitution to follow and they did so in respect of fragmenting the power, with good cause.

10. One great man, a far better man than me, said "I have found in my travels that men are treacherous and untrustworthy with but few exceptions." Quite.

11. Read Professor Anthony Sutton's books on the subject.

THE SECRET COMBINATIONS

Are there really secret combinations?

Sure are. [12]

“Every government is run by liars and nothing they say should be believed.” [13]

“The more they (government) talk in a positive and reassuring tone. The more they deny trouble, the more they deny any strong course of action then the more you can count on the fact that they are about to do something serious. The more they deny devaluation is in process, the more you can be sure that it is. For example, the British Chancellor of the Exchequer Sir Stafford Cripps denied categorically that the English pound would be devalued, making such statements as "complete nonsense", "under no circumstances", and “completely unfounded reports”. The last such statement was on Sept.6 1949 and on Sept. 18, 1949, the pound was devalued.

When President Nixon kept assuring the people that he did not want price controls, that he didn’t want Congress to even give him the power to have them, that he would never use them if they did, what did he do? He used them and froze wages and prices.

You can trust the people in government and economics to cover their intended actions with denials. The louder and more frequent the denials are, the more sure you can be that that very action is imminent." [14]

US President Lyndon B. Johnson said the following when people in America started to hoard silver. “Some have asked whether silver coins will disappear. The answer is very definitely - No. Our present coins won't disappear and they won't even become rarities…if anybody has any idea of hoarding silver coins, let me say, the treasury has a lot of silver on hand, and it can be, and it will be used to keep the price of silver in line with its value in our present silver coin. There will be no profit in holding them out of circulation for the value of their silver content.” [15]

Less than two years later the silver coins were withdrawn from service and replaced with nickel-plated copper coins.

”I have never known much good done by these who affected to trade for the public good." [16]

”The greater the power, the greater the abuse.” [17]

"Various governmental investigating bodies have heard copious confessions to “mistakes" and "errors of judgement" from the executive representatives of the multi-million dollar dynasties.
But there were really no mistakes or errors of judgement. Except for the culminating debacle of 1920-33 everything happened according to plan, was premeditated, arranged, sought for.” [18]

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12. Studies of secret societies point to the prevalence of male homosexuality, particularly sodomy, in such organizations. See ‘Nestor’s Secret Societies’, London, 1924.

13. I.F. Stone, journalist, in Jerry Buck’s documentary film ‘I.F. Stone’s Weekly’

14. Robert L. Preston, ‘How to prepare For The Coming Crash’, Hawkes Publications, USA, pp. 62-63.

15. Harry Browne, ‘How To Profit From The Coming Devaluation’

16. Adam Smith, ‘Wealth of Nations’, Book 1, p. 478.

17. Edmund Bourke, British House of Commons, 7th February, 1771.

18. Ferdinand Lunberg, ‘America’s 60 Families’.

'There is in Italy a power which we seldom mention in this House...I mean the secret societies...it is useless to deny, because it is impossible to conceal, that a great part or Europe,
the whole of Italy and France, and a great portion of Germany, to say nothing of other countries - is covered by a network of these secret societies, just as the superficies of the earth are now covered with railroads. And what are their objects? They do not attempt to conceal them. They do not want constitutional government; they do not want ameliorated institutions... they want to change the tenure of the land, to drive out the present owners of the soil and put an end to ecclesiastical establishments. Some of them may go further…." 19

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens…Lenin was certainly right.' 20

"If the American people ever allow private banks to control the issue of currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers conquered." 21

And that is exactly what has happened.

"This Act 22 establishes the most gigantic trust on earth….when the Presidont signs this Act the invisible government by the money power, proven to exist by the Money Trust investigation, will be legalised.....the new law will create inflation whenever the trust wants inflation...from now on depressions be scientifically created." 23

Then the game was refined. 24

"The bill 25 as it stands seems to me to open the way to a vast inflation or the currency…..I do not like to think that any law can be passed which will make it possible to submerge the gold standard in a flood of irredeemable paper currency." 26

"It is indisputable that the commercial-banking community wields considerable power within the Federal Reserve….further, the decision-making body which decides whether the system will press the accelerator or the brake, is the Federal Open Market Committee....here, then, is the private banker influence." 27

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19. British Prime Minister Benjamin Disraeli, House of Commons, 14th July, 1856

20. John Maynard Keynes, 'Economic Consequences of the Peace', London, 1920, pp. 235-236.

21. Thomas Jefferson, 'The Writings of Thomas Jefferson'.

22. The Federal Reserve Act that gave total control of America's currency and credit to the private banks via the Federal Reserve System.

23. Charles A. Lindbergh Snr., 'USA Congressional Record'. 22nd December, 1913

24. To properly understand how this evil empire was started and by whom, read 'The Naked Capitalist' by Cleon Skousen, 'The Federal Reserve Hoax' by Wickliffe Vennard, 'The Rockefeller Billions' by Jules Akels, 'Men Who Are Making america' by B.C. Forbes and 'Our Crown' by Stephen Birmingham.

25. Extending control of America's currency and credit to the private banks via the Federal Reserve Act.

26. Henry Cabot Lodge Snr., 'USA Congressional Record', 10th June 1932.

27. 'A Primer On Money', House Committee on Banking and Currency Document 72-504, pp. 4-5, Congress of the USA.

Conclusive public evidence of the power of the private banks through the Federal Reserve System was given to a Joint Economic Committee of the USA Congress in August, 1962 by Mariner Eccles, the Chairman of the Federal Reserve Board. [28]

Congressman Wright Patman asked “Is it not a fact that the Federal Reserve System has more power than either the Congress or the President?” Mariner Eccles replied, "In the field of money and credit, yes” [29]

”When everything was ready, the New York financiers started calling 24 hour broker call loans. This meant that the stock brokers and the customers had to dump their stock on the market in order to pay the loans. This naturally collapsed the stock market and brought a banking collapse all over the country because the banks not owned by the oligarchy were heavily involved in broker call loans at this time, and bank runs soon exhausted their coin and currency and they had to close. The Federal Reserve System would not come to their aid although they were instructed under the law to maintain an elastic currency.” [30]

The same control exists in Australia.

"The issue which has swept down the centuries and which will have to be fought sooner or later is The People v the Banks.” [31]

“What kind of justice is it when the nobleman, the banker, the money lender, in short, those who do nothing productive, glory in riches while the day labourers, teamsters, blacksmiths, carpenters and field workers, whose work cannot be dispensed with for a year, can sweat out a miserable existence at a level below that of beasts of burden. Our animals do not work so long, are better fed and have greater security than they do, for our workers are pressed down by the hopelessness of the situation and the expectation of beggary in old age. What they are paid does not cover their daily needs and to save for old age is out of the question. So we find shocking waste, luxury, triviality and vanity on the one side and abject misery on the other.” [32] Sounds like today? It was 1515 AD yet nothing has changed.

Cecil Rhodes was a notorious homosexual who set up the Rhodes Scholarships (from fiddles in South Africa aided and abetted by both the British Government and the British Amy) for the express stated purpose of creating the One World Government. It is all explained in the Trust Deed.

There are any number of Rhodes Scholars, such as the redoubtable R.J.Hawke and others in prominent positions, particularly in the international focal points of power and influence.

Professor Carol Quigley wrote about the secret combinations in his book 'Tragedy and Hope’, published by Macmillan in 1966. He wrote from the inside and far from condemning the secret society of which he was a fully fledged member he felt that their programme was so great that the secrecy should be abandoned and the programme publicised. It's all there for you to read and understand.

These are the very people who lauded the undertaker as ‘the world's greatest treasurer’.

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28. The members of which are selected by the private banks themselves.

29. ‘State of the Economy and Policies for Full Employment’, USA Congress. P. 524.

30. William Bryan, ‘The United States’ Unsolved Monetary and Political Problems’.

31. Lord Acton, Lord Chief Justice of England, 1875.

32. Sir Thomas More, ‘Utopia’, London, 1515.

To see how it all comes together in real terms today, read 'The Underground Empire - Where Crime and Government Embrace', James Mills, Sidgwick and Jackson, London, 1987. It tells you about the banks, the common interlace between the hard core drug barons and professional criminals and the governments which we elect from time to time.

Who are the parties in the secret combinations?

1. The **Banks** :- They control the issue and with-holding of credit throughout the nation. When the undertaker recently did his rounds of the cemetery seeking to learn how he could unstuff Australia he went to the banks. The banks didn't go to him. He had to go to them, cap in hand. Should the embalmer win the 'top job' at the next federal election then things will be more cosy because he is a banker. Make no mistake about it; the banks really do control the cemetery.

2. The **Lawyers** :- Someone once said that when the lawyers proliferate the society degenerates. We have lawyers everywhere, they control the courts, the judiciary and the so-called justice system. They are thick on the ground in both the main political parties and in the public service. They are the glue that holds the whole rotten system together.

3. The **Public Service** :- One always gags when using those words; civil servants are so uncivil as to make one laugh if it wasn't hurting so much. They draft the legislation and the plethora of mind-bending regulations which has Australia well and truly tied in knots, and they run the politicians of all parties. They are at the core of the power structure, immobile and unmovable. [33] Fortunately for the victims there are some honest men and women in the bureaucracy (the whistleblowers) and that is at least a glow of light in the darkness of the tunnel.

4. The **Rural Counsellors** :- They are merely an arm of the state which is itself run by the banks. Ask them by whom they are paid and then you know where their loyalties lie. Their real function is to get you to sell your real wealth to 'your' bank and then quietly go down to the social security office and become one of the faceless 980,000 unemployed in the cemetery.

If the rural counsellors were really acting in the best interests of the farmers then they would be showing the farmers how to stay on their properties. Read this Manual and then ask yourself why is it that the rural counsellors haven't done for the farmers what I have done in this Manual? [34]

5. The **Farmers Federations** :- they are nothing more than a part of the 'establishment', there to keep you quiescent. Like a chook farmer they come out into the cemetery every now and then and throw a handful of chook food to you, watch you scrabble in the dirt for a bit and then go back to their plush offices and cosy relationship with the rest of the team.

If these 'establishment' organisations were really acting in the best interests of the farmers and Australia then they would be producing a Manual like this or at least publicly endorsing this one. Instead they laud the banks and feed the farmers into their maw like cattle at the abattoir.

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33. Read 'This Grossman Diaries' by British Labor Minister Richard Crossman; they were the basis of the TV series 'Yes Minister'.

34. The obvious unenforceable way farm mortgages are usually signed is a prime example why don't the rural counsellors tell their client farmers about that halo piece of information?

6. The **Federal and State Parliaments** :- The members are mostly there for the superannuation [35] and gold passes; they pass the legislation which they rarely read and even more rarely understand. It has been perhaps unkindly said that Guy Fawkes was the only honest man to enter parliament. [36]

Some rare exceptions include Dennis Collins MLA (Alice Springs), John Hatton MLA (NSW South Coast) and Dennis Stevenson (ACT Legislative Assembly)

You would be well advised to vote all your federal and state parliamentarians out of office as soon as possible (unless they are true independents) and vote in the town drunk or a pensioner so they can enjoy the high life for a couple of years. You couldn't be any worse off.

7. The **Political Parties** :- They control the non-independent members of parliament; they are not mentioned in the Constitutions of Australia or of the sovereign states, they have no legal or constitutional powers to control the people's parliaments but they do (just as the banks have no legal or constitutional power to create and control credit). They are not accountable to the people and their members are only a tiny minority of the people.

The people who run the banks, the real managers of the overall game-plan, try to keep the separate parties isolated so that they can be played off against each other like squabbling children.

Always keep in mind that the banks have total control over the nations' credit and until we, the people, wrest that secret control off them then they will continue to be the masters of our lives and destiny.

Are each of these separate parties aware of the scam?

They are now. [37]

If you are in any doubt about what I have just written then simply ask each of the parties named to write to you (when they come into play against you) telling you what their objectives and / or aims are in relation to you and your property. Don't accept anything airy fairy - politely but firmly ask them for a written statement of their specific aims and objectives for you and your property.

Individual people, such as some rural counsellors, may not be aware of the game-plan. It is always possible that they genuinely believe that they are doing the right thing by helping get you off your land.

Most people in the banks, for example, simply wouldn't know how their masters create cost-free book-entry credit and how they are illegally selling that (at no cost to themselves) to the victims like you, in exchange for your real wealth.

But now they know.

I have been saying it loud and clear across Australia for some months now so there is no excuse for their continued ignorance. [38]

How does it all come together? Simply.

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35. Which is totally unfunded, i.e., it has to come out of your taxation year by year.

36. He went into the House of Commons to blow it up.

37. I should say right now that the much maligned League of Rights (to which I do not belong) and in particular Eric Butler have been trying to tell Australia this for decades. So have Sydney engineer Allen Jones and Southern NSW farmer Charlie Kerr.

38. Other, perhaps better informed individuals, have been crying out the truth about banks creating credit at no cost for many years but the captive / ignorant media has suppressed the story.

The trick as the spooks who 'run' our secret services well know is to compartmentalise everyone, i.e., keep them in their own little hermetically sealed boxes only feeding them enough chook food to keep them going, but never allowing them to cross fertilise each other.

Picture it in your mind. The banks have a deal going with the politicians and the so-called 'establishment' which put bluntly means that the politicians give total control to the banks (partly because they are too lazy and dense to learn and understand what the banks are really up to) and the 'establishment' lives like a parasite off the carcass of the deal.

All six of the foregoing groups (lawyers, public servants, rural counsellors, farmers federations et al, politicians and political parties) constitute the 'establishment'.

The members are cross dependant on each other. They feed (like ticks) off the blood of Australia's men and women and each others dependence on the 'goodwill and benevolence' of the banks. It's this inter-dependence that locks them together in a common cause.

You and I are the peasants.

We are the victims.

WHAT DO THE SECRET COMBINATIONS HAVE TO GAIN?

1. **Power** : I could write a book on this aspect alone but suffice to say that it is all about power; power over all the people and all the natural resources of the world.

2. **Loot** : Loot being money gained without risk, cost, effort or work; legal stealing mayhap.

Example :

In 1888 the NSW government raised a loan of $32m for the state railways. The loan fell due in 1924. NSW had by then paid $52m in interest which was originally 3.5%.

The loan was 'converted' (which is what all governments are doing all the time) and the interest rate jumped to 5%.

The loan was redeemed in 1955. NSW had paid $100m in interest and still owed the original $32m. Thus, the lenders (the London mob) made a cool $132m on a nominal loan of $32m which was only cost-free book-entry credit in the first place, i.e., it didn't cost the barkers one single cent.

Need one go on? Can you now see the well established (if camouflaged) pattern?

The banks lock up all your real wealth assets in return for loans of credit which they create out of thin air at no cost to themselves.

The banks then loan you just enough credit to get you hooked but they carefully fail to loan you enough to actually pay your way out of the mess they have deliberately created for you.

Then the banks demand all your confidential information, your cashflows, and so on; they get your local rural counsellor [39] to assist you to spill your guts (trying to keep the executioner happy) and then they know precisely when to foreclose on you.

At a pre-determined point in their scheduling they take from you your real wealth assets. This enables them to convert their book-entry credit into real wealth.

That's what it's all about.

Converting your wealth into their hands.

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39. Some rural consultants do the same job at much higher cost to you.

DISCLAIMER

No professional legal advice and/or business advice is stated, implied or intended.
If you want legal advice go talk to a lawyer. [40]

I am not a lawyer. A pox on 'em. [41]

Neither am I an economist or an accountant.

The renowned fabian socialist George Bernard Shaw, said, "If you ask the economists a question you can lay their answers end to end and they would go right around the world without reaching a conclusion."

I am nothing more than a writer. Not wealthy [42] and certainly not famous, but I am good at information research, and I have seen a fair bit of life, such as it is. [42]

I do not claim to be an expert on anything. All I am doing is sharing with you that which I used, plus additional conclusive information, to cause Westpac to drop their legal action against me.

You must use your own God-given native intelligence to decide whether or not the contents herein is useful and relevant to your own situation.

You should do your own research to verify that which is written herein.

There is no gain without pain.

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40. Ask ‘your’ lawyer to give you a letter declaring which bank he/she deals with, what mortgages and/or loans or overdrafts he/she has with that bank and the same information relating to his/her firm or partnership. Don’t be afraid to ask; they ask everything of you, don’t they?

41. ‘The Australian’ 7/1/92 carried a large story on page 5 about a ‘gay holiday apartment complex’ in Cairns. It stated that 700 gay men had been customers in the last year “and its mainstay is the coveted market of 27 years plus people in high professions like law and accounting.”

42. Bank lawyers should not that I do not have any cash or assets. Even if you win a case against me you will not get one cent. Try it and see.

43. I also do some redidial Mathematics and English teaching for a High School; that will presumably dry up once I get this Manual on the streets even though my teaching/training is highly regarded. After, screwing me is more important than helping teenagers, isn’t it?

HOW TO USE THIS MANUAL

It's nothing more (or less) than a friendly tool. Get used to it so that it becomes like your favourite pair of comfortable old socks. Use it as your family education kit and workbook.

We have used A4 size paper so that
(a) the text is easier to read
(b) you can easily photocopy the pages that may be used as attachments (Exhibits) for your action.

We have tried to give you only what you need, but you already have enough experience to know that you must have a basic understanding of what is going on in order to fight for yourself with some confidence.

You know that nobody will properly look after your farm or business as well as you. That's because you have your heart in it, it's part of you.

It's the same with defending yourself. You need to know what you are doing and you need to believe in your cause. You can't be saved in ignorance.

The enemy wants you to be de-motivated and they are very good at that as you well know.

Our job is to re-motivate you, to get you fired up enough so that you learn to think for yourself. That's why we offer workshops all over Australia - to show you by example that you can win even though the enemy is powerful and dangerous.

It would be best for you and your family if you could get the bank to settle with you on terms that suit you without having to go to court. If you do what this Manual shows you to do then you may well achieve this laudable aim.

Thus your documents are crucial. If they hit the bank where it really hurts (adverse publicity and/or the possibility of a court finding for you which may create a precedence) then 'your' bank will settle with you. [44]

Always remember that it is not so much the actual battle that counts but the planning and preparation that takes place before the battle. Do all your thinking and planning before action commences. I have given you my own successful defence [45] plus some additional information which strengthens your hand even further.

I have carefully laid out the information in full in a draft writ for the Federal Court of Australia. I have done this because it seems obvious that it is better for you to take the action to the enemy rather than sitting back responding to his attack.

Become the hunter instead of the hunted.

All you have to do is follow the notes and all should be clear to you.

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44. There is a draft press release, at the end of the Federal court writ, for you to adapt and use once you have lodged your Writ (or Defence or Amended Defence). Take the trouble to give that press release (suitably amended) to all your local media (print and electronic). It will stir the tripe out of ‘your’ bank but it will also inform your creditors that you are up and running and expect to win.

45. Westpac sued me in 1986 (plaint number 612, NSW District Court) and gave every indication of hounding me. The bank attempted to enter Default Judgement on 26th October, 1987. Finally I lodged and Amended Defence on the 30th July, 1991, declined to appear at the call-over on the 16th August, 1991 and a compulsory pre-trial conference was set down for 4th December, 1991, At that compulsory conference the bank discontinued the proceedings without costs and dropped the matter. At that meeting the Westpac lawyers eyes nearly popped out of his head when he saw ‘The Westpac Papers’ and ‘The Rigg Submission’ sitting on the desk.

The documents are a typing job. It is the only thing that you have to type; except for the Motions and Subpoenas which you may have to serve on the enemy. More of that later.

You must delete those things in the draft documents which are not relevant to your circumstances, and add in those which directly pertain to your own situation.

You are not to merely copy that which I have written and you are not to use anything that is not true and correct in your particular case.

And never lie in documents or in court. The enemy will (and habitually does) lie all the time but you tell the truth and keep on telling the truth and all will be well one day.

Following on from my experience with the first edition of this Manual and my court experiences over the last several months, I have added the various information learned. This is included in this latest edition because there is no point in you re-inventing the wheel.

If you do it properly you may well find that the bank will give the game away.

If, however, it goes to court then it is essential that you take the time to absorb the basic details of the general situation so you will have more chance of standing up in court and defending yourself with confidence.

To that end, assuming the worst, i.e., that you will have to go to court, we have also provided a question and answer routine for your guidance.

Don't be afraid.

Carefully study all that I have written and keep on studying until you understand it. Then you use this Manual as a notebook while you kick the tripe out of them in court.

Ignorance is not bliss.

In any case it is just possible that if enough people use the information, suitably amended to match their actual needs, then the court system will be clogged for many years, [46] and change may result. Change is certainly called for in our rotten legal system.

It is always possible that the banks, who really control Australia and the U.S.A., will tell 'their' respective governments to create heaps more judges and build lots more courtrooms (and they may even do just that) but you can bank on the inbuilt inertia of the government system.

Time is on your side; use it to good effect.

The bank will not be able to get an early hearing [47] but they will most certainly try to get your case thrown out at the outset so carefully study all that I have written under 'TACTICS'.

You should contest every attempt to bring the case on before you are ready. You have equal say in the setting of a trial date so don't let anyone stand over you in the setting of a date.

If you have never spoken in public before in your life then now is the time to learn.

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46. It goes without saying that I am not desiring any such thing. I am merely stating an empirical fact. Who would want to deliberately clog up the judicial system in Australia or America?

47. Obviously this assumes you are being sued; if you have an alleged loan agreement which gives them the right to kick you off your farm without having to sue you then you may have to sue them to forestall your eviction.

Go to Toastmasters or whichever local service club provides an opportunity for you to learn public speaking. Go to drama classes at the TAFE or wherever as necessary.

Get off your tail and learn. It will provide the essential confidence that you need.

If you are a working man/woman who gets things done with your hands, and you hitherto haven't read much and if, understandably, you are confused by the legal system then,

(a) Be proud of the work you do.

(b) Know that those who cultivate and grow the food of the nation are the real princes of this earth.

(c) Believe that the enemy can be defeated.

(d) Try to relax (I know it's difficult) but try.

(e) Devote more time to your family- DO NOT bottle it all up inside you - sit down with your ever-suffering lady wife and the children and work through this Manual together.

Once you have lodged your documents then sit back and enjoy life.
Stop worrying and start living. [48]
Your wife and children come first in everything. This is most important.

The dreadful impact of the quite deliberate destruction of the family unit [48] started by the Liberal Party/ Country Party coalition in 1967 under Sir Phillip Lynch's ministerial hand is now being felt in your home. You need to recognise this deliberate campaign and prepare yourself mentally, emotionally and physically to defend your family. Don't give them the evil success of splitting you up. All my own experience tells me that it is money (filthy rotten lucre) that kills marriages. Not booze or sex or even violence but money, or more precisely the lack thereof, and the struggles caused by arguing about it.

Even if you don't like each other (dare one speak of love?) then stick together until you win this fight against the real enemy and then split up with some loot for each of you.

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48. One of the most remarkable men I have recently met is Tony Rigg of Nowra. He has been thoroughly screwed by the Commonwealth Bank, whom he has punched to a standstill. Tony's legal costs to date have been stupendous ($200,000) and the rotten bank has almost ruined his excellent business, but he will not give in and he is one of the most cheerful people I have ever met. Talk about undaunted in adversity! Tony designs and manufactures steel framing for buildings and he is very highly regarded by BHP and Lysaght, with whom he has had a long and successful working relationship. If you need prefabricated steelwork of any sort (anywhere in Australia or the world) then at least talk to the man on (044) 214 933. I unhesitatingly recommend him to you.

49. Have you noticed that while it is now common to have lean faced spokes'men' for the homosexual community of TV quite frequently, it is most uncommon to see anyone speaking for family life?

MEMO

TO : Mrs.Victim.

FROM : 'Orrible ‘Oins [50]

SUBJECT : YOUR DISASTER WITH 'YOUR' BANK

I have been where you and your husband are.

Your husband needs you desperately to support him in his hour of trial. He may not have been and may still not be the ideal husband but at this time of great stress and unhappiness he needs your love and support.

The hateful drama deliberately caused by the banks can only be successfully dandled if both of you cleave together and become one.

At least until you have together defeated the enemy, stick together like glue.

Never mind what the mindless jerks try to tell you about ‘doing your own thing' - support your husband while he is trying desperately to save your assets and lifestyle.

TOGETHER YOU CAN WIN!

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50 A loud mouthed banister known to the author as Diamond Jim who at least has the good grace to thoroughly (and justifiably) hate his follow lawyers penned that name for the author.

DON'T PANIC

If your situation really is desperate and if you really are contemplating killing yourself or doing anything destructive then please do telephone us (044) 232 962 so we can discuss it.

We [51] will soon tell you when we have had enough of you.

If we can't assist you then we will get someone in your area to do so.

We hope to establish a network across the land to assist.

Please do not get on the booze or sink into a deep sulk.

If you don't want to ring us then do talk to someone you trust and do it now.

Talk about your problem to your wife and the children. They will already be feeling your vibrations of distress (don't for a moment think you are hiding anything but the details from them).

Most people who do themselves in do it because although surrounded by people, they feel dreadfully alone, isolated, ashamed of getting themselves and their family into the pickle they are in.

You are not alone. Your situation is not impossible.

You may think everything is lost but I am telling you that it is not so.

A recent NSW study found that suicide rates were higher in rural shires than in the cities. Do you wonder at that? Psychiatrist Dr.Michael Dudley, coauthor of the study, said that gun ownership in the bush is three times higher than in urban areas and that 75% of the country suicides were from gunshot wounds.

He is, of course, part of the gun banning lobby which, with the best of intentions are themselves only part of the 'let's disarm the people' programme. [52] Instead of banning rifles in the country areas why not solve the problems (such as the thieving banks) that are leading irrevocably to the climbing suicide rate?

Thirty years ago the suicide rate for males between the ages of 15 and 24 was 1 in 20 of total deaths in that age group. Last year (1991) it had climbed to 1 in 6 and continues to climb.

Since 1970 teenage suicides have increased by 30%

Suicides among boys 15 - 19 has trebled. Among the 20 - 24 age group suicides have doubled.

At a conference in Adelaide in early 1991, a host of experts attempted to address the reasons for these Suicide figures among the young.

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51. My eternal companion (and best friend) June L. Hoins is in no way responsible for any written in this Manual but she, being the first class lady that she is, will assist anyone who is really in trouble and needs a friendly person with whom to talk

52. Be very careful about this: there is unquestionably a very determined campaign intended to disarm the people and while all sorts of emotive material (e.g. massacres, some of which may even be inducted for the purpose) is being deployed you should never agree to having the people disarmed while paramilitary police forces are armed to the teeth and trained to kick in your door and blow you away.

Sociologist Professor Riaz Hassan suggested that it was due to a combination of youth unemployment, changes to the family, drug and alcohol abuse, violence in the media and the psychological pressures associated with modern living. Young people, he suggested, feel powerless to alter their lives.

No one mentioned the banks.

Not one of these learned academics went to the gut heart of the problem, i.e., if the farmer and his wife are going down the gurgler due to illegal and oppressive debts created and inflicted with malice aforethought by a bank, then doesn't it follow (inexorably) that Dad and Mum will become desperate?

Then when all really does seem lost their feeling of hopelessness will readily be transmitted to the children who will see their parents being destroyed before their very eyes and their patrimony (the family farm) being taken off them.

In the crudity of the situation what do you expect the teenagers to do? What to do?

First of all you have to get out of the slouch of despondency. The enemy wants you wallowing in self pity and defeat.

Second, understand that all is not yet lost.

You can fight and you can win, or at least punch the enemy into a Mexican stand-off where neither has won but you haven't lost.

Go for it.

Fight, not whimper.

Far too many people don't believe in God [53] but I am going to tell you a simple truth which you are free to accept or reject as you see fit. It really doesn't matter to me whether you believe me or not. Just remember that it's you who is in the slough of despond, not me.

The life that you are going through is nothing more than a five minute Greek tragedy compared to the fact of your pre-existence and after-life. This mortal life is but a short link between the realities of the other two existences. Yes, I know, the Philip Adams and the Dick Smiths (and the highly vocal Sceptics Society of which I am very sceptical) of our so- called society will pour scorn on me and the truth but that crowd aren't doing one little thing to help you - I am.

Learn to think for yourself.

Go to your local library (instead of the grog shop or the rifle shop) and study John Milton's 'Paradise Lost' and John Bunyan's 'Pilgrim's Progress'. You may find the old English prose difficult to read but do it.

Involve your wife and children in the exercise. Learn together.

Tremendous forces, seen and unseen, will come into play (directly and indirectly) to stop you believing that which I am writing. Read the two books and learn to think for yourself.

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53. The banks believe in Mammon, the god of gold.

"A man who was despondent about the death of his wife shot himself, "died" as a result, and was resuscitated. The man states, "I didn't go where my wife was. I went to an awful place. I immediately saw the mistake I had made. I thought, I wish I hadn't done it." [54] This from a man who had attempted suicide, was recovered, and described his near death experience.

Countless thousands of men and women have had 'near death' experiences.

"(While I was over there) I got the feeling that two things it was completely forbidden for me to do would be to kill myself or to kill another person....If I were to commit suicide, I would be throwing God's gift back in his tace...Killing somebody else would be interfering with God's purpose for that individual." [55]

Any good library will assist you to work through the literature if you are interested (or don't believe what I am writing).

"It is research such as Dr.Moody presents in his book that will enlighten many and will confirm what we have been taught for two thousand years - that there is life after death. This very much coincides with my own research, which has used the accounts of patients who have died and make a comeback, totally against our expectations and often to the surprise of some highly sophisticated, well known and certainly accomplished physicians." [56]

If you are even (only) thinking about killing yourself then be told :

1. It doesn't solve anything.

2. You will be leaving your wife and children to clean up the mess you couldn't face. They will not be better off without you.

3. If you also kill them then you will be a murderer twice over; be told, don't do it. You will also be leaving even more mess to be cleaned up by someone else.

4. You can not escape from the mess you are in by killing yourself. You really will be jumping out of the frying pan into the fire. Don't even consider doing it.

Write here in as many words as you like why you love your wife and children and why you really do want to achieve the best you can for them.

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54 Dr. Raymond Moody jnr., ‘Life After Life’, Stackpole Books, USA, 1976, p. 136. Note that Dr. Moody has since written further on this subject.

55 Ibid, p. 137.

56 Dr. Elizabeth Kubler-Ross (who has herself presented extensive evidence on the subject), Ibid, pp.xi – xii

QUICK! - LET'S KILL THE MESSENGER!

"Men do you harm either because they fear you or because they hate you." [57]

The knee jerk reaction from the enemy se will be either one or both of the following :

1. They will at first try to ignore this Manual.

They will use their very considerable clout (as giant advertisers) to stop any media comment or discussion. It's done quite simply. The bank's advertising manager informs the media (print and electronic) that if anyone gives this self- help Manual a go then the bank will with-hold advertising revenue from the offending media outlet. That usually gets most people into line. You see, the (un)holy dollar always wins, except with sad cases like me.

At time of writing the Commonwealth Bank (the godfather bank in Australia) seems to be responding by holding bankster seminars in country areas where the author has already held a workshop. For example, in the 'Western Magazine' published in Dubbo on 16th March, 1992 (page 3) we are told quote "Seminar convenor, Geoff Warr from NSW Agriculture in Dubbo said educating farmers to budget better and communicate further with their banks were the main concerns. "Farmers need to learn to trust their banks." Mr.Warr said.

What absolute rubbish!

The main problem is that the farmers have been trusting 'their' banks for year after year to their immense cost. The banks have been lying and cheating the farmers for decades. [59]

Most of the 442 farmers (and small business people) who have spoken to me over the last six weeks have trusted 'their' bank and that's precisely why they are in such deep trouble now.

The latest (at date of writing) move by the cosy little club of banksters and rural counsellors is to have the victims surrender all their confidential documents (cashflow projections, marketing plans and so on) to 'their bank on pain of having further credit with-held. Your confidential documents are privileged and should not be surrendered under threat. By giving them to 'your' bank you are enabling 'your' bank to know precisely when they can foreclose on you to replace their illegal mythical book credit with your real wealth. Don't oblige them.

The second reaction will come into play more or less automatically if you, the people, show any real interest in this Manual. The enemy will then traduce me. Denigrating the author is usually their modus operandi for causing still-birth to the publication or the ideas contained therein.

It's the old tried and tested technique of shooting the messenger when the message is too difficult to handle.

Apart from ruthlessly spreading the message that the author is only something washed in with the tide this morning, they will undoubtedly use that wonderful slander that one is a 'right wing extremist' or a 'left wing extremist' ('they' love using those terms which is a scream considering what 'they' get up to themselves) so let us set the record straight at the outset.

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57 Machiavelli, ‘The Prince’.

58 Make no mistake about it, they really are your enemy.

59 In 1989/90 (one financial year) the four major banks in Australia evaded tax to the tune of $22.7 billion by claiming that their book-entry credit (which didn’t cost them a cent) was ‘capital’ they had loaned out and not earnings. It is criminal fraud winked at by the federal government and the otherwise vigilant taxation department.

I am neither 'left' or 'right'. They are inane labels without meaning. They are one of the many ways with which we all have been decoyed for many years, i.e., we have been set up to fight each other on quite spurious ideological grounds while 'they' go on with the main game.

I don't belong to any political party (a pox on all their houses) and don't want to. Neither the Australian Constitution nor the American Constitution (or those of the individual states) mentions political parties.

And for good reason; the Founding Fathers knew, simply knew, that political parties would be the death of government for the people by the people and haven't they been proven correct!

The parties are nothing more than a tool to assist the secret combinations in their control of you. The only way to go is to elect independents and when they get subverted, vote them out.

We would be better off with a mob of pensioners or unemployed people sitting on their duffs in parliament and congress. At least we would be spreading the good life around where it is little seen, and the business of government wouldn't be one whit worse than it is today.

The shiny burns really believe that they control the country [60] and, in relation to the politicians, they are quite correct. [61] All my life I have been what could coyly be called a 'conservative' [62] (whatever that really means) and have voted for the ALP (Democrats in the USA) only once in my 53 years. I was an endorsed Liberal Party candidate in the 1975 federal election and stood for the internal party allocation of Senator Ian Wood's Senate seat in 1977. [63]

Let me tell you, my friend, that the dismissed ALP Premier of New South Wales. Jack Lang [64] and his political arch enemy in the ALP, 'Red Ted' Theodore, 65 were absolutely correct in regard to their views and conduct towards the banks.

Overseas interest payments, generated in London for Australia paying for WWI, where we lost 55,000 killed and tens of thousands injured for life, did not (or should not have) come before the Australian people's needs at the time.

The banks could have, as they did in WWI for money and gain, created book-entry credit to solve the problem but wouldn't.

During the Great Depression masses of people were evicted from their homes and many starved. [66]

Jack Lang and 'Red Ted' Theodore were absolutely correct.

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60. The bureaucrats in Canberra love to say “Governments come and go go but we remain forever!” Quite.

61. Read ‘The Crossman Diaries’ upon which the TV series ‘Yes Minister’ was based.

62. “A conservative government is an organized hypocrisy.” British Prime Minister, Benjamin Disraeli.

63. In the pre-selection battle the Liberal Party machine changed the rules for pre-selection to stop myself being allowed to speak a second time (as per the rules). That August party also has only first past the post voting for such internal voting but fights it tooth and nail for public elections. Double standards?

64. Dismissed as Premier of the State by the British Governor of New South Wales, Air Vice Marshall Sir Phillip Game in 1931 for daring to attempt to repudiate the British loan interest payments: a lot of heat, particularly from ex-servicemen, was generated during those days; everyone seems to forget that Britain was released from her obligations by the American bond holders after WW1 but Britain refused to do the same for Australia.

65. Treasurer of Australia (and former Premier of Queensland) at the time; Theodore shifted ground a number of times on this subject but the proclivity for his colleagues and the so called ‘conservatives’ to lay down for the banks was and is frightening.

66. You may be stunned to know that every shell made by Vickers during the Great War carried a stamp on its fuse stating ‘Kpz 05/10’; that was the German Krupp patent number for the fuses, taken out in 1905 and renewed in 1910. Every shell fired at the Germans made money for the Germans. When the Germans gave up and signed the Armistice in 1918 they promptly sued the British for their money. The case was settled out of court in 1926.

So was the Lithgow train driver, ALP Prime Minister Ben Chifley who tried to openly nationalise the private banks in 1949. It has taken me 30 years to realise that Chifley was also absolutely correct. Of course the banks, like the tobacco companies today, screamed "Freedom! Freedom!" but that word really means 'Free - doom' and we fell for it hook, line and sinker.

I can't believe that we were so stupid. The banks screwed us thoroughly in 1949 and we are now reaping the rewards for our stupidity. [67] When the banks cry out for 'free enterprise" they really mean their freedom to control us through book-entry credit and to deliberately take off us our assets to sell amongst themselves.

In any case, it is the message that is important, not the messenger. It matters not whether the author has four heads or what one does or what one believes about God or anything else.
It's the message that's important.

It doesn't matter what the enemy says about me. All you have to do is carefully study the facts of the matter and make up your own mind.

Be careful of what you read and see in the media. I've been a journalist grade 'A' editor so I know a bit about what goes on. News is not only suppressed On favour of advertising revenue) but news and information can (and often is) slanted. [66]

"If you believe everything you read, better not read." [69]

Think for yourself, don't let others do it for you.

By all means check on everything written herein. Go and read all the references and the book list.

I don't want to sell you on anything other than the need for you to educate yourself, and for you to learn to think for yourself.

Start doing that and all will become clear to you. You can't be saved in ignorance.

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67. One needs to keep in mind that the Commonwealth Bank, ‘the people’s bank’, is every bit as bad as the other banks and probably more so. So Called ‘government’ banks don’t provide any more safety for the ordinary mand and woman or any more integrity. It has been said that “When a man gets some authority, as he supposes, he immediately begins to exercise unrighteous dominion.” Amen to that.

68. The federal government has its own propaganda department not unlike that of Dr. Goebells although not yet completely controlling all the media.

69. Japanese proverb.

DEFENDING YOURSELF

I do not recommend that you defend yourself. It is excruciatingly difficult to get to your feet in a courtroom which seems to be oppressively and deliberately designed to over-awe and intimidate you. I do not in any way understate the problem.

But if you have nowhere to go, if your lawyers have ripped the last of your funds off you (and have abandoned you) and if you are facing ruin then this self-help Manual is for you.

This Manual is written for the battler who has nothing to lose and everything to gain.

WHAT STOPS YOU FROM DEFENDING YOURSELF?

You do. That's right, you do.

Nothing but gutlessness and ignorance can defeat you.

Sure it's difficult, but it can be done and you can do if you really want to save your family unity and peace of mind (far more important than anything else), your home, your farm or any other type of business you presently have.

If you own your farm or business in your own name(s) then you can (at date of writing) defend yourself in most courts.

It is obvious, from our research, that many courts (now) will not allow you to defend yourself if you are trading as a company.

Many of our courts (now) demand (require) that you employ a lawyer if you are a company.

This, we are told, is because the judges can exercise disciplinary control over a brother lawyer and obviously, the lawyer knows (or should) the rules of the court and will not waste the judge's time.

A cynic may reply that it keeps the whole process 'in club'.

One stunt being pulled by the banks is to sell your mortgage to a $2 shelf company which they control though nominees and then have that company sell you up.

The advantages to the bank are several, i.e.,

(i) They can pull a Pontius Pilate (washing of the hands) deal.

(ii) They avoid nasty publicity.

(iii) They can discount your assets to anything they like because your alleged loan didn't cost them anything in the first place; in other words, they are a mile in front regardless for how little they sell your assets.

(iv) They can sell your heavily discounted real assets to a mate by pre-arrangement (illegal profit sharing par excellence).

(v) They avoid any losses if you actually win because (in the one case we have seen) their $2 company was itself insolvent.

It just goes to show you how rotten the banks and lawyers are that they will even try such a ploy. You could consider selling your mortgage to yourself so you can defend yourself in court.

Yes, it's absolutely true that you would then be personally liable if you lose (except for the Constitutional and Magna Carta argument) [70] but one assumes you are losing anyway (as things stand).

You need to ask the court staff (most of whom are actually quite reasonable people) what stops you from defending yourself and listen to them. Always be polite and it will work wonders. Most court staff will give you a photocopy of the court rules so you will know what you can and can't do.

The information I am providing in this Manual is not exhaustive.

You need to understand that the restrictions on you defending your own company, if you are trading as a company, varies from State to State and Territory.

You have to go to the court in which 'your' bank is acting against you and find out the score for yourself. Be very clear about this.

It is not suggested (let alone advised) that you wind up your company.

But you might consider the legal transfer of the alleged bank debt from your company to yourself personally. [71]

If you have signed alleged personal guarantees then you are already personally liable anyway (if those guarantees are legally valid). If you elect to do it then simply legally assign the debt to yourself. [72]

If you are broke or you have little faith in your lawyers or you are at the end of your tether then you may have to make the changes that will allow you to defend yourself in court.

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70. Some lawyers and judges say that this is “frivolous” but the truth is that a certified copy of Magna Carta is prominently displayed in the fabulous foyer of ‘our’ bulti-billion dollar parliament house in Canberra because that contract, signed by King John at Runnymead in 1215 is the very basis of the Australian Constituion which itself authorized the court in which you are fighting. Magna Carta guarantees your possession of your home in perpetuity regardless of what the banks and lawyers say. If they deny Magna Carta then they are denying their own right to sit in judgement on you.

71. It’s not a big deal so if you want to do it ask your local Chamber Magistrate or Corporate Affairs or Consumer Affairs office how to make the legal assignment.

72. If you are an ex-serviceman then you may be entitled to free legal advice from the crown. In any case you should avail yourself of your local chamber magistrate (don’t tell him which bank), your State corporate affairs or consumer affairs office or your local district / county court office)

Whatever you do DON'T QUIT.

Never give up.

Never (ever) rely on the 'good faith', 'sense of fair play' or 'integrity' of any lawyer or court when it comes to a trial. [73]

'Where money speaks, there all law is silent." [74]

Nevertheless, most court office staff will tend to assist if you explain that you are broke, are being screwed by a bank, or can't afford a lawyer.

At all times remain calm and polite.

The individual court office staffer is not responsible for your plight, nor did they set up the system in the first place.

But they do know how it works and you don't, so treat them properly and you will usually find that they will reciprocate and then you will learn (without lawyers) that which you need to know.

Learn to be patient.

To the victor goes the spoils.

---

73 A good man we know has been fighting for years (correctly) using the Magna Carta as the basis of his action against 'his' bank. He has been consistently thrown out of court because the lawyers and judges have been trained, mis-educated and brain washed with Marxist and Hegelian dialetjcs- if you don't believe me then look at the recent courses at the University of Sydney Law School. The lawyers and judges have been spoon fed for decades on the paramountcy of the State and individual liberties have been thrown on the scrapheap. That's why I go for the jugular with relatively simple tactics such as getting the mortgage cancelled.

74 13th Century anonymous statement.

DON'T QUIT

As bad as things may look, don't give up.

If you fight 'em 75 they will have to rethink what they are doing.

They are not supermen. 76 The system may well be against you but one thing you can be absolutely sure of is that they are fourth rate people. 77

"If anything is evident from this history (of money), it is that the task attracts a very low level of talent, one that is protected in its highly imperfect profession by the mystery that is thought to enfold the subject of economics in general and money in particular." 78

"No nation can afford to divert its most able men into such essentially non-creative and occasionally parasitic occupations as law, advertising and banking." 79

You can beat them.

Sure it's difficult but it can be done. Stick it to 'em.

The Duke of Wellington when asked after the Battle of Waterloo about the bravery of the French replied that "The French were every bit as brave as our troops but we fought fifteen minutes longer." That's a telling statement.

Quitters don't win. Winners don't quit. It sounds like a Walter Mitty Madison Avenue sales pitch but, for all that, it is true.

You stick it to them and see what happens.

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75. They are used to you giving up.

76. The Third Reich mob and the Rips in 1941 thought they were supermen and look how they ended up.

77. If anything one may be overstating their competence.

78. Professor John Kenneth Galbraith, *Money', Andrew Deutsch and Hutchinson. Australia, 1975, p.315.

79. Arthur Clarke. 'Profiles of the Future', Harper and Row, *New* York. 1962, p.197.

MEMO

TO : ALL THE YOUNG AUSTRALIANS

FROM : Our Son Daniel

DATE : 3rd March, 1992

SUBJECT : YOUR CREDIT CARDS

I am 26 years of age.

Four years ago I took out a number of credit cards and had a wow of a time spending up big - had fantastic fun! I bought the best of everything when I wanted it because I had credit cards.

Then the crunch came. I have spent the last three years busting my guts to pay it all back, couldn't sleep at night for worry, had to borrow from one credit card to pay another.

Sounds familiar?

Most of us sooner or later get to the point where we've had enough, *we* want out - even to the point of killing ourselves.

Don't do *it!*

Don't kill yourself, it's not worth *it.*

Kill your credits cards instead.

This is the solution :

(a) get rid of the credit cards - send them back!

(b) stop your monthly payments.

(c) give 'em the biggest run around avoiding any further payments; read 'How To Avoid Your Debts' by Keith B.White which you can buy from us for $17.00 postage paid - it's an absolute scream!

(d) Just do what Keith White tells you in his hilarious book and you will walk away scot free - I know because I am doing it myself - laughing at the bank beats killing yourself!

DON'T CREDIT CARDS SUX?

YOU NEXT

"First they came for the communists. I didn't speak up because I wasn't a communist. Then they came for the Jews. I didn't speak up because I wasn't a Jew. Then they came for the trade unionists. I didn't speak up because I wasn't a trade unionist. Then they came for the Catholics. I didn't speak up because I was a protestant. Then they came for me and there wasn't anyone left to speak up."

Pastor Dr.Neimoller, Dachau Concentration Camp, 1944.

ACT FOR YOURSELF INSTEAD OF BEING ACTED UPON

"In 1927, when submissiveness had not yet softened our brains to such a degree, two Chekists tried to arrest a woman on Serpukhov Square during the day. She grabbed hold of the stanchion of a street-lamp and began to scream, refusing to submit. The quick young men immediately became flustered. They can't work in the public eye. They got into their car and fled.

Right there and then she should have gone to the railroad station and left! But she went home to spend the night. And during the night they took her off to the Lubyanka." [80]

The time to fight is now.

FOR WHOM THE BELL TOLLS

It tolls for you, my friend.

Oh, we know, it's safer if you go and hide your head in the sand, or so you think. But that's what the enemy wants you to do. If only more of us would stand up to them then they would shrink from the light.

People full of darkness (under-rock grubs) can't stand bright sunlight.

Kick over the rock, throw light onto them and watch them squirm and run for cover.

You are not alone.

There are thousands, tens of thousands of individuals like you and us around the country. [81]

There are many really good people who have been where you are and have defeated the enemy.

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80. ‘The Gulag Archipelago 1918 – 1956’, Aleksandr I. Solzhenitsyn, William Collins & Sons Ltd., London, 1986, p. 12.

81. Millions? Why not radiate throughout your own little community and see how many there really are – come together to do the enemy.

Seek out the good people, ask for (and you will receive) sound advice born of their hard practical experience.

Learn to pool your resources.

Do not attempt to stand alone.

This space is for you to list your resources :

List here all those people, starting with your wife and children, who may be able to assist in one way or another.

Forget your false pride, start working for victory and your new life.

Start to think victory.

MY RESOURCES ARE

1. MY OWN BRAIN
2. MY OWN KNOWLEDGE
3. MY OWN INTELLIGENCE
4. MY PARTNER
5. MY CHILDREN
6. MY PARENTS - EXTENDED FAMILY
7. THE AUTHOR OF THIS MANUAL
8.
9.
10.
11.
12.
13.
14.

THE TERRIBLE

FACTS

WHAT THE BANKS ARE GETTING UP TO

THE FACTS THE BANKS TRY TO KEEP SECRET

This is going to corns as a considerable shock to you.

But you must understand what now follows if you are to deal the enemy the blow necessary to free you from his clutches.

Take off your shoes, sit down in your most comfortable chair and switch off the television.

We are going to take you through a very simple lesson on the essential facts about banking. [82]

At the end of each day (soon to be sixdays a week) 'your' bank counts up the amount of cash (currency) held in its hot little hands.

For the purpose of this simplified explanation we will say that the figure is one hundred dollars ($100.00).

The bank then counts up all the bits of bank 'paper' it has in hand.

These are pieces of paper that the bank itself has generated (created) such as bank bills, bills of exchange and so on endlessly.

These are somewhat coyly known as 'instruments'. [83] For the purposes of this explanation we will say that the 'paper' amounts to a face (nominal) value of one thousand dollars ($1000.00).

But the bank then also counts up all other bits of paper such as book-entry credit (loans to you and me) it has created out of nothing, cheques from other banks, building societies, companies, farmers, churches, small businesses, partnerships and individuals.

I shall assume a figure of ten thousand dollars ($10,000) for all such loans and cheques. [84]

You need to realise that loans such as your own are within and part of this calculation.

The figures, in this example, total as follows:

actual cash (currency)	$ 100.00
bank 'paper'	$ 1000.00
cheques deposited	$10 000.00
Total amount counted by the bank	$11,100.00

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82. The enemy will say that one has oversimplified and that is quite correct, to a point. but if all this is new to you then it is going to some as something of a shock and needs simplified introduction.

83. Of torture?

84. In the USA, and some other countries, it is legal to also practice what is called fractional deposit accounting which further expands the gross 'asset strength' figure used by the banks to create book-entry credit.

The bank then unilaterally multiplies that gross figure by an average of 15. The figure does vary from bank to bank, going as high as 17 in Australia and 23 in the U.S.A. [85]

Obviously, the banks can (and do) multiply it by whatever figure suits themselves at the time. We have heard that one bank in Western Australia multiplied by 130! There is no set figure.

Each bank is entirely its own master in this regard (and every other). We are using 15 only as an indication. [86]

$11,100 X 15 = $166,500

The bank then says that figure ($166,500) is its asset strength on that day. [87]

Remember that the bank started these calculations with only one hundred dollars ($100.00) in cash (currency).

Under prevailing (but unpoliced and unsupervised) requirements worldwide [88] the bank has to have only 4% of that 'asset strength' figure in cash (currency). It's part of the New World Order.

4% of $166,500 is $6660.00 [89]

The bank then says it has $166,500 minus $6660.00 or $159.840 for loan to the peasants (you and me). This is book entry credit creation. In the U.S.A. it is called deposit creation.
And you can see that it is created out of nothing.

If one allows 2% for the bank's overheads then the bank has. through this marvellous system (which they created and which no one but them has approved) a gross operating profit at the outset of no less than the following :

$159,840 X 98% = $156,643

$156,643 profit on $100.00 cash (currency) = 156,643% gross profit.

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85. Yes, the non-bank financial institutions are doing the same thing. Why can't you and I do it, pray tell?

86. In a letter from D.M.Cowpor. General Manager Retail Banking for the National Australia Bank dated 21st March, 1988 addressed to Mr. O.K. Faulser of Albany. the tank says the figure is 15.

87. Study any bank's Annual Report and you will find their 'assets' listed glowingly in stupendous figures. It is mainly myth making; nothing but book-entry credit created out of thin air. Wait until you have the opportunity to put to 'your bank the questions we have prepared for you about this fundamental mater and watch them squirm like worms.

88. Ask yourself who could possibly have the clout to impose this figure on all banks around the world? Is it possible that all the banks act in concert (against you and me)?

89. 666 will mean something to some of you. Read Revelation 13:18 in 'The Bible' and ponder those words of wisdom.

How does that grab you?

Incredible. isn't it.

Then 'your' bank charges you up to 29% interest on such loans!

On top of that are all the charges with which they hit you to start up this fantastic con. Application fees, search fees, valuations, inspections and so on endlessly. Then, to add insult to injury they actually have the hide to charge you for operating the account which they have created literally out of thin air!

Finally they will without compunction sell you up if you don't pay up that which they demand of you.

They do it ruthlessly and with malice aforethought. The bank knows exactly at what time they will sell you up because they have a secret schedule that demands that a certain percentage of their loans be turned into real wealth (your hard work of a lifetime) so that (your) real wealth can replace their fictitious book-entry credit.

Can it be true?

Sure is.

"The modern banking systems manufacture money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented." 90

"I am afraid that ordinary citizens will not like to be told that the banks can, and do, create and destroy money. And they who control the credit of the nation direct the policy of governments, and hold in the hollow of their hands the destiny of the people" 91

"Banks create credit. It is a mistake to suppose that bank credit is created to any extent by the payment of money into the banks. A loan made by a bank is a clear addition to the amount of money in the community." 92

'There is no more unprofitable subject under the sun than to argue any banking or credit points, since there are enough substantial quotations in existence to prove to the initiated that the banks do create credit without restraint." 93

'When a bank lends it creates money out of nothing." 94

”When a bank lends, it creates credit. Against the advance which it enters amongst its assets, there is a deposit entered in its liabilities. But other lenders have not this mystical power of creating the means of payment out of nothing. What they lend must be money that they have acquired through their economic activities." 95

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90. Sir Josiah Stamp. Director of the Bank of England.

91. Richard McKenna, former Chancellor of the Exchequer, and Chairman of the Midland Bank, at a shareholders meeting on 25th February. 1924 and later published in his book Post-`1..a: Banking'.

92. 'Encyclopaedia Britannica', 14th edition. volume 3. p.45.

93. 'Branch Banking', English bankers magazine, *July.* 1938.

94. R.G. Hawtrey. *Trade Depression and the Way Out. London. 1935; the author was Assistant Uner-Secretary to the British Treasury.

95. R.G. Hawtrey, 'The Art of Central Banking’

'There can be no doubt that all deposits are created by the banks." 96

"Bank credit is a peculiar feature of a highly organised market economy. A commercial bank can also create credit, and hence money. When a commercial bank lends money, it sets up a checking account in the name of the borrower for the amount of the loan, thereby substituting its own credit for that of the borrower." 97

"Although most writers still confuse and underestimate the matter, banks certainly create credit, or more exactly, they create money." 98

"In this case money is created through bank credit." 99

"A bank can create credit for use by its customers by issuing additional notes or by making new loans which in their turn become new deposits. The amount of credit it extends may considerably exceed the sums available to it in cash." 100

"HOW BANKS CREATE MONEY : Commercial banks differ from other financial institutions in two ways : (1) they offer a wider range of services than the others (2) they create money. The power to create money arises from the public's acceptance of a cheque written on a commercial bank as money. It is this public acceptance that turns it into money. If a person goes to a bank to borrow money, the bank will have him or her sign a loan agreement that gives the loan, and indicates that he or she now owes the bank a stated sum. The bank then adds the sum borrowed to that person's bank account. All that the bank has done is state that the person has more money in the bank" 101

"Is it possible in these days of disbelief in physical miracles really to caricature institutions which pretend to lend money, and do not lend it but create it?, and when it is repaid them, de-create it? and who have achieved the physically impossible miracle thereby, not only of getting something for nothing, but also of getting perennial interest from it?" 102

"Banking is little more than book-keeping. It is a transfer of credit from one person to another. The transfer is by cheque. Cheques are currency (not legal tender). Currency is money." 103

"The business of banking, consisting of the creation and transfer of credit, and making of loans, the purchase and disposal of investments and other kindred activities, is part of the trade, commerce and intercourse 104 of a modern society." 105

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96. Lord Keynes, Bank of England board member.

97. 'Encyclopaedia American', Grober. U.S.A., 1989. p.166.

98. Dr. Jim Cairns, former Treasurer of Australia. 'Oil in Troubled Waters', Widescope, Melbourne. 1976. pp.51-71.

99. Joseph Martin, 'Management of the Australian Economy', University of Queensland Press, 1979. pp. 32-33.

100. Encyclopaedia Britannica. 'Banks and Banking', pp.600-601.

101. The Macmillan Family Encyclopedia, Macmillan London Ltd, 'Banking, 1980.

102. Professor Soddy. physicist. Oxford University.

103. Sir Edward Holden. British banker.

104. A Freudian slip, mayhap?

105. 'Commonwealth Law Reports', 1947, volume 79, pp. 632-633. Judicial Committee of the Privy Council. London: their definition of banking in tho bank nationalisation ease.

"When it is said that a great London joint stock bank has perhaps $50m of deposits, it is almost universally believed that it had $50m of actual money to 'lend out' as it is erroneously called...it a complete and entire delusion. These 'deposits' are not deposits in cash at all... they are nothing but an enormous superstructure of credit." 106

"A credit in the Bank of England's books is regarded by the financial community as 'cash', and this pleasant fiction has given the Bank the power of creating cash by the stroke of a pen and to any extent that it pleases, subject only to its own view as to what is prudent and sound business. It may sometimes happen that the borrowers may require the use of actual currency, and in that case part of the advances made will be taken out in the form of notes, but as a general rule the bank is able to perform its function of providing emergency credit by merely making entries in books." 107

'The process of creation of money by banks is still commonly described as involving the 'deposit of money by customers with banks' which can then 'lend out more money than they have' because some of the money they lent out 'comes back to them as deposits'... Nowadays it is a mischievously misleading description. It is misleading because it wrongly suggests :-

(a) that notes and coin are, but deposits are not, money.
(b) that banks merely borrow and lend money created by someone else.
(c) that deposits come into existence primarily through bank customers paying in notes and coin, and only secondarily through bank lending..." 108

'Today in Australia, as in most other modern economies, all money is a debt of the banking system... Another important source of money creation is by the banks... When a banker grants a customer credit by overdraft, the bank 'opens an account' in its books and gives the client the right to draw funds without first having to put money into the account. But bank deposits only increase when the customer actually draws on the account to pay its creditors.

In the case of loans, funds are deposited directly to the customer's credit and result in an immediate increase in the volume of money. In either case the money supply increases as a result of the bank's lending activities. As long as the debt remains outstanding the community's quantity of money is increased." 109

"It is not unnatural to think of the deposits of a bank as being created by the public, through the deposit of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowin[g] money to be drawn on overdraft or purchasing securities a bank created credit in its books, which is the equivalent of a deposit. The bank can carry on the process of lending, or purchasing investments, until such time as the credits created, or investments purchased, represent nine times the amount of the original deposits in cash." 110

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106. H.D. McLeod. ‘Elements of Banking’, London.

107. Hartley Withers, ‘International Finance’, London.

108. ‘The Creation of Money’, ‘The Australian Trading Banks’, H.W. Arndt and C.P. Harris.

109. ‘Sources of Money’, ‘Bank of New South Wales Review’ (now Westpac), October 1978.

110. Lord MacMillan, British Royal Commission Into Banking, chapter 4, p.34, London, 1920.

The following is an extract from the 'minutes of Proceedings and Evidence Respecting the Bank of Canada,' Parliamentary Committee on Banking and Commerce, Canadian Government Printer, Ottawa, 1939.

The witness being cross-examined is Graham Towers, Governor of the Central Bank of Canada. 0 : "But there is no question about it that banks create the medium of exchange?"
Towers : "That is right. That is what they are there for.... that is the banking business, just in the same way that a steel plant makes steel." (p.287)

"The manufacturing process consists of making a pen-and-ink or type-written entry on a card or in a book. That is all." (pp.76 and 238).

"Each and every time a bank makes a loan or purchases securities, new bank credit is created - new deposits - brand new money." (pp.113 and 238).

"Broadly speaking, all new money comes out of a bank in the form of loans." (p.461).
"As loans are debts, then under the present system all money is debt." (p.459)
Q : "A banker can purchase a federal government bond by accepting from the government, we will say a bond for $1,000 and giving to the government a deposit in the bank of $1,000?"

Towers : "Yes"

Q : "What the government receives is a credit entry in the banker's book, showing the banker as a creditor to the government to the extent of the $1,000?"

Towers : "Yes"

Q : "And in law all that the banks has to hold in the way of cash to issue that deposit liability is 5%?"
Towers : "Yes"
Q :"95% of all our volume of business is being done with what we call exchange of bank deposits - that is simply bookkeeping entries in banks against which people write cheques?"

Towers : "I think that is a fair statement."

Q : "The need of a currency gold reserve was today largely psychological so far as domestic currency was concerned?"

Towers : "As far as domestic currency was concerned, yes."

Q : "But if the issue of currency and money is a high prerogative of government, then that high prerogative has been transferred to the extent of 88% from the government to the merchant banking system
Towers : "Yes" (p.286)

On 25th March, 1592 one Brenton John Clark, District Manager SA Country and NT of the National Australia Bank signed an Affidavit in the Federal Court of Australia swearing on the King James Bible that the bank and himself "do not understand the nature of the documents ordered to be discovered relating to the creation of book entry credit (deposit creation)" and then claimed the bank couid not obey the Court Order (the first in Australia's legal history against a bank) that they disclose all such documents. More of that later as the Pavioman case goes on.

To alleviate the publicly professed profoundly pathetic ignorance of the National Australia Bank, we shall return to Mr.Graham Towers, Governor of the Central Bank of Canada.

Q : "When a $1m worth of bonds is presented (by the government) to the bank, a million dollars of new money or the equivalent is created?"

Towers : "Yes"

Q : is a fact that a million dollars of new money is created?"
Towers : "That is right"

Q : "Now, as a matter of fact, today our gold is purchased by the Bank of Canada with notes which it issues - not redeemable in gold - in effect using printing press money....to purchase gold?"

Towers : “That is the practice all over the world"

Q: "When you allow the merchant banking system to issue bank deposits - with the practice of using cheques - you virtually allow the banks to issue an effective substitute for money, do you not?"

Towers : "Yes"

Q: "Then we authorise the banks to issue a substitute for money?"

Towers : "Yes, I think that is a very fair statement of banking" (p.285)

Q : "Will you tell me why a government with power to create money should give that power away to a private monopoly and then borrow that which parliament can create itself, back at interest, to the point of national bankruptcy?"

Towers : "We realise, of course, that the amount which is paid provides part of the operating costs of the banks and some interest on deposits. Now, if parliament wants to change the form of operating the banking system, then certainly that is within the power of parliament (p.394)

Towers : "The banks cannot, of course, loan the money of their depositors" (p.455)

Q : "You have agreed that banks do create money"

Towers : 'They, by their activities in making loans and investments, create liabilities for themselves. They create liabilities in the form of deposits"

Q: "You wilt agree with the statement that has been made that banks lend by creating the means of payment"

Towers : "Yes"

Q : "So that the increase of five hundred million of bank deposit money (from 1934 to 1938) we have had has not had any inflationary result?"

Towers : 'We have not. The circumstances of the time have not encouraged it" (p.643)

Q : "So far as war is concerned, to defend the integrity of the nation there will be no difficulty in raising the means of financing whatever those requirements may be?"

Towers : "The limit of the possibilities depends on men and materials"

Q :"And where you have an abundance of men and materials you have no difficulty, under our present banking system, in putting forth the medium of exchange that is necessary to put the men and materials to work in defence of the realm"

Towers : "That is right"

Q :"Well, then, why is it when we have a problem of internal deterioration, that we cannot use the same technique....in any event you will agree with me on this, that so long as the investment of public funds is confined to something that improves the economic life of the nation, that will not itself produce inflationary conditions?"

Towers : "Yes, I agree with that. but I shall make one further qualification, that the investments thus made have to at least be as productive as some alternative uses to which the money would otherwise have been put"

Q : "Would you admit that anything physically possible and desirable can be made financially possible?"

Towers : "Certainly" (p.771)

Further for the National Australia Bank, Mr.Brenton John Clark and their lawyers Finlaysons of Adelaide, all of whom claim ignorance of these public evidences under sworn oath:-

Mr.H.W. Whyte, Chairman of the Associated Banks of New Zealand, gave the following sworn testimony before the 1955 New Zealand Royal Commission Into Banking.

“They (the banks) have been doing it (creating book-entry credit) for a long time, but they didn't realise it, and they did not admit it. Very few did. You will find it in all sorts of documents, financial textbooks, etc. But in the intervening years, and we must all be perfectly frank about these things, there has been a development of thought.

Until today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit. I have told you that they do. Mr.Ashwin (Secretary to the Treasury) has told you that they do; Mr.Fussell (Governor of the Reserve Bank) has told you that they do.

Mr.Whyte, in answering questions from Dr.Mazengarb QC said, "There is no secret about banking; there is no secret about banks creating money; there has been a development of thought in the matter" The Australian Institute of Bankers has commissioned, approved and recommends a bank manager's training book called 'Commercial Bank Management' written by four academically well qualified bankers (De Lucia, Ferris, Peters and Plummer).

On page 59 (Table 3.3) you are shown Table A3 from the Reserve Bank of Australia which shows that in 1989/89 there was a 'Money Base' of only $858 whereas 'Bank Lending' was $36,349 and 'Non- bank Lending' was $11,287 giving a grand total of 'Broad Money' of $38,277.

This bankers bible then says the following in relation to the foregoing information,

"The importance of secondary credit creation is starkly illustrated in Table 3.3. The table shows the consistently larger growth in lending (by both banks and non-bank financial institutions), compared with the growth in the money base." (page 56) On pages 16 and 17, this banker's bible tells you about the 'money multiplier' and suggests a figure of 10 (a rise from 6.5 from their first edition).

"(210) Credit Creation. Banks play an important role in the economy as creators of credit which differentiates them from other financial institutions." (page 16)

Finally, there exists a legal precedent for this matter of credit creation by the banks as follows:

On 7th December, 1968 ill there was a case between the First National Bank of Montgomery and Mr.Jerome Daly in Credit River, Minnesota in the USA.

Mr.Daly had bought a house in Scott County via a mortgage for $14,000 from the bank. Mr.Daly paid the bank what was demanded for three years and then went into default.

The house was sold by sheriff's sale on 26th June, 1967.

Mr.L.V.Morgan, the bank's President, admitted that all of the money or credit which was used as consideration for the mortgage was created on the bank's books. He explained that this was standard banking procedure and was exercised in combination with the Federal Reserve Bank of Minneapolis, another private bank.

He further admitted that he knew of no United States law or statute which gave him or the bank the authority to create the credit.

The bank manager asserted that Mr.Daly forfeited his right to complain about the consideration because "he used the credit entry and paid the loan for three years"

Mr.Daly had a jury trial.

The judgement follows for the edification of the National Australia Bank, Mr.Brenton John Clark, and the banks at large.

MEMORANDUM

"The issues in this case were simple. There was no material dispute on the facts for the jury to resolve. Plaintiff admitted that, in combination with the Federal Reserve Bank of Minneapolis, which are for all practical purposes, because of their interlocking activity and practices, and both being Banking Institutions incorporated under the Laws of the United states, are in the Law to be treated as one and the same bank, did create the entire $14,000 in money or credit upon its own books by bookkeeping entry.

That this was the Consideration used to support the Note dated May 8, 1964 and the Mortgage of the same date.

The money and credit first came into existence when they created it.

Mr.Morgan admitted that no United States Law or Statute existed which gave him the right to do this. A lawful consideration must exist and be tendered to support the Note. See Anheuser-Buch Brewing Co -v- Emma Mason, 44 Minn.318, 46 N.W.558.

The jury found there was no lawful consideration and I agree.
Only God can create something of value out of nothing.
Even if Defendant could be charged with waiver or estoppel as a matter of Law this is no defence to the Plaintiff. The Law leaves wrong-doers where it finds them. See actions 50, 51 and 52 of Am Jur 2nd "Actions" on page 584 - "no action will lie to recover on a claim based upon, or in any manner depending upon a fraudulent, illegal, or immoral transaction or contract to which the Plaintiff was a party.

Plaintiffs act of creating credit is not authorised by the Constitution and Laws of the United States, is unconstitutional and void, and is not a lawful consideration in the eyes of the law to support any thing or upon which any lawful rights can be built.

Nothing in the Constitution of the United States limits the jurisdiction of this Court, which is one or original jurisdiction with right by trial by Jury guaranteed. This is a common Law Action. Minnesota cannot limit or impair the power of this Court to render Complete Justice between the parties. Any provisions in the Constitution and laws of Minnesota which attempt to do so is repugnant to the Constitution of the United States and void. No question as to the Jurisdiction of this Court was raised by either party at the trial. Both parties were given complete liberty to submit any and all facts and law to the Jury, at least as far as they saw fit.

No complaint was made by the Plaintiff that Plaintiff did not receive a fair trial. From the admissions made by Mr.Morgan and the path of duty was made direct and clear for the Jury. Their verdict could not reasonably have been otherwise.

Justice was rendered completely and without denial, promptly and without delay, freely and without purchase, conformable to the laws in this Court on December 7, 1968.

December 9, 1968. BY THE COURT
MARTIN V.MAHCNEY
Justice of the Peace.
Credit River Township.
Scott County, Minnesota.

Where (now) stands that Affidavit signed on oath from the National Australia Bank and what is the good judge A going to do about it? I will keep you informed. B

A. Justice Maurice O'Loughlin, Federal Court of Australia, Adelaide.

B. Robert Pavloman v. NAB Matter SG2 of 1992

In the 'Encyclical Quadragesimo' Pope Pius XI stated, "It is patent that in our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few. This power becomes particularly irresistible when exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying so to speak the life-blood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breath against their will."

Closer to home was the 1937 Australian Royal Commission into the Monetary and Banking System. From its section 'Creation of Credit', section 504, the report states;

"Because of this power, the Commonwealth Bank is able to increase the cash of the trading banks in the way we have pointed out above. Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks; for example, it can buy securities and other property, it can lend to the Governments and to others in a variety of ways, and it can even make money available to the Governments and to others free of charge."

Subsequently, the Royal Commission Chairman, Mr. Justice Napier, made the following clarification of the foregoing statement.

'This statement means that the Commonwealth Bank can make money available to Governments or to others on such terms as it chooses, even by way of a loan without interest, or even without requiring either interest or repayment of principal."

"Of all the discoveries and inventions by which we live and die, this totally improbable helix of credit is the most cunning, the most liable, the least comprehended, and next to high explosives, the most dangerous. All that bankers themselves really know about it is how it works from day to day. Beyond that, it is a gift from Pandora." [112]

in 1963 USA President John F. Kennedy, shortly before he was murdered in Dallas, [113] signed a study celebratin[9] the centennial year of the USA National Banking System. Published under the auspices of USA Office of the Comptroller of the Currency, that study is now available from any good library as 'Banking and Monetary Studies', edited by Deane Carson and published by Richard D. Irwin Inc. Illinois, USA.

Carefully consider this literal excerpt from that official USA government banking study.

"Government financial policies have largely been made by people whose background is the banking and financial fraternity, whose thinking they reflect." The publication then explains that the banks both loosen and tighten credit by creating book-entry credit and cancelling it as they themselves see fit.

"The reserves are provided and new money is created by the banks and injected into the economy."

It then goes on to discuss this creation and cancellation of book-entry credit and concludes: "Yet if some enemies of the market economy wished to install an agent in the central bank to subvert the system, he could not equip him with a more destructive set of instructions. For our banker is making systematic use of the money-creating power to accentuate economic fluctuations."

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112. Garet Garret. 'The Bubble That Broke The World'.

113. It is strongly suggested in a recent well researched film 'JFK - The Story That Won't Go Away', produced by Oliver Stone that he was killed by the military/industrial complex operators because he was seriously considering pulling the USA out of Vietnam before it got too sticky.
I don't know whether or not Stone is correct but I do know that an awful lot of money was made by many people (not the families of the killed and wounded) who turned the tragedy of Vietnam into a money spinning exercise. Road 'About Turn' by Colonel David H. Hackworth.

"He (the banker) in effect uses the money-creating power to enforce some personal prejudice as to the "proper" level of interest rates and the "proper" kind of loans to make."

"But bankers have characteristically been unsympathetic to monetary theory. They resist the idea that they we the creators of the nations' money stock, rather than simply lenders, no different from other lenders. Perhaps this is true partially because his lending function is more immediately apparent to the individual banker than his money-creating function, and partially because bankers unconsciously recoil from the implications for government control over them of the fact that they play a unique role in being the money creators of the economy." 114 The evidence is overwhelming.

Can you see why the banks want to keep all this from you?

How did all this begin?

It goes back to the dark ages and actually starts with the goldsmiths. For our purposes, however, it is more readily explained (and understood) if we start with the Bank of England which is, by the way, a private business. 115

"Paterson (the founder) offered a solution (for the shortage of money) : A banking company would be organised with a capital of 1.2 million English pounds. The whole sum would be lent to William of Orange and the government's promise to repay would be the security for a note issue of the same amount... the notes would go out as loans to worthy private borrowers. Interest would be earned on those notes and on the loans to the government. Again, the wonder of banking. In 1694, it was agreed and the Bank of England was born." 116

You should note that Mr. Paterson, the founder of the Bank of England, created book-entry credit without actual cash funds and then made that book-entry credit available to both the English government and private borrowers, i.e.. he loaned the same book- entry credit out twice.

It was all created out of thin air.

Both the English government and the private borrowers were pledged to give Mr. Paterson an agreed amount of real wealth every month and thus was born the great Bank of England. All the lovely Mr. Paterson did was to con the government and the private borrowers into paying him cash every month and with the 'round robin' of cheques and bank 'paper', plus using other people's money (deposits) kept the whole show going.

'The special character of this new institute, the Bank of England (the charter of which dates from the 27th July, 1694). lay in this; that when it made out a promise to pay, all the resources of England were to be put at its disposal to enable it to keep its promise; in other words, its credit was not private but public This was in effect to give the Bank of England the right of creating money. It could not coin the metals, gold or silver; the Government reserved the right to do that; but it could print bits of paper. 'I, the bank of England, promise to pay the bearer five pounds", and the bearer knew that there would be no default so long as a government responsible for the Bank Charter existed and could force people to pay taxes...

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114. Professor J M. Culberstson. formerly a member of the Research Division of the Federal Reserve Board, and at time of his writing. Professor of Economics and Commerce at the University of Wisconsin. 'Banking and Monetary Studies*. Comptroller of the Currency. Washington. 1963, pp. 162-166.

115. You may be equally stunned lo learn that 'The City'. i.e.. the financial hear: of London. is actually a sovereign power in its own right. Even the Queen can't enter without approval of the bankers who rule therein. Do some research and confirm this fact for yourself. Then do some more study and ascertain what 'Crown' really means in relation to Crown Colonies. Crown Properties etc. It isn't the 'ruling' sovereign at al: but the City of London. The bankers.

116. Galbraith, 'Money'. pp.31-32.

The Bank of England paper thus being guaranteed (there being no hurry to cash it) it would pass from hand to hand in the same way as current metallic coin. But the Bank of England was not a department of Government, as it should have been. It was an independent corporation, privileged and guaranteed by Government, but pursuing a policy of its own; and from that day onward in greater and greater degree the Bank of England has had the last say in any Government policy involving expense, and particularly in the matter of foreign wars and coercion of dependencies.

In the first place, it powerfully strengthened the already strong support given by the big money-lenders in the City to William's Government. A Jacobite restoration was under no obligation to honour the bond of the usurping Government, and thus everyone who held Bank of En[g]land paper had an interest in maintaining William (of Orange) upon his imitation throne." n7

The role of the Bank of England should never be underestimated at any time. Consider its role in more recent days.

"Just as perplexing is why the Bank of England and other authorities took so long to intervene. Britain's main financial regulator waited for more than a year after seeing a Price Waterhouse audit that raised serious doubts about BCCI's viability before seizing its 25 branches in Britain. One explanation: the Bank of England was conducting negotiations with Abu Dhabi authorities, apparently hoping that Boors current owner, Sheik Zayed bin Sultan al-Nahayan, would shore up the bank. But more suspicious experts raise questions about BCCI's links to Western intelligence agencies. Leaders in Parliament have expressed outrage at the regulatory failure, which among other things, has endangered deposits from as many as 45 municipalities and four utilities." 118

So much for the great Bank of England. 119

The fact that bankers habitually create loans out of thin air without any real wealth asset backing at all is made abundantly clear in the consummate detailed study of the banking business of Sir Robert Clayton in 17th Century London. 120

You have to look no further afield that Australia's Commonwealth Bank to see the evidence.

That pillar of Australian society was started in 1912 with a ten thousand pound ($20,000) cheque 121 as a loan from the Australian government. Yet between 1914 -1918 that baby bank created bank credits to the incredible tune of 350 million pounds ($700 million). How do you think it was done?
Do you really believe that out of a total population of 5 million (men women and children) of whom only some 1 million were income earners (at most) it was possible for $700 million to be deposited in cash currency within Australia and at the Commonwealth Bank in particular to enable those war loans to be made?

117.'A Shorter History of England', Hilaire Belloc.

118. 'Time' magazine, July 29, 1991. pp. 24.29.

119. On Wednesday 18/12/91 the liquidators of the Bank of Credit and Commerce= (BCCI) agreed to plead guilty to fraud, racketeering and drug money laundering, to pay $13 million fine and to turn over all of the banks US assets ($500 million) to the US government. The bank had illegally obtained control of the First American Bank of Washington, the independence Bank of California and the National Bank of Georgia. The bank had previously been charged with helping the Medlin dug cartel of Colombia to launder money and to ovado US taxes.

120. Frank T. Melton, 'Sir Rebel Clayton and the Origins of English Deposit Banking', Cambridge University Press, 1989. particularly pp.152.157.

121. Can you believe it - that bank, this lumbering elephant didn't even start with real money! Read 'Australia's Government Bank', Dr. L.C. Jauncey.

It was all done with book-entry credit creation. A stroke of a pen.

Interestingly, a deputation of returned soldiers, caps in hand like peons, were granted an audience with Sir Dennison Millar, Chairman of that 'people's bank' in 1921. The diggers asked the great man why the bank couldn't create the same amount of book- entry credit to create work for them and their families - they having fought valiantly while the bankers grew fat on the war.

The great man said he would see to it that something would be done. Nothing was done.

Let us hear no nonsense about having to restrict credit to save the nation from itself.

'We do not know why a great speculative orgy occurred in 1928 and 1929. The long accepted explanation that credit was easy and so people were impelled to borrow money to buy common stock on margin is obviously nonsense. On numerous occasions before and since credit has been easy, and there has been no speculation whatever." 122

THE SYDNEY HARBOUR BRIDGE

Everyone all over the world knows of this classic advertising symbol.

That fine piece of engineering cost $16m 60 years ago.

It earns, after all costs, well over $1m per annum from toll payments.

Over $40m has been paid out to the London mob in payments and we are told that the debt will not be paid until 2005

How much will the bridge have cost the people?

Only God knows.

This classic example shows you what a racket the banksters have going for them and people like the undertaker-and the embalmer not only allow them to get away with it but are a party to the racket.

I challenge the undertaker to publicly deny that he told Stephen Martin MHR, Chairman of The House of Representatives Standing Committee on Finance and Public Administration (the so-called Banking Enquiry) that he, the Undertaker, would make any amount of money available to Martin's merry men providing that (a) the banks' special working arrangements weren't upset (b) a royal commission into the banks didn't come out of the enquiry.

It was a fiddle from the outset with the script written by the banks themselves.

I provide evidence in the draft Federal Court Writ showing how the banks themselves are the great speculators in foreign currency trading for their own profit.

Behind them are the real speculators, the secret combinations.

The Commonwealth Bank figured prominently in the created drama of the Great Depression. 123

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122. 'The Great Crash 1929'. Professor John Kenneth Galbraith. Penguin Books, London, 1988. p.187.

123. Not the Hawke/Keating Depression we are suffering at time of writing but the earlier one. Same operators, different names?

"The restricted freedom of action which had been the Government's in 1929, 1930 and early 1931 came to an end in April 1931 when the long battle of attrition between the Government and the Australian and overseas financial institutions came to an end: the Government was told that it could have no more money. On April 2 Sir Robert Gibson, Chairman of the Commonwealth Bank Board, wrote to the Federal Treasurer, E.G.Theodore, that "A point is being reached beyond which it would be impossible for the (Commonwealth) bank to provide further assistance for the Government in future."

(The bank which was created by the Federal Parliament for the people of Australia was about to thoroughly screw the Government supposedly controlling that parliament by popular vote of the people.)

"The bank was prepared to extend credit to the government within Australia up to 25 million pounds ($50 million) - sufficient for a few weeks only - and to 25,125 million pounds in London - a limit already reached." [124] The rest is history.

The Commonwealth Bank forced the elected government of the day to toe the line demanded by Sir Otto Niemeyer of the Bank of England in August, 1930.

Who controls the governments? The banks.

You will of course, be asking yourself why the Commonwealth Bank [125] couldn't and wouldn't do what it did in the First World War when it created $700 million in credits out of thin air for the armament manufacturers. What, pray tell, was the difference?

Small, tight circle isn't it?

The Bank of Engand - Commonwealth Bank - Bank of England.

"For each outstanding dollar of loans, America's biggest banks have between three (3) and five (5) cents of capital and reserves. Such low capital/asset ratios, as they are known, are unprecedented in the history of American banking. During the greatest period of bank failures in history, the 1920's and 1930's, the capital/asset ratios of American commercial banks averaged 10% or more, or two or three times as great as they are now." [126]

Thus, 95% to 97% is pure fiction - book-entry credit or, as our American cousins like to call it, deposit creation.

Don't be decoyed by the imposing facades of 'our' banks and their public posturing of 'credibility' and 'probity'.

"Notes were issued by banks with no known place of business, and no regular office hours; and kegs of nails with coin lying on top were moved overnight from "bank" to "bank" to show up as cash reserves just ahead of the bank examiners." [127]

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124. 'The Great Depression'. Robed Cooksey, Australian Society for the Study of Labour History. Canberra, 1970, pp. 98-99.

125. The bank was also, at that time, what the Reserve Bank is today, i.e., the central bank for Australian banking system.

126. Michael Motfit, ‘The World's Money’, Michael Joseph Ltd. London, 1994, p.224.

127. Bray Hammond, former Governor of the Federal Reserve System, Pulitzer Prize winner in 1968, 'Banking and Monetary Studies', Comptroller of the Currency. Washington, 1963, p.9.

In 1933 we are told:

"Of the 6,540 state non-member banks approved by the Federal Deposit Insurance Corporation for admission to the "temporary plan" of deposit (book-entry) insurance, effective January 1, 1934, 10% had no capital, an additional 13.9% had capital impairments exceeding 50%, and a further 27.8% had capital impairments up to 50% [128]

The communique from the President of the American Bankers Association after their 1932 convention tells us that:

"Mr.Haas pointed out that people exaggerated the significance of the 2,300 bank failures during the year 1931, by talking about the $1,690,000,000 in deposits of these banks as if they were lost. Depositors in such banks received some of their money back in liquidating dividends." [129]

THIS IS THE GREATSECRET 'THEY' DON'T WANT YOU TO KNOW THAT THEY ARE CREATING YOUR ALLEGED LOANS OUT OF THIN AIR AND THAT YOU ARE ACTUALLY WORKING HARD TO CREATE THE REAL WEALTH (CASH) THAT THE BANKS SAY THEY HAVE LOANED YOU IN THE FIRST PLACE.

You have to work hard to create the very 'loan' over which they have taken all manner of security. You are your own source of bank funds!

This is why the banks will happily (ruthlessly) sell up farms and businesses all over the place. [130]

Any price they get is cream to them.

Stunning?

Of course. They' don't print banknotes nor do 'they' mint coins. [131]

It is nothing more than a simple book entry; used to be made with a quill pen - now it's done with computers.

All the bank does is to make an entry into your trading account which says that the amount is in your account. Try drawing a large amount (you have borrowed) in cash and see what will happen.

How does it work?

Simple.

You are obligated to deposit cash currency of the Commonwealth of Australia every month plus an extortionate interest rate (at risk of losing your real assets) and this cash is what fuels the system. [132]

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128. Federal Reserve System Annual Report 1934, pp. 16-17.

129. 'The Banking Crisis: The End of an Epoch', Marcus Madler and Jules I. Bogan, New York, 1933, p.56

130. There is ample evidence that bankers routinely ruin businesses so they can sell its assets for their own private gain. An open Royal Commission into banking (which Paul Keating certainly doesn't want) will easily prove that this is so.

131. They did in the past and the Hong Kong Shanghai Bank and the Standard Chartered Bank in Hong Kong do issue their own cash currency lot that crown colony.

132. Its perfectly true that most of us use a cheque account to do all that but you have to have your cheque account backed with real live cash currency.

That's right - you actually go out and work your guts out to create the real wealth that the bank allows you to have through their cheque drawing system.

You create the cash for your own loan!
This is the great secret.

Still don't believe?

The photocopied pages following this section are from the enemy.

The first thing to notice is the firm, apparently conclusive and irrevocably 'official' statement that the banks don't do it at all.

This 'official' statement comes from:

(a) The Reserve Bank. Their letter to us dated 21/6/91 is quite firm and straightforward. It is also quite wrong. Note our reply to that august body dated 3/7/91. On 18/7/91 the bank gave it another shot. Again apparently straightforward, again quite wrong.

You need to compare these two profound epistles from the central bank (which is supposed to be controlling all the monster banks - there's a laugh for you...) with the letter dated 22/7/91 from the Finance Sector Union (Bank Employees' Union) which not only completely refutes the Reserve Bank letters but tells us that, in consultation with the Reserve Bank, the figure in question is "close to 14".

Does this mean that the Secretary of the Board of the Reserve Bank (Mr.David Emanuel) and the Chief Economist, Monetary Conditions, Economic Analysis Department of the Reserve Bank (Mr.Glen R.Stevens) don't know what their own bank's Research Department knows?

How can this be so?

Consider the conflict between what our own local heavies are saying and all the foregoing evidence.

Why are they trying to deny it?

(b) Australian Bankers' Association. Their letter to me dated 7/6/91 states that I don't understand the credit creation process. Unfortunately for that mouthpiece for the bankers, their office staff photocopied my letter to them and attached it to their reply to me and, to and behold, it has scrawled on it the following notation, "Victor - I presume this is wrong", apparently initialled by G.H.Healey, Director Research. Does this not indicate that they don't really know?

Carefully read what I wrote and what they wrote in reply - it is fascinating.

They attached a 60 page burst which was supposed to put me in my place. Clearly they don't read their own propaganda. Their own document confirms book-entry credit creation is a reality!

That learned paper has a reading list of no less than 42 publications, among which is conclusive proof that we are correct and that the Australian Bankers' Association and the Reserve Bank are wrong. [133]

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133. Nevertheless, we should be grateful for the bankers for providing even more evidence for us through that extended reading list. For your own copy write to the Australian Bankers Association Information Centre, 55 Collins Street, Melbourne 3000 and ask for Stephen Tsung's paper called 'The Process of Credit Creation in Non-Bank Financial Institutions, July 1980.

Can these top flight people really be that wrong?

Or are they deliberately trying to hide the truth from the gullible public?

Our courteous final letter to this banker's club, pointing out the facts above, remains unanswered a year later. There really wasn't much they could say in reply.

Perhaps Professor John Kenneth Galbraith was right about them being fourth rate people...On the other hand.....

Of the remaining letters, copied for your edification, you have the following

(c) Australian Institute of Bankers Inc. Mr.Graham House, former Reserve Bank official and part-time Librarian didn't hesitate to tell us on the telephone that all the banks create book-entry credit and that everyone knows it in the industry. When asked why David Emanuel of the Reserve Bank would deny it. he replied "I don't know."

Now this is an interesting question. Why would they deny it?

Because it is such a scandal, such an unfair imposition of the people of Australia, that it has to be kept secret at all costs. It is the great secret and they want to keep it unknown by whatever means.

(d) National Australia Bank. Four pages of gobbledygook but finally spills the beans - it's 11 for them, they say. Also now printed is the two pace letter dated 21st March, 1988 from that bank's head office confirming that the figure is 15.

(e) ANZ Bank. Beautifully courteous. They say the figure is 17. Attached to their letter is a photocopy section from 'Economics' by John Jackson and Campbell R.McConnel. Note that they absolutely confirms what we are stating and that the Reserve Bank of Australia and the Australian Bankers' Association are quite wrong.

Also attached to their letter is a photocopy section from 'Money Formation and Interest Rates in Australia' by T.J.Valentine.

Professor Valentine confirms the money multiplier factor in money creation in that bock, but you should also note that the good professor, in his letter to us dated 12/8/91, flatly denies that the banks create credit from thin air (which they most certainly do). He also asserts that the Reserve Bank controls what happens.

In both instances he is wrong. Again you need to ask yourself why someone like the good professor (who after all is teaching our children) would be at such variance to the international authorities quoted above.

Why is it so?

The Reserve Bank has minimal control over what the banks do, either in regard to interest rates or anything else.

You have seen in recent years how the Reserve Bank has lowered 'official' interest rates a number of times but the banks failed to make the same reduction for you and us, in spite of 'directions' from the Federal Government that they pass on the reduction in toto. The banks did what suited them as they always do.

Professor Torn Valentine is well known as an apologist for the banks and agrees that he has received funding from them in the past. 134 All universities need funding and are looking more and more to the heavy corporate sector for those funds.

(f) House of Representatives Standing Committee on Finance and Public Administration (The Martin Banking Enquiry). This is another interesting letter. The majority of John Hawkin's letter strongly supports that which is stated by Professor Valentine until the last paragraph where he discloses that the figure is between 10 and 12.5.

You should also note that this committee (The Martin Committee on Banking) is refusing to release the balance of evidence presented to that committee by Nowra businessman Mr.Tony Rigg. 135

This is in itself most interesting because Tony Rigg's evidence to that parliamentary committee is all about Constitutional, Bill of Rights and Magna Carta rights, both for the individual and their property.

You might ask why is this evidence being suppressed and in whose best interests?

The committee has also consistently refused to look into this fundamental question of book-entry credit creation by the banks.

Now, having read all this material, you can see why.

It's the con of the century.

The banks effectively managed that parliamentary enquiry of the banks.

(g) The Australian Treasurer. Geoff Painter, bureaucrat, replied for Mr.John Kerin (since departed to more easily read fields of endeavour than the Treasury).

If the Departmental Liaison Officer was "unclear as to the information you are seeking" (considering the precise wording of my letter) then you now have some idea why our country is in such a mess and why poor old John Kerin got the bullet as Treasurer.

With staff like that you couldn't win a round in a revolving door. 136

(h) The Commonwealth Bank. After four months of trying to get the monolith to answer the very simple questions I have had to give up and go to press without their gems.

(i) VVestpac. Even Grouch they are no longer suing me (having withdrawn and paid their own costs) they will not answer the questions.

He also appears, presumably for fees, in court cases on behalf of the banks. The two most recent (Tannhauser and Femeyhough) at date of writing in the Federal Court he appeared on behalf of Westpac. The judges in both cases found against the bank.

135. At date of writing the committee has also suppressed 'The Rigg Submission' and is refusing to issue it to the people requesting copies.

Many moons ago the author trained some of the Treasury post-graduate staff in Canberra in potential problem solving. The author told them then and as is evident ever since, Treasury has rarely if ever been correct in its forecasts. If they were being paid on performance then they would all be sacked, every one of them.

THE TRUTH ABOUT THE BANK'S TAX EVASION

The infamous Westpac Letters and the equally infamous Commonwealth Bank memos printed herein clearly demonstrate the low (low) level of honesty in the banks and with the lawyers.

Running through the documents is a clear intent at tax evasion.

But it is even more clear when one puts together the four major banks' annual reports.

I suggest you do the analysis yourself so you will see exactly what they are doing.

Total income of the four major banks	$106.8 billion
Total expenses	$42.3billion
Taxable income	$63.5billion
Tax payable @ 39%	$24.7billion
Tax actually paid	$2billion
Tax evaded	$22.7billion

They say that only the interest on the loans is taxable income and that the loan 'capital' repayment (from the victims) is nothing more than 'capital' being returned to its proper resting place in the lootery.

But I have shown you that the 'capital' was nothing more than credit created by the bank for nothing in the first place.

Thus, the bank(s) take your hard earned real wealth off you and then they pay absolutely no taxation on it at all.

This is the real reason why bank managers (and lawyers) will lie under oath denying that they are creating cost-free book-entry credit.

The amount of money involved in the deception is stupendous.

How do you feel about it now that you know?
'What about the workers!", we used to cry in joke.

"Stuff 'em!", 'they' reply in deadly earnest.

THE TRUTH ABOUT MONEY

I have selected just a few paper banknotes to show you that the paper money (for which we sell our souls) is nothing more than a receipt, indicating (incorrectly) that behind the bit of paper is real wealth.

Of itself and by itself it has absolutely no value at all.

In fact, you will note (no pun intended) that except for the British banknote there is not even a promise to pay the face value of the note, i.e., you don't even have a promise no matter how worthless that promise may be in reality.

This is particularly so for the Australian banknotes, i.e., they don't promise to pay you anything at any time.

What is the significance of this to you?

We have seen twice in Germany (under the Weimar Republic and the collapse of the Third Reich) that whole slabs of the population which has relied on their holdings of paper money can be literally wiped cut financially by the simple expedient of cancelling or replacing the paper currency.

It has happened more recently in Israel (see the now obsolete Israel banknote) and is happening right now in what used to be the Soviet Empire.

The whole scam by the central bankers to flood the world with intrinsically worthless paper money means that when they pull the plug on the paper money you (if you are relying on it in any way) will be -destitute and totally within their control.

That's what it's all about.

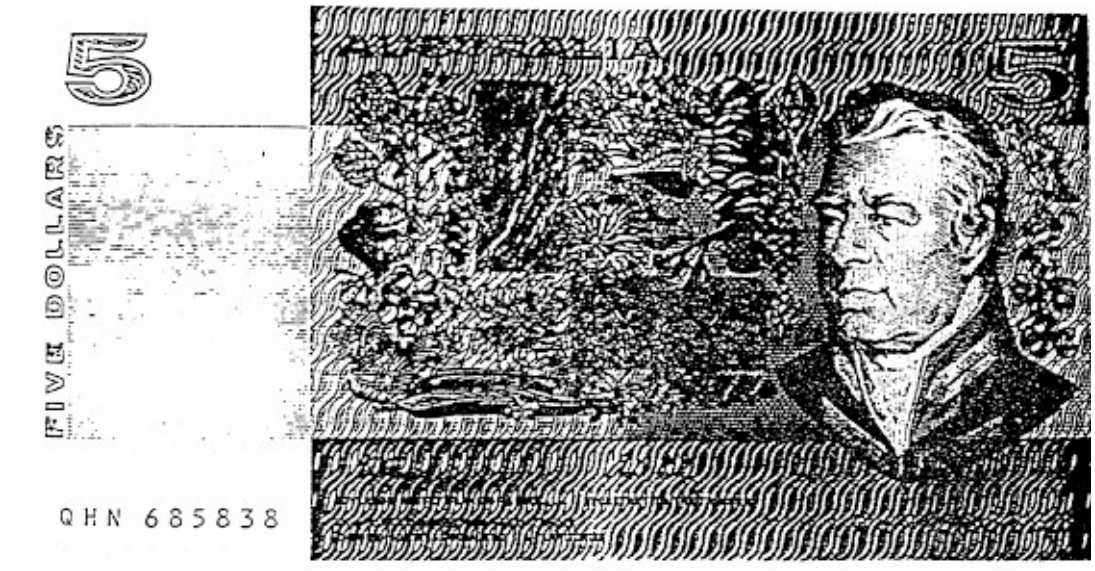
NO PROMISE TO PAY

NO PROMISE TO PAY

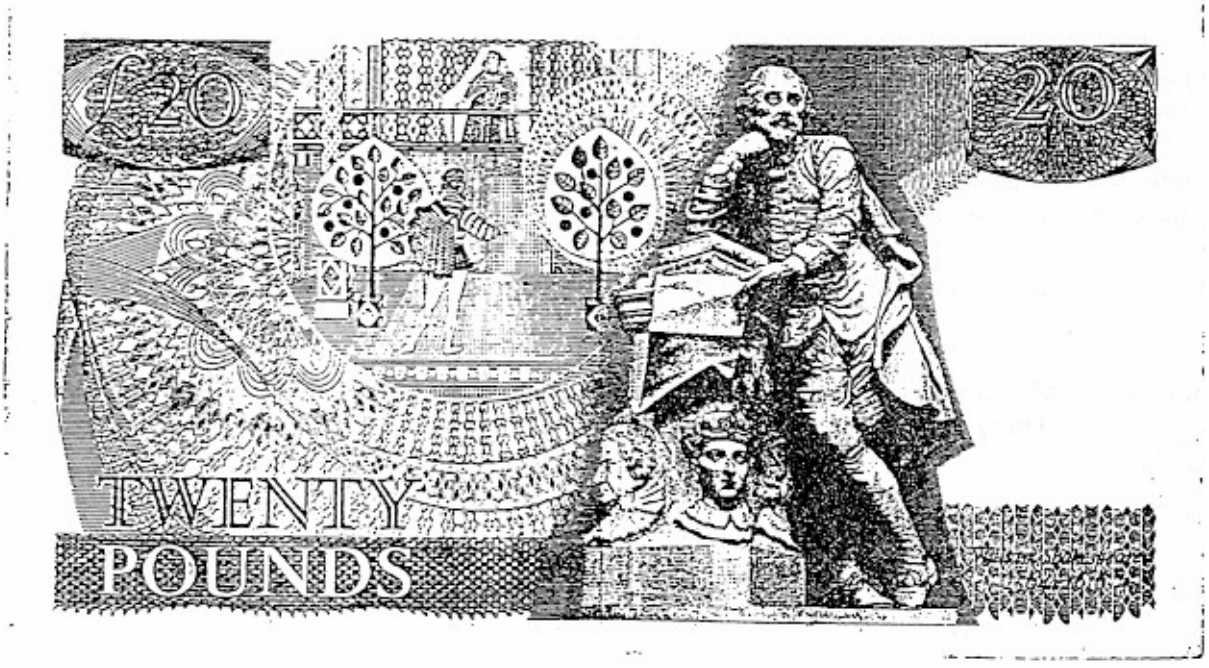
NO PROMISE TO PAY

THERE IS NO PROMISE TO PAY BECAUSE THERE IS NO WEALTH BEHIND IT

NO PROMISE TO PAY



NO PROMISE TO PAY



BUT WHAT ARE THEY PROMISING TO PAY FOR A BANKNOTE?

THE TRUTH ABOUT PLASTIC MONEY

The banks insist that they brought this 'innovation' into play only for the good of you and me but, as usual with the banks, the truth is something quite different.

The banks have been persistently insisting for the last two years that they can't afford to continue to provide this 'innovation' because too many people are actually using the system and paying their accounts within the monthly time limit for nil interest servicing.

Forgotten is the fact that the banks sold us this 'innovation', imposed by them on us, on the benefit (to us) that if we paid inside the month it would not cost us anything.

"As people hold proportionately less in currency, the possibilities of expansion (of book-entry credit) are greater. Also, lower bank reserve requirements and smaller holdings of excess reserves would tend to cause the money multiplier to be larger." 137

This is because the 'plastic money' doesn't show in their figures as cash or even as deposits and thus the balancing act with the reserve requirements can be flexed to allow even greater increases in book-entry credit creation.

You should note that the proportion of real cash in hand 138 in banks compared to book-entry credit creation has been dropped (worldwide) from 8% to only 4% 139

Thus, 96% of bank's 'assets' are nothing but fiction, i.e., book- entry credit created out of thin air by the bank itself.

The plastic money is really for the purpose of enabling the banks to even further increase their book-entry credit creation, and they are about to force you to pay hard cash for the privilege of holding one of their rotten plastic cards.

ONE OF THE MONEY MULTIPLIERS

This is only one example. There are several such formulas. It is provided only so you will have at least seen what one looks like.

The banks have, in reality, their own computer software running which makes this type of formula obsolete.

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137. 'Money and Banking - An Introduction To', Campbell and campbell, The Dryden Press. Illinois, 1981, p. 184

138. And even that 4% can be in 'readily cashed' paper securities which themselves may be worthless.

139. Who do you think would have the power to not only arrange this worldwide but get agreement end enforce it worldwide? Doesn't this, at least, indicate a worldwide brotherhood of bankers?

$$M = \frac{(1 + c)}{[r + c + c\,(r')(t)]}$$

M is the limit of 'money' (including in the majority, book-entry credit) the formula allows. You will readily understand that if one increase or decrease the various amounts inside the formula then the amount of book-entry credit is increased or decreased accordingly.

This example, by the way, was provided via the 60 page paper sent to us by the Australian Bankers Association so obviously it would be true and accurate, wouldn't it?

For the more mathematically minded, the following is another book-entry credit creating formula.

"M is the sum of the cash currency (C) and book-entry credit created out of nothing (D) held by the public; hence M = C + D. High-powered money (H) is held either by the banks as reserves (R) or by the public as cash currency; hence H R + C. Divide both sides of the preceding identity by M, substitute

R (1 - C for R, invert both sides, and then transpose H.
D (M M

The result is $M = \frac{H}{\frac{R+C - R\,C}{D\ M\ D\ M}}$

showing how the money stock depends on high-powered money, the total reserve ratio of banks (R) and the fraction of money the public holds as currency." [140] (D)

Please note that the 'D' is deposits which is the American term for book-entry credit creation. Ali this mathematical gobbledygook isn't really important because the banks don't really use it at all. They have their own software running which they use to create book-entry credit as they see fit. The point in showing it to you is so that you understand that book-entry credit (or deposit creation) is a reality - it really does happen.

The actual formula in use by the banks isn't important; it's the fact that they are using plastic credit cards to further increase their book-entry credit operations that is important.

Whatever you do, don't allow the banks' spokesmen to distract you with interminable arguments about this money multiplier business.

By itself and of itself it is not important. It certainly is of no consequence which money multiplier (if any) the banks are now using.

it is of absolutely no consequence whether the formula above is literally used by the banks or not - who cares?

They are running their own highly sophisticated computer software (called 'Strategy Forecasting') and we are now waiting for one of Westpac's computer people to provide us with photocopies of their manual on the programme.

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140. Professor Philip Cagan, Professor of Economics at Brown University and a member of the staff of the National Bureau of Economic Research, 'Banking and Monetary Studies'. Office of the Comptroller of the Currency, Washington, 1963. p.32.

The only fact that you need to lock into is the fact that the banks do indeed multiply cash and 'paper' in hand to arrive at a purely mythical 'asset' base to create loans.

Don't let them distract you with misinformation and red herrings.

In the letters from the banking 'industry' which we have included in this Manual you will note that the Australian Bankers Association, the Reserve Bank and Professor Valentine et al stoutly deny that the banks create book-entry credit out of nothing (despite the authoritive evidence to the contrary).

They say that all that happens is the 'money multiplier creates the 'money' yet the banks themselves say they do not bother with the money multiplier formulas and that in their opinion they have ceased to be relevant.

They can't have it both ways can they?

If, as Valentine and the Bankers Association/Reserve Bank insist, the banks are not creating book-entry credit out of nothing [141] and if, as the banks themselves assert, they are not using the money multiplier formulas that Valentine et al insist are being used then I must be 100% correct that what the banks are really doing is unilaterally creating book-entry credit out of nothing entirely at their own pleasure and discretion. [142]

Can it be that your humble author actually knows more than all these professional banking/financial people or are they merely trying to hide the Great Secret?

What do you think?

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141. Do you really believe that these highly educated prominent people don't know the facts that have been quoted in this manual?

142. Yes, I know, ‘they’ will attempt to assert that I don't understand that the money multipliers are merely an innocent and automatic 'thing' that happens in the system and that no one really uses them to multiply anything – don’t believe them.

MONEY

The word 'money' derives from the name of the Roman Temple of Juno Moneta, the (un)holy centre of the Roman World.

That's where it all staled, in a pagan Roman temple.

"No man can serve two masters: for either he will hate the one, and love the other; or else he will hold to the one, and despise the other. Ye cannot serve God and mammon." [143]

Ah, you will say, a religious nut! Well, suit yourself; that's how you got into the pickle you are in now. You are reading this self-help Manual, presumably, in an attempt to get clear of 'your' rotten bank. I am telling you the truth as I understand it. If you prefer to believe people like Philip Adams and Dick Smith, and their compatriots, then go for your life (such as it is...)

The point is that there is a greater power than the rotten banking system, allied as it is with the lawyers and the politicians, and the only thing that is stopping you from tapping into that power (as did John Milton) is yourself; your unbelief in the real power that is available to every man and woman on the Earth has brought you to the stage at which you find yourself.

You make up your own mind. Believe whatever you want to believe; that's your God-given privilege. [144]

But we can't do without money, you cry?

Rubbish.

We used to believe that also, but one only has to look closely at the barter system to realise that you and your family could live quite comfortably (and without all the stress inherent in the Mammon system) entirely without money. [145]

And the true story about Lycurgus in Sparta shows that everyone can live without money if they really have to or want to.

Lycurgus came to power in that famous old city-state as Regent for his brother's son when the brother died.

The first thing Lycurgus did on assuming power was to abolish money. That's right, he simply abolished money. The only legal tender was great lumps of cast iron which was hard to get and jolly uncomfortable to carry around.

The parasites, i.e., the banksters, the lawyers and the hangers on, all went elsewhere to ply their evil trade and the people prospered.

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143. Matthew 6:24

144. As one author said, 'When people stop believing in God it's not that they don't believe in nothing but that they believe anything.'

145. National 'Barter Directory of Goods and Services', as seen on T. V. Recession Buster! Entries absolutely free! phone (02) 829 1170 or send SSAE for details, to Barter Directory, PO Box 746 Ingleburn NSW 2565.

In time, of course, the mob moved back in when Lycurgus retired and wasn't replaced with someone else as honest and visionary as himself.

Where is glorious old Sparta, one of the glories of Ancient Greece? Nothing, a big fat nothing. Why not have your own local currency?
There is nothing new or unique about it. In the Austrian town of Worgl between 1932 and 1933 that city council ran its own currency. They issued 5,000 'Free Schillings' of local currency backed by the same amount in Austrian Schillings.

That small town built a bridge, improved roads and provided public services and paid for it by charging 1% per month on the 'Free Schillings'. The interest was payable by the person holding the note at the end of the month. Understandably, people got rid of the note so they weren't caught for the 1% per month. They had to pay the 1% if they held the note at the end of each month because if it didn't have a 1% stamp on it the note was self cancelling.

Thus, the 'Free Schillings' circulated 463 times creating 5,000 X 463 =2 million in production (whereas the Austrian Schillings circulated only 213 times)

The local council was paid 12% per annum on the 'Free Schillings', i.e., 600 'Free Schillings' and that was used (cost free and debt free) to build the public works.

The rotten banks were by-passed.

When 300 Austrian communities (understandably) began to copy Worgl the Austrian Central Bank stepped in and killed this exercise in true private enterprise.

While the whole world was in the (bank created) throes of the Great Depression Worgl reduced its unemployment by 25% in one year alone.

It can be done in any and every town in Australia.

The people would be 100% employed, the silver bodgie's promise that "There won't be any child living in poverty by 1990!" would actually become true (no thanks to him or the ALP) and debt financing would be eliminated.

Why can't we do it?

The banksters will not allow us.

If you actually go to court then the enemy lawyer (or the judge) will, of course, hit you with the question, "But what will happen to our financial system if we allow you to win this case?"

The short answer is that the people will be better off. The bankers and all the lawyers, of course, will have to learn something useful such as growing food, for they will no longer be needed.

What they really mean by the question is: 'What will happen to us, our power base and lifestyles if money is done away with." In any case, you need to ask yourself, your wife and your children - are you happy now? Do you enjoy the drama in which you are enmeshed with Mammon?

It's all based on greed.

Once you and I can accept that there are certain things that we reallydo need, and be grateful for those things, and resist all those things which we are convinced we 'want' and are foisted upon us, then we can more fully avoid unnecessary debt and relax and live life as it should be lived (as was so intended).

Once you get clear of the rotten banks, stay away from them for ever. Never again borrow 'money' (Mammon's tool). Never again pledge your assets.

Be grateful if you can feed yourself, your wife and your children and never have to again go to court, or, as far too many are now doing, seriously considering killing yourself.

That's what they want you to do.

Don't oblige them.

There are truly evil days ahead, and since it is true that our beloved Governor-General Bill Hayden, the ex-Queensland policeman, signed an Australian so-called 'Bill of Rights' secretly via that wonderful lawyer Gareth Evans, [146] which became law on Christmas Day 1991 then our long standing protection as free men and women is already at risk. [147]

This is why the judges will not even listen to learned, correct, argument about the provisions of 'Magna Carta' and their relevance to every man and woman in Australia.

'Magna Carta' is all about individual liberty and the rights of man. 'They' want such nonsense stamped out and 'they' are doing it ruthlessly, led by the ALP and the coalition. [148]

Recently the Law School of the University of Sydney held Marxist State orientated (anti-individual liberty) courses for lawyers.

Have they never heard of or read the 'Magna Carta' and/or the Imperial Acts Enactment Acts in which these superb guarantees of our freedoms are enshrined in our laws which they are supposed to be upholding?

Get your family life in order so you can be free of the evil empire, so you can feed yourself and your family without all the things you now take for granted.

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146. Who was a beloved offside(to High Court Judge Lionel Murphy: between them they gave you the Family Law Court show.

147, The Australian Constitution allows for the people to appeal to the Sovereign within twelve months of the G. G. (or Governor) signing any odious legislation and the Sovereign still has the power to cancel any such legislation. This is why 'they' want to amend the Australian Constitution. If we don't hear about the legislation then the twelve months will go quietly by and bingo! we are all in the Gulag Archipelago.

148. Tweedledum and Tweedledee.

THE TRUTH ABOUT SIMULATED FOREIGN CURRENCY LOANS

All the foreign (about book-entry credit creation) probably applies to most of the scandalous foreign currency loans generated by Australian banks.

But let's first look closely at this word 'SIMULATED'.

You can see from the photocopies of the internal Commonwealth Bank's memos and briefs about 'Simulated Foreign Currency Loans' (their words, not mine) which are in the draft Federal Court Statement of Claim that the word 'SIMULATED' is stated clearly with obvious intent - deliberately in fact.

The National Australia Bank was kind enough to provide a copy of their current television advertisement about 'Simulated Loans'.

This is the advertisement where a toothy bank manager sends a husband and wife into orbit by showing them his bank's SIMULATOR and how cleverly the bank will save them money.

That video clearly speaks for the whole banking industry in this use of the word 'SIMULATED'. [149]

This is what the word means :

'The Macquarie Thesaurus', The Macquarie Library, Sydney, 1987, lists the following references for the word 'SIMULATED' :

240.6 : FAKE . bastard, bastardly. bodoie, bogus, counterfeit, done with mirrors, dummy, persuado, phoney, pinchbeck, pseudo, sham, similar, supposititious, suppositious, suppositive, unauthentic; ARTIFICIAL, celluloid, cheesy, ersatz, imitation, plastic; PRETENDED, assumed, feigned, imposturous, ostensible, ostensive, professed, so-called, soi-distant, would-be; MERETRICIOUS, flash, painted; FALSE, adulterine, adulterous, fictitious, spurious, untrue; APOCRYPHAL, fabulous, fairytale, mythical.

144.5 : COPY, ape, duplicate, echo, emulate, follow in someone's footsteps, follow suit, imitate, make like, mirror, take a leaf out of someone's book; PLAGIARISE, counterfeit, forge; MIMIC, impersonate; CARICATURE, burlesque, mock, monkey, parody, send up, spoof, take off, travesty; FEIGN, affect, counterfeit, play at; SIMULATE, represent, reproduce.

144.4: IMITATIVE, aspish, echoic, echolike, emulative, emulous, imitative,plagiaristic, pseudo, sequacious, simulative; ARTIFICIAL, counterfeit, dummy, ersatz, imitation, mock, simulant; MIMIC, mimetic, pantomimic; IMITABLE, forgeable, representable, reproducible.

144.3 COPIER, ape, copycat, echoer, emulator, epigone, follower, following, imitator, reproducer; PLAGIARISER, magpie, plagiarist; MIMER, caricaturist, impersonator, mimic, monkey, paradist, parrot; FEIGNER, effector, counterfeiter, simulant, simulator; FORGER.

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149 You can obtain a free copy of this VHS tape by writing H. E. Park, Group Manager, Group Corporate Relations, National Australia Bank, GPO Box 84A, Melbourne 3001. If they have woken up and canned the advertisement then contact me and I will provide a copy at cost.

'The World Book Dictionary L-Z', Doubleday & Company, USA, 1970,
p.1928, gives the following definitions:

SIMULATE :- to pretend; feign : Ann simulated interest to please her friend. A govemment...in word and action simulating reform (Matthew Arnold); to act like, look like, imitate. Certain insects simulate leaves.

SIMULATION :- the act or practice of simulating; pretense, feigning; Simulation is a pretence what is not and Dissimulation is a concealment of what is (Sir Richard Steele); and act of looking-like; imitation: a harmless insect's simulation of a poisonous one."

'The Longman's Thesaurus', Longmans, London, 1985, p.9 gives this definition :
(18) SIMULATING : seeming, deceptive, mock.
The internationally renowned 'Rogers Thesaurus', Longmans, Green and Co.Ltd., London, 1963, provides the following definitions for the word 'SIMULATING'.

Check this first class reference book for yourself and you will find all the following are the references for this one salient word which is used quite deliberately (and undoubtedly accurately) by the banks.

(p.13) SIMULATING : imitative, seeming, deceptive, camouflaged, deceiving, mock, pseudo, spurious, making a show, showy, synthetic, artificial, ersatz.

This international reference book then goes on with cross references (almost as long) for the words BE FALSE, DISSEMBLE, CANT, FAKE and FALSELY.

ALL THESE PROFESSIONAL REFERENCES TO THE WORD 'SIMULATED' PROVE CONCLUSIVELY THAT THE BANKS ARE DELIBERATELY AND WITH MALICE AFORETHOUGHT COMMITTING THE CONFIDENCE TRICK OF THE CENTURY.

You should insist on having all the meanings of the word 'SIMULATED' read out in open court.

Challenge the judge to fault your sources and the inevitable conclusion that the banks are committing fraud and illegality on a massive scale.

I have deliberately chosen the 'Macquarie Thesaurus' because it is regarded as the more common vernacular, i.e., the judge and/or the enemy lawyers can't say that you have selected an esoteric English dictionary which is not in accordance with common everyday practice. Stick it to 'em. [150]

THE FOREIGN CURRENCY DEALS

The stunning rise in the amount of foreign currency deals done daily coincides with the bank de-regulation brought about by the Hawke/Keating ALP government.
Of the de-regulation enquiry, set up by Hawke and Keating, the then Chief General Manager of Westpac Banking Corporation, Mr.Bob White said, "I couldn't have written it better myself." [151]

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150. Clearly the bankers may now, according to the real meanings of the word, be described as mendacious monkeys crossed with pathological parrots which can't lie straight in bed.

151. 'Foreign Banks in Australia', L.Pauly, Australian Professional Publications, Sydney, 1987 p.171.

The daily volume of trading is as follows.

According to the Bank of England only 9% of the currency wheeling and dealing relates to trading between clients (international trade for goods and services).

91% is pure speculation between the banks for their own profit.

Between 1984-87 :-

(a) London's foreign currency trading in only two years rose from $US49 billion to $US90 billion.

(b) The New York Stock Exchange figures increased from $US35 billion to $US60 billion.

(c) Tokyo's $US8 billion rose to $US50 billion.

(d) Australia's share of this bank induced feeding frenzy trebled in the same period. [152]

SUMMARY

It is highly likely that 'your' bank at no time actually took out a foreign currency loan in your behalf or name. The banks, as you can see from the preceding pages, are always (and in huge amounts) speculating on the foreign currency markets around the world but in their own selfish interests.

It is more than likely that all 'your' bank did was to allocate mythical book-entry credit to your account (for which you had to pay hard earned real wealth or lose your real assets) and then claim (untruthfully and illegally) that a real foreign currency loan actually existed in your name.

Take them to court and make them prove that you ever really did have a foreign currency loan at any time.

BUT WHAT IF THEY HAVE ALREADY DONE YOU IN ?

Screw them.

Use the basic information in this Manual and go to town on them.

There is a draft Federal Court Writ further on in this Manual for taking action against 'your' bank. Don't believe or trust 'your' lawyers. There is, for example, ample court evidence that the Trade Practices Act 1974 can be used against 'your' bank even if more than three years has passed (the out that the banks use all the time). It is also quite likely that your mortgage contracts were never properly signed and are unenforceable and 'your' lawyers should have told you that years ago.

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152. Neil Behman, 'The Sydney Morning Herald, 'Surge in Exchange Trading is Leading to Volatile Currencies'. 25/8/86.

RESERVE BANK OF AUSTRALIA

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IN REPLY PLEASE QUOTE

SD

21 June 1991

Mr Laurence F Hoins
2/20 Seaview Crescent
BLACK ROCK VIC 3193

Dear Mr Hoins,

In the absence of the Governor, I am replying to your letter of 5 June.

Your letter contains some fundamental misunderstandings as to the process of financial intermediation. Individual banks cannot "create" credit. Any bank is "empowered" to make a loan - this is one of the functions of a bank after all. But to make a loan, it must raise money - usually in the form of a bank deposit - to fund the loan.

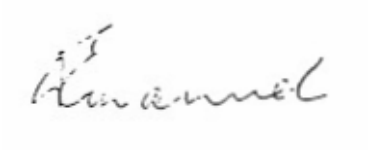
It is true that the banking system as a whole can "create" credit in a sense - because the money loaned by one bank usually finds its way back into the banking system in the form of a deposit somewhere. The recipient bank can then lend this money out, and so on.

But this is not a process governed by some unique "factor" as you call it, even though many simplified text-book treatments present it that way. The expansion of a bank's balance sheet involves raising deposits or other funds at the going deposit interest rate (or other cost of funds as applicable) and loaning the proceeds at an appropriate loan rate (which allows for risk and so on), while ensuring that regulatory and prudential requirements relating to capital adequacy and asset quality and the like are met. The individual bank must judge whether these various costs and returns (and the costs of running the bank's own operations) are configured in such a way as for the exercise to be profitable for the bank. If they are, the bank will continue to expand its balance sheet. If all banks are doing likewise, aggregate credit will expand.

In Practice, the expansion of credit hinges on the willingness of potential borrowers to take funds at terms which allow banks to cover their costs (including costs of complying with the various prudential and other

regulations), and allows them to earn a competitive rate of return on the equity of their shareholders. That willingness will in turn depend not only on what the terms for borrowing are (e.g. interest rate and other non-price terms) but also on what returns can be expected to be earned with the borrowed funds, general confidence and so on. These vary through the course of the business cycle. It is the interplay between these factors affecting the demand for credit which has much more to do with the expansion of credit than with any "numerical factor".

Yours faithfully,



D.H. Emanuel Secretary

(03) 598 3351.

2/20 Seaview Crescemt,
Black Rock.
Victoria 3193.
3rd July, 1991.

Mr.D.H.Emanuel,
Secretary.
The Reserve Bank.
GPO Box 3947.
SYDNEY 2001.

CREDIT CREATION

Dear Mr.Emanuel,
I do appreciate your reply dated 21st June regarding my book on banking.

I regret to advise you that you are indeed wrong, quite wrong, about credit creation in banks. If you like I will send you some of the plethora of public statements from within the banking industry and government which confirms that I really do know of what I write.

it is patently absurd for it to be asserted that a bank (which bank?) can only lend that which is deposited with it by the ever trusting depositers. It just isn't true.

You are correct about "many simplified text books" showing a multiplying factor such as I have asked about. So do higher level publications.

I refer to R.S.Deane's 'The Credit Creation Process, Banks versus Non-Banks', Reserve Bank of New Zealand Bulletin, June December, 1972 and subsequently 'The Creation of Financial Assets' in the same publication, June 1978.

$$m = \frac{(1 \div c)}{(r + c + c + (r^1)\ (t)\ )}$$

is just one of the available money multiplier formulas from the professional (not simplified) documentation.

The current federal parliamentary committee looking at banking has suggested that the multiplying factor of which I write is 10, i.e., that if the bank has $1.00 in cash or 'assets' then the total lending capacity is $10.00.

I write to you only because, as with 'Hansard' I should not like to embarrass your venerable institution by publishing our exchange of letters without your having an opportunity to correct your position on a fundamental matter of fact.

Yours faithfully,

Laurence F.Hoins.

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18 July 1991

Mr L.F. hioins
2/20 Seaview Crescent BLACK
ROCK VIC 3193

Dear Mr Hoins,

David Emanuel showed me your letter of 3 July and asked whether I could reply to you in some more detail. (I might say that we receive a number of letters each year enquiring about the existence of the money or credit "multiplier", so you are not alone in asking this question.)

Your letter does not indicate the source of the formula you quote, but it looks familiar as an example of the "money multiplier used in most text books, and, as you point out, in a number of "higher" sources as well. It is true that an algebraic relationship can be written down linking the reserve requirements pertaining to banks (under which they must lodge a certain fraction of their liabilities (presently one per cent) with the Reserve Bank in the form of cash), the total stock of bank deposits, and the total stock of reserves available.

No-one questions that these things can be written down this way in an ex *post* sense (though the algebra may be considerably more complex after the various other requirements - such as the Prime Assets and capital adequacy requirements - are taken into account).

The real question, however, is how the process of financial intermediation takes place in order to get to that final outcome. At a practical level, it is true, as Mr Emanuel said in his previous letter, that a bank must acquire funds to cover a loan - in other words, that its assets must always equal its liabilities. Perhaps an (admittedly very simple) example might help illustrate what I mean.

Suppose a bank, say Westpac, decides to lend to me the amount of $100. Suppose for the sake of argument that it does this by allowing me an overdraft facility on my cheque account. I then go ahead and use the facility, by writing a cheque drawn on Westpac. I offer the cheque in payment for something.

The recipient of the cheque banks it, and his account (say at ANZ Bank) is credited with 5100. The ANZ Bank will then present the cheque to Westpac, and demand payment. At this point, ANZ will debit my overdraft account by $100, so it has "created", in a sense, credit.

But it still faces a claim of S100 from the ANZ Bank, which must be settled. It has to find 5100. How will it do this? It can do one of several things. First, it could sell some other asset for 5100, and remit the proceeds to ANZ. In this case, its balance sheet would not have grown, only been rearranged.

If it wishes to have its balance sheet grow, which I think is the case in which you are interested, it has to come up with the $100 some other way. It will have to bid for funds in the market. One straightforward resolution would be for ANZ to lend the 5100 back to Westpac. (ANZ, of course, faces the reverse situation to that of Westpac in this example: it has acquired a claim of 5100, and has to decide how to place it.) In that case, Westpac's balance sheet would have expanded, with both assets (the original loan) and liabilities (the borrowed S200 which funds the loan) rising by 5100. ANZ's balance sheet would also have expanded by $100 - liabilities are up $100 because of the receipt of my original cheque, and assets are up $100 in the form of a loan to Westpac.

Westpac could of course borrow the 5100 from the public, rather than from ANZ. It could induce some depositors to shift funds from another bank to Westpac. This would mean that the balance sheet of that other bank would have to contract. Or, it could induce someone to part with cash in exchange

for a Westpac deposit, in which case the aggregate balance sheet of the banking system would grow.

The main point of this example, however, is that in each case, the lending bank must somehow acquire the deposit (or other form of liability) to "fund" the loan. Also, there is no necessity for the aggregate amount of credit to expand - that depends on whether the public is prepared to hold additional bank liabilities and on whether borrowers demand extra credit. These are generally thought to depend in turn on a range of things in the economy, with interest rates being one of the most important.

For the banking system as a whole to expand (as opposed to one bank expanding at the expense of another), the system must acquire additional reserve assets ("cash") so as to meet the reserve requirements imposed by the RBA. This is where the "multiplier" analysis that you favour comes in.

Banks must place a small proportion of deposits with the Reserve Bank. They must settle with the Reserve Bank in cash, or by transactions in special accounts maintained at the Reserve Bank for this purpose.

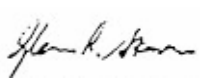
But an individual bank, having acquired $1 in cash, cannot then say to itself: "Good, now I can lend $10" (assuming the relevant multiple is 10), as if the SW loan could just appear without being actually paid out by the bank. All it can say is that if it chose to expand its balance sheet by making a loan funded by a deposit up to an amount of $10, it would not have any problem meeting the reserve requirement.

There is a further point. Whereas in the textbook world, the quantity of reserves is fixed at some level by the central bank, in practice, central banks do not ration out reserves strictly on a day to day basis. If they did, there would be occasions where a bank (or the banking system), having overreached itself, would then have to contract its balance sheet in order to meet the requirements. Since this would be difficult to do in practice, not to mention very disruptive to the economy, centred banks in most countries (including Australia) make extra reserves available on a short-term basis, but seek to control the overall quantity of credit over the longer term by affecting the general level of interest rates (and therefore the demand for credit) in the economy.

So what the multiplier algebra describes is, in fact, the ultimate equilibrium reached, rather than the process by which the economy evolves towards that equilibrium. That process is governed, in my view, by the factors mentioned in Mr Emanuel's previous letter: things such as the costs to banks of funding a loan relative to the returns to be expected (allowing for risk), and for a borrower, the interest rate and other conditions which a bank must charge him or her (so as to make the loan a profitable undertaking for the bank), relative to the return he or she can expect to earn with the borrowed funds.

The problem we have with using the multiplier analysis is that it sees everything in a very mechanical way, and leaves out behaviour of borrowers and lenders, and in particular their responses to interest rates and other economic forces. That is why most central bankers think in the terms I have outlined when discussing the process of intermediation. I can also assure you that it has quite a respectable academic pedigree. (An article I have found particularly helpful in this context is by Nobel Prize winner Tames Tobin, entitled "Commercial Banks as Creators of Money", reprinted in his Essays in Economics , Volume I, MIT Press, 1987.)

Yours sincerely,



G.R. Stevens
Chief Economist
(Monetary Conditions)
Economic Analysis Department

LF:LM

22nd July, 1991

Mr Laurence F. Hoins
2/20 Seaview Crescent
BLACK ROCK VIC 3193

Dear *Mr.* Hoins,

we refer to your letter dated 3rd July, 1991 requesting information on credit creation by the banks.

On the basis of advice received from the Research Department of the Reserve Bank of Australia Bulletin -from whom we also understand you have sought information - we are able to inform you that in Australia the creation of money is achieved by the following equation: M3 ; Base Money. The result of the equation is a figure close to 14. All banks in Australia create money in this way with creation based on the level of demand.

The Reserve Bank has *some* authority over this process, but not complete authority.

We trust we have been of assistance. For your information, we enclose copies of the Union's submission to the Martin Inquiry and a copy of Ian Reinecke's "The Money Masters".

We wish you well in the completion of your book.

Yours faithfully,

L. N. Hingley.

L. N. HINGLEY
Joint National Secretary

FINANCE
SECTOR
UNION OF
AUSTRALIA

National
Executive
Bank
Employees'
Section

18 Drummond Street
Carlton South
Victoria 3053

Telephone (03) 662 3577
Facsimile (03) 663 5094

All correspondence must be addressed to the National Secretary.

AUSTRALIAN BANKERS ASSOCIATION

gh/slc/Ltr87

7th June, 1991

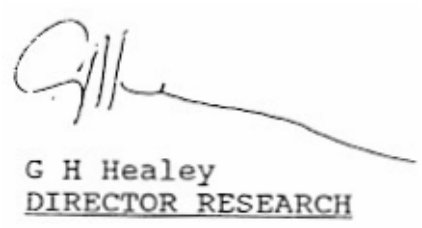
Mr L F Hoins
2/20 Seaview Crescent BLACK
ROCK VIC 3193

Dear Mr Hoins,

CREDIT CREATION

I refer to your letter of 3 June 1991 seeking information on credit creation. Your understanding of the credit creation process is incorrect. The attached discussion paper, *by Mr* Stephen Tsung, should assist you in understanding how the credit creation process works.

Yours sincerely,



G H Healey
DIRECTOR RESEARCH

55 Collins Street Melbourne 3000
Telephone (03) 654 5422 – Telex AA151880 – Facsimile (03) 650 1756

(03) 598 3351.

2/20 Seaview Crescent,
Black Rock.
Victoria 3193. 3rd
June, 1991.

Mr.Allan Cullen,
Executive Director.
The Australian Bankers Association. 42nd
Level.
55 Collins Street.
MELBOURNE.

CREDIT CREATION

Dear Mr.Cullen,

I am writing a book on banking and need your assistance.

It is a well established fact, from parliamentary enquiries in the UK, NZ and the USA, that credit issuing banks create book-entry credit by multiplying their daily (or whenever), cash and 'paper' balance to arrive at a total asset strength figure from which credit is issued to clients.

Victor - I presume it is is wrong

What I need to know, if you can assist me is:-

1. What is the numerical factor or figure (or range thereof) that is used by Australian banks to multiply their cash and 'paper' balance to arrive at their asset strength?

2. What authority does the bank rely on for that exercise?

3. Is it some long standing tradition or precedence and if so how did it come about?

I am sure that this is really only very basic information but I really do desire to be properly aware as one is sure your association would have any writer covering the subject of banking.

If you could assist me I really would be grateful. Yours faithfully,

Laurence F.Hoins.

Australian Institute of Bankers INC.

19th Level,
State Bank Centre,
385 Bourke Street,
Melbourne, 3000 Australia
Telephone: (03) 602 5811
Fax: (03) 602 3923

5th July, 1991

Mr. L.F. Hoins,

2/20 Seaview Crescent,
BLACK ROCK VIC 3193

Dear Mr. Hoins,

Thank you for your letter of the 3rd instant regarding credit and related issues. I am sure you are aware that the matter you raised is a complex one and difficult to answer simply. The variables muddy the waters.

It occurred to me that you could perhaps make a time to come and discuss the issues with our Librarian, Mr. Graham House, who as a former Reserve banker, can provide the information you are seeking.

Would you please ring Graham on 602 5811 on any Tuesday or Thursday. Thank you for your enquiries.

Yours sincerely,

Robert Barnes

R.W. BARNES
EXECUTIVE DIRECTOR

RWB/cfr

1030 THURSDAY

National Australia Bank

National Australia
Bank Limited

Head Office
500 Bourke Street
Melbourne Vic 3000
Australia
Telephone (03) 616 3501
Telex 30241
Cable Natbus

Postal Address
GPO Box 84A
Melbourne Vic 3001
Australia

Group Strategic Development

16 .July, 1991

Mr L.F. Hoins
2/20 Seaview Crescent BLACK
ROCK VIC 3193

Dear Mr acins,

CREDIT CREATION

Thank you for your letter of July 3.

The subject you raise is exceedingly complex and has been subject to considerable re-appraisal in recent years for both theoretical and practical reasons. we will do our best to answer your query at least within the spirit of your enquiry. However changed practices have resulted in a need to re-interpret your inquiry in order to provide you with a useful response.

The first point to make relates to the definition of "Money".

The importance of this rather depends on the manner you intend using the measure in your book. The traditional definition included currency and various forms of bank deposits graded as to liquidity, with three measures (M1, M2 and M3) in descending order of liquidity. In Australia, up to the early 80's, the Federal Government used to set a target for M3 in its annual budget.

This measure has now fallen into disrepute. It had not been regarded as a complete measure of spending power for many years, given the availability of liquid financial assets from non-bank sources ranging from credit unions through to short-term government debt. Nevertheless, it had been regarded by some as a reasonable proxy for a wider measure of community spending power until deregulation destroyed any semblance of orderly continuity between bank and non-bank activity. In addition, product innovation and the removal of the legal distinction between trading and savings banks destroyed any remaining logic in maintaining the Ml, M2 and M3 distinctions.

The belief that banks were fundamentally different to other financial intermediaries and could "create credit/money" in a manner not open to non-banks died a hard death in Australia, possibly because non-banks in some other countries had a higher profile and standing than was the case here (eg UK's large building societies in conjunction with "Deposit Taking" legislation covering banks and some non-banks.

Essentially it is no longer considered useful to distinguish between "money" held in building society and credit union accounts, irrespective of risk spectrum considerations, and "money" held in licensed banks. The status of a Building Society after gaining a banking license did not change so fundamentally as to warrant treating them as having new "money creating powers" previously denied to them.

In other words, "M" has ceased to be imbued with its former significance in academic central bank and treasury circles the world over, and the search is now on for an "L" (L4, L5 etc) to measure community liquidity including readily withdrawable deposits held with a range of financial institutions.

Further definitional problems arise in looking for a measure even within the books of a single bank. Banks not only operate as intermediaries, taking on deposits and making loans on their own balance sheets, but they also accept ultimate liability on customer bills which they may not hold on their balance sheets (off-balance sheet activity). These bills are negotiable and readily perform similar roles for their holders as do deposits recorded on the balance sheet itself.

Another factor impinging on the information you have requested lies in the relationship and significance of bank holdings of cash and government debt, sometimes referred to in the past as "prime money", to its deposit and advance activity. Previous use and significance of the term "multiplier" relied on the fact that government was assumed to be consciously and directly controlling prime money assets, while also setting a ratio between the holding of these assets and bank deposits.

Government no longer sets out to control prime money, and banking ratios are no longer fixed to such a measure (the Prescribed Assets Ratio (PAR) which replaced the old LGS ratio refers to an asset definition incompatible with prime money, and relates to wider balance sheet figures than just deposits). Increasingly, formal liquidity based ratios are being abandoned in overseas countries, and this trend may well be reflected in Australia in due course even for PAR.

Unfortunately, we are unable to interpret all items contained in the "money multiplier formula" set out in your letter. However we do not feel that such on approach would, in any case, be helpful to you in the current environment. Certainly this bank has not approached its lending policy by this route for a number of years now, nor is it required to do so.

This does not mean that the credit creation process has no bounds, either within banks or within other financial institutions. The ultimate limits to financial intermediation is now essentially market determined via pricing and return on equity, tempered by prudential considerations including the need to conform with the standards set down by the "supervising authority" in the case of virtually all substantial intermediaries.

This means that in effect an institution will seek deposits at a price and onlend (after setting aside liquidity commensurate with the deposit type and loan terms) at a price, for as long as the risk adjusted return on the activity covers the current cost of the equity needed to support the operation. Government now seeks to regulate the creation of credit, bank and non-bank, by operating in the market to influence prices (interest rates).

The nearest thing to a ratio, or "multiplier", is the ratio set down by each institution, typically subject to the standards of its supervisor, between equity capital and financial activity, frequently including an element of "off balance sheet" activity. But, of course, no authority directly controls the base of this multiplier - equity. Equity levels continue to be driven by the marginal profitability of the activities of each institution.

In the case of the banking industry, the Reserve Bank of Australia (RBA) exercises supervision, and as may be expected this supervision is at a high standard commensurate with the implied standing cf a licensed bank.

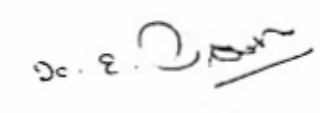
In recent years, the capital adequacy standard has assumed the dominant role. In this, the RBA is in fact conforming with recommended international standards set by the Bank of

International Settlements (BIS) a few years back. A measure of. Risk Adjusted Assets is used (with, special weighting for off balance sheet activity and half weighting for housing loans) and an 8% capital backing is required, of which at least 4% must be in "Tier One" capital (ie excluding forms of capital raising involving subordinated debt etc).

In the case of National Australia Bank, following receipt of the most recent rights issue our ratios are at least 7% in Tier 1 and another 4% in Tier 2 - over 11% in total.

I hope this will be of assistance to you, and we wish you luck in the daunting task you have set yourself of writing a book on banking.

Yours faithfully,



H.E. Park
Group Manager
Group Corporate Relations

National Australia Bank

National Australia
Bank Limited

500 Bourke Street
Melbourne Victoria 3001
Australia

General Manager
Retail Banking

March 21, 1988.

Mr 0. K. Fauser,
RMB 7998,
UPPER KALOAN,
ALBANY WA 6330

Dear Mr Fauser,

I acknowledge your letter of March 14 and append some comments.

The process you describe is called 'credit creation' and is the basic process by which deposits and lending are connected in all lending systems.

There are 2 factors that influence the ability of a lending body to create credit :-

1. A gearing limitation - that is the statutory (in most countries) or the prudential limit to which the financial intermediary can gear it's capital. Expressed another way this is the amount of capital that must back up each loan.

   At present Australian banks have a gearing imposed of 6.0% which in simple terms means that for ever $100 of loans the bank must have $6 of capital.

   With finance companies gearing levels are usually set in their trust deeds. In the past gearing ratios of 8 to 1 were common (ie. $8 of loans for each $1 of capital but over time that has moved out to he closer to 15 to 1.

   There is a move by Central Banks (equivalent to our Reserve Bank of Australia) around the world to come to agreement on a common gearing convention. If they can, then the present very high gearing allowed in some countries (which gives them a competitive advantage will be neutralised. Presently the French and Japanese banks are the main beneficiaries in this regard.

2. A liquidity limitation - for example Australian Banks must keep 7% of their deposits in Statutory Reserve Deposit account with the Reserve Bank and also maintain a Prime Asset Ratio of 12%. The latter means that each bank must have cash, Bonds, Treasury Notes, etc. which represents 12% of their assets. On top of these constraints the banks must also have enough liquid assets to meet any movements in the ebb and flow of money - naturally those sums can't be lent to customers. There are varying such requirements in countries around the World.

Your re underlined statement at the end of your letter is an expression of a view that has some currency among the theorists of Global money flows. The part that is gaining acceptance is the simplification that would occur if there was a World currency -rather than many national currencies. The comparison sometimes used is that in the United States the 50 odd States control many of their own functions - what if each issued it's own currency also -what would a Californian dollar be worth against a Texas dollar or Alabama dollar - possibly (with today's instantaneous communications and the true global nature of many companies and many products) that is no different to trying day by day; or really minute by minute ; to determine what a US dollar is worth against a Canadian dollar, or a Malaysian dollar, or an Australian dollar.

I hope the above is of some help in your quest to understand the complexities of finance.

Yours sincerely,

D. M. Cowper

Australia and New Zealand Banking Group Limited

Collins Place, 55 Collins Street, Melbourne 3000, Australia

Telephone 03 658 1744, Telex AA 39320,
Fax 03 658 2091

26 July 1991

Reginald A. D. Nicolson
Group Managing Director and
Chief Operating Officer

Mr Laurence F Hoins
2/20 Seaview Crescent
Black Rock VIC 3193

Dear Mr Hoins

Thank you for your letter of 3 July in which you asked several questions concerning the money multiplier and the way in which banks create deposits.

Unfortunately, your questions involve quite complex issues to which I could not myself do justice within the space of a brief letter. For this reason, I thought it best to enclose some published material for you to study. The two pieces I have selected are, I believe, amongst the best and clearest on this topic. Chapter 15 of the textbook by Jackson and McConnell explains the money-creating abilities both of a single bank and of the banking system as a whole. From there you could go on to Tom Valentine's book, which provides a more advanced level explanation of the multiplier equation.

I am not familiar with the precise formulation of the multiplier equation which you mentioned in your letter. It appears to be an econometric equation but, without knowing what the symbols in that formulation stand for, it is difficult to interpret precisely. In any case, I'm sure that your central questions will have been answered once you have read the enclosed material.

To supplement the enclosed material, I have set out below the essential elements of the money creation process in Australia.

- The "ultimate" source of money is the Reserve Bank of Australia (RBA). Notes and coins in circulation (which of course are issued by the RBA) together with the deposits that the banks hold with the RBA are often referred to as the "cash base" (or as "base money" or, in American literature, as "high-powered money").

- The ability of banks to "create" deposit money relies on the fact that, so long as depositors don't all wish to withdraw all their money at once, each SI can be recycled time and time again. The limits to this money creation process depend on the proportion of each $1 deposited that banks and the RBA decide is prudent to on-lend.

- In practice under Australian law, the RBA sets guidelines on what proportion of bank deposits must be set aside in reserves. At present, that rule is known as the "Prime Assets Ratio". Although there are some complexities to the way in which the PAR is calculated, in essence the rule requires that at least 6% of banks' Australian dollar liabilities that are invested in Australia must be held in specified high-quality assets that can be easily turned into cash. The PAR multiplier is therefore the reciprocal of 0.06, or a little below 17 (refer page 293 m Jackson & McConnell). The specified PAR assets cover notes, coins, balances with the RBA, Commonwealth Government securities (such as Treasury Notes) and loans to authorised money market dealers that are secured against Commonwealth Government securities. The definition of "prime assets" is thus somewhat wider than the "cash base", although by and large the principles are the same.

Although I trust that the foregoing has answered your questions, I would like to note that multiplier analysis is generally no longer considered very useful by Government pole -makers. Its popularity in the 1970s was based on the assumption that if the multiplier were steady and predictable, and if one could control the amount of 'base money" being injected into the financial system, then one ought to be able to control the total amount of bank money being created in the economy. This view is now recognised to have a number of problems. In particular; the multiplier does not behave in a steady and predictable manner, largely because the financial system is itself constantly in a state of flux. For example, the widespread introduction of automatic teller machines has made cash more easily available. This has meant that people are now able to hold less notes and coins in their wallets, which in turn has reduced the "cash base" relative to bank deposits. There are many other reasons for doubting the usefulness of multiplier analysis, but I shan't go into them here.

Nor is multiplier analysis all that useful for bankers. I am much more concerned that the loans that the bank makes are creditworthy and are funded by deposits of similar maturity. If this happens, loans will be repaid at just the same time that the bank has contracted to repay depositors. Of course, it is always necessary to have a fall-back, and I find the total of our shareholders' funds and our statutory PAR assets more than sufficient.

I trust that this letter and the material I have enclosed have helped you to answer the questions you raised.

Yours sincerely

Economics

AUSTRALIAN EDITION

John Jackson Campbell R. McConnell

CHAPTER 15

How banks create money

In Chapter 14 we saw that the Reserve Bank is the source of the economy's paper money. However, we shall find in the present chapter that trading banks arc the fountainhead of the major component of the money system — current deposits.

More specifically, in this chapter we want to explain and compare the money-creating abilities of (1) a single trading bank which is part of a multibank system, and (2) the trading bank system as a whole.

It will be convenient for us to seek these objectives through the trading bank's balance sheet. An understanding of the basic items which make up a bank's balance sheet, and of the manner in which various transactions change these items, will provide us with a valuable analytical tool for grasping the workings of our monetary and banking systems.

The balance sheet of a trading bank

What is a balance sheet? It is merely a statement of assets and claims which portrays or summarises the financial position of a firm — in this case a trading bank — at some specific point in time. Every balance sheet has one overriding virtue: By definition, it must balance. Why? Because each and every known asset, being something of economic value, will he claimed by someone. Can you think of an asset — something of monetary value — which nn one claims? A balance sheet balances because assets equal claims. The claims shown on a balance sheet arc divided into two groups: the claims of the owners of a firm against the firm's assets. called net worth, and the claims of non-owners, called liabilities. Thus, it can be said that a balance sheet balances because

Assets = liabilities + net worth

A balance-sheet approach to our study of the money-creating ability of trading hanks is invaluable in Iwo specific respects: On the one hand, a bank's balance sheet provides us with a convenient point of reference from which we can introduce new terms and concepts in a more or less orderly manner. On the other hand the use of balance sheets wilt allow us In quantify certain strategic concepts and relationships which would defy comprehension if discussed in verbal terms alone.

A single trading bank in a banking system

Our immediate goal is an understanding of the money-creating potential of a single bank which is part of a multibank banking system. What accounts constitute a trading bank's balance sheet? How does a single trading bank create and destroy money? What factors govern the money-creating abilities of such a bank?

Formation of n trading bank

The answers to these questions demand that we understand the ins and outs of a trading bank's balance sheet and how certain, rather elementary transactions affects that balance sheet. We start with the organisation of a local trading bank.

Transaction 1: The birth of a bank

Let us start from scratch. Suppose some farsighted citizens of the town of Wahoo decide that their town is in need of a new trading bank to provide all the banking services needed by that growing community, assuming these enterprising individuals are able to obtain.

Economist: It seems, indeed, to amount to something of that kind.
Socrates: Do you find that your monetary system works well?
Economist: Petty well, thank you. Socrates, on the whole.
Socrates: That would be, I suppose, not because of the lather strange rules of which you have told me, but because it is administered by men of agility and wisdom?
Economist: It would seem that that must be the reason, rather than the rules them-selves, O Socrates.

Dennis H. Robertson. Essays In Monetary Theory [Staples Press Ltd. London, 1939]. Pp. 158-159.
Reprinted by permission.

government approval, they then turn to the task of selling say, $250 000 worth of capital stock to buyers, both in and out of the community. These financing efforts having met with success, the Bank of Wahoo now exists —at least on paper.' How does the Wahoo bank's balance statement appear at its birth?

The new owners of the bank have sold $250 000 worth of shares of stock in the bank — some to themselves, some to other people. As a result, the bank now has $250 000 in cash on hand and $250000 worth of capital stock outstanding. Obviously the cash is an asset to the bank. The cash held by a bank is sometimes dubbed vault cash or till money. The outstanding shares of stock, however, constitute an

Liabilities and net worth		Assets
Capital stock $250 000	Cash	$250 000

equal amount of claims which the owners have against the bank's assets. That is, the shares of stock arc obviously the net worth of the bank, though they are assets from the viewpoint of those who possess these shares. The bank's balance sheet would read:

Balance sheet 1: Wahoo Bank

Transaction 2: Becoming a going concern

The newly established board of directors must now breathe life into their infant enterprise. They must get the newborn bank off the drawing board and make it a living reality. The first step will be to acquire property and equipment. Suppose the directors, confident of the success of their venture, purchase a building for $220 000 and some $20 000 worth of office equipment. This simple transaction merely changes the composition of the bank's assets. The bank now has $240 000 less in cash and $240 000 worth of new property assets. Using an asterisk to denote those accounts which arc affected by each transaction, we find that the bank's balance sheet at the conclusion of transaction 2 appears as follows:

Liabilities and net worth		Assets
Capital stock $250 000	Cash* Property*	$10 000 $240 000

Balance sheet 2: Wahoo Bank

Note that the balance sheet still balances, as indeed it must.

Transaction 3: Accepting deposits

We have already emphasised that trading banks have two basic functions: to accept deposits of money and to make loans, Now that our bank is in operation, let us suppose that the citizens and businesses of Walton decide to deposit some $100000 in the Wahoo Bank. What happens to the bank's balance sheet?

The bank receives cash, which we have already noted is an asset to the bank. Suppose this money is placed in the bank in the form of current deposits (cheque accounts), rather than time deposits (savings accounts). These newly created current deposits constitute claims which depositors have against the assets of the Wahoo bank. Thus the depositing of money in the bank creates a new liability account — current deposits. The bank's balance sheet now looks like this:

Liabilities and net worth			Assets
Current deposits*	$100 000	Cash*	$110 000
Capital stock	$250 000	Property	$240 000

You should note that, although there is no direct change in the total supply of money, a change in the composition of the economy's money supply has occurred as a result of transaction 3. Bank money, or demand deposits, have increased by $100 000 and currency in circulation has decreased by $100 Currency held by a bank, you will recall (Chapter 14, footnote 4) is not considered to be a part of the economy's money supply.

It is obvious that a withdrawal of cash will reduce the bank's current-deposit liabilities and its holdings of cash by the amount of the withdrawal. This, too, changes the composition, but not the total supply, of money.

Transaction 4: Setting aside required reserves The Wahoo Bank now has $110 000 in cash and is in a position to make loans out of this cash

---

* Although this example is reasonable for illustration. remember that in Australia competition from the relatively few huge trading banks would make such a small venture unrealistic.

sum. Indeed it will be profitable to do so. It would he foolhardy to let the whole sum go in the form of loans, as the bank's depositors may call on cash al any time. What proportion then should be lent? Alternatively, what proportion should be kept in cash reserve? We will call the ratio of reserves to total demand deposits the bank's required reserve ratio.[2] That is,

Reserve ratio =
trading bank's required cash reserve
———————————————
trading bank's current deposit liabilities

For our analysis we shall suppose that the reserve ratio for all banks is 20 per cent. It is to be emphasised that reserve requirements arc fractional, that is, less than 100 per cent. This consideration will be vital in the ensuing analysis of the lending ability of the banking system.

The Wahoo Bank will just be meeting the required 20 per cent ratio by keeping $20 000 in reserve.

But let us suppose that the directors of the Wahoo bank anticipate that their holdings of the public's current deposits will grow in the future. /knee, instead of keeping just the minimum amount, $20 000, they keep an extra $90000, making a total of $110 000. We shall sec shortly that it is upon the basis of extra reserves that banks can lend and thereby earn interest income.

The balance sheet of the Wahoo Bank may now be rewritten as follows:

Balance sheet 4: Wahoo Bank

Liabilities and net worth		Assets	
Current deposits	$100 000	Cash*	0
Capital stock	$250 000	Reserves*	$110 000
		Property	$240 000

Excess reserves A note on terminology: The amount by which the bank's actual reserves exceed its required reserves is the bank's excess reserves[3] In this case,

Actual reserves	$110 000
Required reserves	— 20 000
Excess reserves	$ 90 000

The only reliable way of computing excess reserves is to multiply the bank's current-deposit liabilities by the reserve ratio ($100 000 times 20 per cent, equals $20 000) to obtain required reserves, then to subtract this figure from the actual reserves listed on the asset side or the bank's balance sheet. 'In ensure an understanding of this process, the reader should compute excess reserves for the bank's balance sheet as it stands at the end of transaction 4 on the assumption that the reserve ratio is (a) 10 per cent, (b) 33 1/3 per cent, and (c) 50 per cent.

Because the ability of a trailing bank to make loans depends upon the existence of excess reserves, this concept is of vital importance in grasping the money-creating ability of banking system.

Transaction 5: A cheque is drawn against the bank

Now let us tackle a very significant and somewhat more complicated transaction. Suppose that Bradshaw, a Wahoo farmer who deposited a substantial portion of the $100 000 in current deposits which the Wahoo Bank received in transaction 3, purchases $50 000 worth of farm machinery. Bradshaw very sensibly pays for this machinery by writing a $50 000 cheque, against his deposit in the Wahoo Bank, in favour of the machinery company. This cheque is then deposited in another bank and eventually cleared against the Wahoo Bank. What happens?

Whenever a cheque is drawn against a bank and deposited in another bank, the collection of that cheque will entail a loss of both reserves and deposits by the bank upon which the cheque is drawn. Conversely, if a bank receives a cheque drawn on another bank, the bank receiving the cheque will, in the process of collecting it, have its reserves and deposits increased by the amount of the cheque. In our example, the Wahoo Bank loses $50 000 in both reserves and deposits. But there is no loss of reserves or deposits for the banking system as a whole. What one bank loses another bank gains.

---

2 The way in which reserve ratios are in fact determined and changed will be discussed in the following Chapter 16. For the moment we could assume that the reserve ratio is either legally determined or an accepted banking convention.

3 This is also called a "margin of free liquidity".

Bringing all the other assets and liabilities back into the picture, the Wahoo Back's balance sheet looks like this at the end of transaction 5:

Balance sheet 5: Wahoo Bank

Liabilities and net worth		Assets	
Current deposit*	**$50 000**	**Reserves***	**$60 000**
Capital stock	**$250 000**	**Property**	**$240 000**

The reader should verify that with a 20 per cent reserve requirement, the bank's excess reserves now stand at 550 000.

Transaction 5 is obviously reversible, If a cheque drawn against another hank is deposited in the Wahoo Bank, the Wahoo Bank will receive both reserves and deposits equal to the amount of the cheque as it is collected.

Recap

Let us designate here some of the salient conclusions from the first five transactions we have analysed:

1. When a bank accepts deposits of cash, the composition of the money supply is changed, but the total supply of money is not directly altered.
2. Trading banks keep "reserves", equal to a specified percentage of their own deposit liabilities, The reserve ratio indicates the size of this "specified percentage".
3. The amount by which a bank's actual reserves exceed its required reserves is called "excess reserves".
4, A bank which has a cheque drawn and collected against it will lose both reserves and deposits equal to the value of the cheque to the bank receiving the cheque.

Money-creating transactions of a trading bank

The next two transactions are particularly crucial because they explain how a single trading bank can literally create money by making loans and by purchasing government bonds. Though these transactions arc similar in many respects, we treat them separately.

Transaction 6: Granting a loan

You will recall that in addition to accepting deposits, trading banks have a basic function of granting loans to borrowers. What effect does trading bank lending have upon the balance sheet of a trading bank?

Suppose that the Grisley Meat Packing Company of Wahoo decides that the time is ripe to expand its facilities. Suppose, too, that the company needs exactly 550 000 — which, by some unexplained coincidence, just happens to be equal to the Wahoo Bank's excess reserves — to finance this project.

The compare approaches the Wahoo Bank and requests a loan for this amount. The Wahoo Bank is acquainted with the Grisley company's fine reputation and financial soundness and is convinced of its ability to repay the loan. So the loan is granted.

The chairman of the Grisley compare hands a promissory note — a high-class IOU — to the Walton Bank. The Grisley compare, like all other modern firms, is interested in paying its obligations by cheque. Hence, instead of receiving a huge basket full of cash from Me bank, the Grisley compare will get a 550000 increase in its current deposit in the Wahoo Bank. From the Wahoo Bank's standpoint it has acquired an interest-earning asset (the promissory note) and has created current deposits to pay for this asset.

In short, the Grisley compare has swapped an IOU for the right to draw an additional $50 000 worth of cheques against its current deposit in the Wahoo Bank. Both parties are pleased with themselves. The Wahoo Bank now possesses a new asset — an interest-bearing promissory note which it happily files under the general heading of "Loans". The Grisley company, sporting a fattened current deposit, is now in a position to expand its operations.

Al the moment the loan is negotiated, the balance sheet of the Wahoo Bank's position is shown by balance sheet 6a.

All this looks innocent enough. But a closer examination of the Wahoo Bank's balance statement will reveal a startling fact: When a

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4. in practice, of course, any two banks will have many thousands of cheques drawn against each other. These cheques arc exchanged on a daily basis. The bank which receives its own cheques to a greater value than the cheques they return to the other bank will have to settle the difference. This is done by drawing a cheque, in favour of the other bank, on the bank's exchange settlement account at the Reserve Bank.

Balance sheet 6a: Wahoo Bank
(when loan is negotiated)

Liabilities and net worth		Assets	
Current deposits *	$100 000	Reserves	$ 60 000
Capital stock	$250 000	Loans*	$ 50 000
		Property	$240 000

bank makes loans, it creates money. The president of the Grisley company went to the bank with something which is not money — his IOU — and walked out with something that is money - a current deposit. [5] When banks lend, they create current deposits which are money. By extending credit the Wahoo Bank has "monetised" an IOU. The Grisely company and the Wahoo Bank have created and then swapped claims. The claim created by the Grisley company and given to the bank is not money: an individual's IOU is not generally acceptable as a medium of exchange. But the claim created by the bank and given to the Grisley company is money; cheques drawn against a current deposit arc acceptable as a medium of exchange. It is through the extension of credit by trading banks that the bulk of the money used in our economy is created.

But there are important forces which cir-cumscribe the ability of a trading bank to create current deposits — that is, "bank money" — by lending. In the present case, the Wahoo Bank can expect the newly created current deposit of $50 000 to be a very active account. The Grisley company would not borrow $50 000 at, say, 8 or 10 per cent for the sheer joy of knowing the funds were available if needed. Let us assume that the Grisley company awards a $50 000 contract to the Quickbuck Construction Company. Quickbuck, true to its name, completes the expansion job and is rewarded with a cheque for $50 000 drawn by the Grisley company against its current deposit in the Wahoo Bank. The Quick-buck company, having its headquarters outside Wahoo, does not deposit this cheque back in the Wahoo Bank but instead deposits it in the Yarloo City Bank. The Yarloo City Bank now has a $50 000 claim against the Wahoo Bank. This cheque is collected in the manner described in transaction 5. As a result, the Wahoo Bank *loses* both reserves and deposits equal to tire amount of tire cheque; the Yarloo City Bank *acquires* $50 000 of reserves and deposits. In short, assuming a cheque is drawn by the borrower for the entire amount of the loan ($50 000) rind given to a firm which *deposits* it in another bank, the Wahoo Bank's balance sheet will read as follows *after the cheque has been cleared against it:*

Liabilities and net worth		Assets	
Current deposits*	$ 50 000	Reserves*	$ 10 000
Capital stock	$250 000	Loans	$ 50 000
		Property	$240 000

You will note immediately that after the cheque has been collected, the Wahoo Bank is just barely meeting the legal reserve ratio of 20 per cent. The bank has no excess reserves. This poses an interesting question: Could the Wahoo Bank have lent an amount greater than $50 000 — nil amount greater than its excess reserves — and still have met the 20 per cent reserve requirement if a cheque for the full amount of the loan were cleared against it? The answer is "No". For example, suppose the Wahoo Bank had lent $55 000 to the Grisley company, collection of the cheque against the Wahoo Bank would have lowered its reserves to $5000 (=$60 000 - $55 000) and deposits would again stand at $50 000 ($105 000 - $55 000). The ratio of actual reserves to deposits would now be only $5000/$50 000, or 10 per cent. The Wahoo Bank could thus *not* have lent $55 000. By experimenting with other figures in excess of $50000, the reader will find that the maximum amount which the Wahoo Bank could lend at the outset of transaction 6 is $50 000. This figure is identical with the amount of excess reserves which the bank had available at the time the loan was negotiated. Ye can conclude that *a single trading bank in a multibank banking system can lend only an amount equal to its initial pre-loan excess re-serves. W*hy? Because when it lends, it faces the

5 In transaction 3. current deposits were created. but only by currency going oat of circulation. Ilence. there was a change in the composition of the money supply but no change in the total supply of money.

likelihood that cheques for the entire amount of the loan will he drawn and cleared against the lending bank. A lending bank can anticipate the loss of reserves to other banks equal to the amount it lends. 6

If trading banks create current deposits — that is, money — when they make loans, it seems logical to inquire whether money is destroyed when the loans are repaid. The answer is "Yes". Using balance sheet 6b, let us see what happens when the Grisley company repays the $50 000 it borrowed.

To simplify, we shall (I) suppose that the loan is repaid not in instalments but rather in one lump sum three years after the date of negotiation, and (2) ignore interest charges on the loan. The Grisley company will write a cheque for $50 000 against its current deposit, which presumably has been fattened by extra profits resulting from the company's expanded operations. As a result, the Wahoo Bank's current-deposit liabilities decline by $50 000; the Grisley company has given up $50 000 worth of its claim against the bank's assets. In turn, the bank will surrender the Grisley company's IOU which it has been patiently holding these many months. The bank and the company have reswapped claims. But the claim given up by the Grisley company is money; the claim it is repurchasing — its IOU — is not. The supply of money has therefore been reduced by $50000; that amount of current deposits has been destroyed, unaccompanied by any increase in the money supply elsewhere in the economy. The Grisley company's IOU has been "demonetised", On the Wahoo Bank's balance sheet, demand deposits and loans both fall by $50 000. You will note that the decline in current deposits increases the bank's holdings of excess reserves; this provides the basis for new loans to be made.

In the highly unlikely event the Grisley company repays the loan with cash, the supply of money will still decline by $50000. In this case, the Grisley company would repurchase its IOU by handing over $50 000 in cash to the bank. This causes loans to fall on the bank's balance sheet by $50 000 and, obviously, cash to increase by $50000. Remember that we specifically excluded currency held by banks from the money supply on the ground that to include such cash would be double counting; it -is apparent that this constitutes a $50000 reduction in the supply of money.

Transaction 7: Buying government securities
When a trading bank buys government bonds, the effect is substantially the same as that of lending. *New* money is created. To illustrate, let us assume that the Walton Bank's balance sheet initially stands us it did at the end of transaction 5. Now assume that, instead of making a $50 000 loan, the bank buys $50 000 of government securities front a securities dealer, The bank receives the interest-bearing bonds which appear on its balance statement as the asset "Securities" and gives the dealer an increase in its demand-deposit account, The Wahoo Bank's balance sheet would appear as follows:

Balance sheet 7: Wahoo Bank

Liabilities and net worth		Assets	
Current deposits*	$100 000	Reserves	$ 60 000
Capital stock	$250 000	Securities*	$50 000
		Property	$240 000

The important point is that current deposits, that is, the supply of money, have been increased by a total of $50 000, as in transaction 6a. *Trading bank bond purchases increase the supply of money in the same way as does lending to the public.* The bank accepts government bonds — which are not money — and gives the securities dealer an increase in its current deposits — which is money.

Of course, when the securities dealer draws and clears a cheque for $50 000 against the Wahoo Bank, the bank will lose both reserves and deposits in that amount and therefore will just be meeting the legal reserve requirement. Its balance sheet will now read precisely as in 6b except that "Securities" is substituted for "Loans" on the asset side.

Finally, as you undoubtedly suspect, the selling of government bonds by a trading bank —

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6 Qualification: If some of the cheques written on a loan are redeposited back in the lending bank by their recipients, then that bank will be able to lend an amount somewhat greater than its initial excess reserves.

like the repayment of a loan --- will reduce the supply of money. The securities buyer will pay by cheque and both "Securities" and "Demand deposits" (the timer being money) will decline by the amount of the sale.

Profits and liquidity

The relative importance of the various asset items on a trading bank's balance sheet is the result of the banker's pursuit of two conflicting goals. One goal is profits. Trading banks, like any other business, are seeking profits. To this end the bank is desirous of holding loans and securities. These two items are the major earning assets of trading banks. On the other hand, a trading bank must seek safely. For a bank, safety lies in liquidity — specifically such liquid assets as cash and excess reserves. Banks must be on guard for depositors' transforming their current deposits into cash. Similarly, the possibility exists that more cheques will be cleared against a bank than are cleared in its favour, causing a net outflow of reserves. Bankers are thus seeking a proper balance between prudence and profits. The compromise that is achieved determines the relative size of earning assets as opposed to highly liquid assets.

The banking system: Multiple-deposit expansion

Thus far we have discovered that a single bank in a banking system can lend dollar for dollar with its excess reserves. Now what of the lending ability of all trading banks taken as a group? Jumping to our conclusions, we shall find that *the trading bank system can lend, that* is, *can create money, by a multiple of its excess reserves. This multiple lending is accomplished despite the fact that each bank in the system can only lend dollar for dollar with its excess reserves.* The immediate task is to uncover how these seemingly paradoxical conclusions come about.

To do this, it is necessary that we keep our analysis as clear as possible. Therefore, we shall rely upon three simplifying assumptions. First, suppose that the reserve ratio for all trailing banks is 20 per cent. Second, assume initially that all banks arc exactly meeting this 20 per cent reserve requirement. No excess reserves exist; all banks are "loaned up". Third, we shall suppose that if any bank becomes able to increase its loans as a result of acquiring excess reserves, an amount equal to these excess reserves will he lent to one borrower, who will write a cheque for the entire amount of the loan and give it to someone else, who deposits the cheque in another bank. This assumption merely means that we are assuming the worst thing possible that can happen to any lending bank -- a cheque for the entire amount of die loan is drawn and cleared against it and in favour of another bank.

The banking system's lending potential

To get the ball rolling, suppose that the Reserve Bank buys a $100 government bond in the open market front a private individual or business firm. The seller of the bond deposits the $100 cheque he receives in bank A, and this $100 constitutes an addition to the bank's reserves. (We shall find in Chapter 16 that such bond purchases by the central bank are a part of its deliberate policy to increase the excess reserves of trading banks and ultimately the supply of money through bank lending.) Since we arc recording only *changes* in the balance sheets of the various trading banks, bank A's balance sheet now appears as follows, items (a1):

Balance sheet: Trading Bank A

Liabilities and net worth	Assets
Current deposits $+100 (a1) + 80 (a2) - 80 (a3)	Reserves $+100 (a1) - 80 (a3) Loans +80 (a2)

How much *excess reserves* does bank A now have? It has acquired $100 in new reserves, but in the process it has also acquired $100 in new current deposits. This means that 20 per cent of the new reserves must be earmarked as required reserves to offset the new deposits. In short, $20 of the new reserves will be *required,* freeing the remaining $80 as *excess* reserves. Remembering that a single trading bank, such as bank A, can lend only an amount equal to its excess reserves, we conclude that bank A can lend a maximum of $80. When a loan for this amount is negotiated, bank A's loans will

increase by $80, and the borrower will get an $80 current deposit. Let us add these figures to bank A's balance sheet (a2).

But now we must invoke our third assumption: The borrower draws a cheque for $80 —the entire amount of the loan — and gives it to someone who deposits it in another bank, bank B. As we saw in transaction 6, bank A loses both reserves and deposits equal to the amount of the loan (a_1). The net result of all the transactions is that bank A's reserves now stand at $20 (.= $100 — $80), loans at $80 and current deposits at $100 (= $100 + $80 —$80). Note that when the dust has settled, bank A is just meeting the 20 per cent reserve ratio.

Recalling transaction 5, bank B acquires both the reserves and the deposits which bank A has lost. Bank B's balance sheet looks like this (b1):

Balance sheet: Trading Bank B

Liabilities and net worth	Assets
Current deposits $+80 (b1) +64 (b2) -64 (b3)	Reserves $+80 (b1) -64 (b3) Loans +64 (b2)

When the cheque is drawn and cleared, bank A loses $80 in reserves and deposits and bank B gains $80 in reserves and deposits. But 20 per cent, or $16, of bank B's newly acquired reserves must be kept as required reserves against the new $80 in current deposits. This means that bank B has $64 (= $80 — $16) in excess reserves. It can therefore lend $64 (b2). When the borrower draws a cheque for the entire amount and deposits it in bank C, the reserves and deposits of bank B both fall by the $64 ($b_1$). As a result of these transactions, bank B's reserves will now stand at $16 (= $80 — $64), loans at $64 and demand deposits at $80 (= $80 + $64 — $64). Note that after all this has occurred, bank B is just meeting the 20 per cent reserve requirement.

We are off and running again. Bank C has acquired the $64 in reserves and deposits lost by bank B. Its balance statement appears as follows (c1):

Balance sheet: Trading Bank C

Liabilities and net worth	Assets
Current deposits $+64.00 (c1) +51.20 (c2) -51.20 (c3)	Reserves $+64.00 (c1) -51.20 (c3) Loans +51.20 (c2)

Exactly 20 per cent, or $12.80, of this new reserve will be required, the remaining $51.20 being excess reserves. Hence, bank C can safely lend a maximum of $51.20. Suppose it does (c2), and suppose the borrower draws a cheque for the entire amount and gives it to someone who deposits it in another bank (c3).

Bank D — the bank receiving the $51.20 in reserves and deposits — now notes these changes on its balance sheet (d1):

Balance sheet: Trading Bank D

Liabilities and net worth	Assets
Current deposits $+51.20 (d1) +40.96 (d2) -40.96 (d3)	Reserves $51.20 (d1) -40.96 (d3) Loans +40.96 (d2)

It can now lend $40.96 (d2). The borrower draws a cheque for the full amount and deposits it in another bank (d3).

Now, if we wanted to be particularly obnoxious, we could go ahead with this procedure by bringing banks E, F, G, H,...,N into the picture. We shall merely suggest that you check through computations for banks E, F and G, to ensure that you have the procedure firmly in mind.

The nucleus of this analysis is summarised in Table 15.1. Data for banks E to N are supplied, so you may check your computations. Our conclusion is a rather startling one: On the basis of the $80 in excess reserves (acquired by the banking system when someone deposited the $100 received from the sale of a government bond in bank A), the trading bank system is able to lend $400. Lo and behold, the banking system is able to lend by a multiple of 5 when the reserve ratio is 20 per cent! Yet you

Table 15.1 Expansion of the money supply by the trading bank system

Bank	(1) Acquired reserves and deposits	(2) Required reserves	(3) Excess reserves, or (1) – (2)	(4) Amount which the bank can lend; new money created =(3)
Bank A	$100.00 (a1)	$20.00	$80.00	$80.00 (a2)
Bank B	80.00 (a3, b1)	16.00	64.00	64.00 (b2)
Bank C	64.00 (b3, c1)	12.80	51.20	51.20 (c2)
Bank D	51.20 (c3, d1)	10.24	40.96	40.96 (d2)
Bank E	40.96	8.19	32.77	32.77
Bank F	32.77	6.55	26.22	26.22
Bank G	26.22	5.24	20.98	20.98
Bank H	20.98	4.20	16.78	16.78
Bank I	16.78	3.36	13.42	13.42
Bank J	13.42	2.68	10.74	10.74
Bank K	10.74	2.15	8.59	8.59
Bank L	8.59	1.72	6.87	6.87
Bank M	6.87	1.37	5.50	5.50
Bank N	5.50	1.10	4.40	4.40
Other banks	21.97	4.40	17.57	17.57
Total amount of money created				$400

will note that each single bank in the banking system is lending only an amount equal to its excess reserves. How do we explain these seemingly conflicting conclusions? Why is it that the banking system can lend by a multiple of its excess reserves, but each individual bank can only lend dollar for dollar with its excess reserves?

The answer lies in the fact that reserves lost by a single bank are not lost to the banking system as a whole. The reserves lost by bank A are acquired by bank B. Those lost by B are gained by C, C loses to D, D to E, E to F, and so forth. Hence, although reserves can be, and are, lost by *individual* banks in the banking system, there can be no loss of reserves for the banking *system* as a whole. Hence, we reach the curious conclusion that an individual bank can only safely lend an amount equal to its excess reserves, but the trading bank system can lend by a multiple of its excess reserves. This contrast, incidentally, is a fine illustration of why it is imperative that we keep the fallacy of composition firmly in mind. Trading banks *as a group* can create money by lending in a manner much different from that of the *individual banks* in that system.

The monetary multiplier

The rationale involved in this current-deposit, or *monetary multiplier* is not unlike that underlying the income multiplier discussed in Chapter 12. The income multiplier was based on the fact that the expenditures of one household are received as income by another; the deposit multiplier rests on the fact that the reserves and deposits lost by one bank are received by another bank. And, just as the size of the income multiplier is determined by the reciprocal of the MPS (i.e. by the leakage into saving which occurs at each round of spending), so the deposit multiplier D is the reciprocal of the required reserve ratio R (i.e. of the leakage into required reserves which occurs at each step in the lending process). In short,

$$D = I / R$$

In this formula, *D* tells us the maximum number of new dollars of current deposits which can be created for a single dollar of excess reserves, given the value of *R*. We can easily adjust the formula to show the maximum amount of new deposits which can be created

For *any amount* of excess reserves E, by simply substituting E for I in the numerator, so that

D = E / R

Thus, in our example of Table 15.1,

$400 = $80 / 0.20

But keep in mind that, despite the similar rationale underlying the income and deposit multipliers, the former has to do with changes in income and the latter with changes in the supply of money.

You might experiment with these leasers in testing your understanding of multiple credit expansion by the banking system:

I. Rework the preceding analysis (at least three or four steps of it) on the assumption that the reserve ratio is 10 per cent. What is the maximum amount of money the banking system could create upon acquiring $100 in new reserves and deposits? (No, the answer is not $800!)

2. Explain how a banking system which is "loaned up" and faced with a 20 per cent reserve ratio might be forced to *reduce* its outstanding loans by $400 as a result of the Reserve Bank *selling* a $100 bond to a private individual or business.

Some modifications

Our discussion of credit expansion has been conducted in a somewhat rarefied atmosphere. There arc certain complications which might modify the quantitative preciseness of our analysis.

Other leakages

Aside from the leakage of required reserves at each step of the lending process, two other leakages of money from the trading banks might occur, thereby dampening the money-creating potential of the banking system.

Currency drains A borrower may request that a part of his loan be paid in cash. Or the recipient of a cheque drawn by a borrower may present it at his bank to be redeemed partially or wholly in currency rather than added to his account. Thus, if the person who borrowed the $80 from bank A in our illustration asked for $16 of it in cash and the remaining $64 as a current deposit, bank B would receive only $64 in new reserves (of which only $51.20 would be excess), rather than $80 (of which $64 was excess). This decline in excess reserves reduces the lending potential of the banking system accordingly. As a matter of fact, if the first borrower had taken the entire $80 in cash and if this currency remained in circulation, the multiple expansion process would have stopped then and there. But the convenience and safety of current deposits make this unlikely.

Excess reserves Our analysis of the trading banking system's ability to expand the money supply by lending, is based on the supposition that trading banks are willing to meet precisely the reserve requirement. In practice, bankers are more prudent than this and arrange to have a "safety margin" of excess reserves to avoid the embarrassment of falling below the "legal reserve ratio" in the event that an unusually large amount of cheques is cleared against them. [7] Therefore bank A, upon receiving $100 in new cash, might choose to add $25, rather than the legal minimum of $20, to its reserves, the extra $5 serving as a buffer, or cushion, against adverse cheque clearings. The overall credit expansion potential of the banking system would obviously be reduced by such additions to a bank's excess reserves!

Willingness versus ability to lend

It is only fair to emphasise that our illustration of the banking system's ability to create money rests upon the assumption that trading banks are willing to exercise their abilities to create money by lending and that households and businesses are willing to borrow. In practice, this need not be the case. Bankers, you will recall, seek a proper balance between prudence and profits. When prosperity reigns, banks may

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7 This concept will be discussed more fully in Chapter 16.

8 Specifically, in our $D = I / R$ monetary multiplier, we now add to It, the required reserve ratio, the additional excess reserves which bankers choose to keep. For example, if banks want to hold additional excess reserves equal to 5 per cent of any newly acquired current deposits, then the denominator becomes 0.25 (equal to the 0.20 reserve ratio plus the 0.05 addition to excess reserves). The monetary multiplier is reduced from 5 to 1/0.25, or 4.

expand credit to the maximum of their ability. Why not? Loans are interest-earning assets, and in good times there is little fear of borrowers' defaulting. But if depression clouds appear on the economic horizon, bankers may hastily withdraw their invitations to borrow, seeking the safety of liquidity even if it involves the sacrifice of potential interest income. Bankers may fear the large-scale withdrawal of deposits by a panicky public and simultaneously doubt the ability of borrowers to repay. It is not too surprising that during sonic years of the depression of the 1930s, banks had considerable excess reserves but lending was at a low ebb. Obviously, if the amount actually lent by each trading bank falls short of its excess reserves, the resulting multiple expansion of credit will be curtailed.

The need for control

The fact that bankers may not expand the supply of money to their maximum ability is of more than passing interest. It may be a factor which contributes significantly to business fluctuations. By holding back on credit expansion as the economy begins to slip into a depression, the trading banks may further inhibit total spending and intensify that cyclical downswing. Conversely, by lending and thereby creating money to the maximum of their ability during prosperity, trading banks may contribute to an excess of total spending and to the resulting, inflationary pressures. Chapter 16 will explore the means by which the Reserve Bank attempts to influence the lending policies of trading banks so that they will offset rather than enforce cyclical fluctuations.

SUMMARY

1. Trading banks create money - that is, current deposits, or bank money - when they make loans. The creation of current deposits by bank lending is the most important source of money in Australian capitalism.

2. The ability of a single trading bank to create money by lending depends upon the size of its excess reserves. Generally speaking, a trading bank can lend only an amount equal to the size of its excess reserves. It is thus limited because, in all likelihood, cheques drawn by borrowers will be deposited in other banks, causing a loss of reserves and deposits to the lending bank equal to the amount which it has lent.

3. The trading bank system as a whole can lend by a multiple of its excess reserves because the banking system cannot lose reserves, although individual banks can lose reserves to other banks in the system. The multiple by which the banking system can lend is the reciprocal of the reserve ratio. This multiple credit expansion process is reversible.

QUESTIONS AND STUDY SUGGESTIONS

1. Key terms and concepts to remember: balance sheet; required reserves; reserve ratio; actual and excess reserves; monetary multiplier; leakages.

2. Why must a balance sheet always balance? What are the major assets and claims on a trading bank's balance sheet?

3. Why are trading banks required to have reserves? What are excess reserves? How are they calculated? What is their significance?

4. "Whenever currency is deposited in a trading bank, cash goes out of circulation and, as a result, the supply of money is reduced." Do you agree? Explain.

5. "When a trading bank makes loans, it creates money; when loans are retired, money is destroyed." Explain.

MONEY FORMATION AND INTEREST RATES IN AUSTRALIA

BY
T J VALENTINE

AUSTRALIAN PROFESSIONAL PUBLICATIONS

MONEY FORMATION AND INTEREST RATES IN AUSTRALIA

This book provides the basic information necessary to an understanding of the workings of Australian money markets. It covers money formation analysis in great detail because this is the technique which is most frequently used by money market economists. There is also an extended discussion of the factors affecting cash flows in the financial system.

The determinants of interest rates are also explained. The author identifies the major factors influencing Australian interest rates, evaluates their relative importance and discusses methods of forecasting interest rates.

This book, written by a leading Australian authority on money markets, is essential reading for anyone interested in understanding and forecasting money formation and interest rates in Australia.

Tom Valentine is the director of the Centre for Studies in Money, Banking and Finance at Macquarie University. He has published extensively in the fields of monetary economics and finance. Over the period 1979 to 1981 he served as Senior Advisor to the Campbell Committee and he has given many public addresses on the effects of deregulation of the financial system. He has also acted as consultant to a number of financial Institutions.

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open-market purchase, its composition is altered towards base money.

Some economists have argued that the concept of base money, developed in the United States, is not an appropriate one in Australia because the authorities have been pegging the interest rate on government securities. This requires them to buy securities at a fixed price whenever holders wish to obtain additional base money. In attempting to fix the interest rate, therefore, the authorities lose control of the composition of primary liquidity. In this case, these economists argue, it is primary liquidity itself which must be regarded as the base on which the money supply is built. It must be said that a number of statistical analyses which have been performed support this view, in that movements in the money supply are better explained by changes in primary liquidity than changes in the monetary base. However, although this view may be a good representation of historical conditions in Australia, it is not likely to be correct in the period of more flexible interest rates that we have entered in recent times. Nevertheless, the term cash base may be a more appropriate name for the aggregate in question than monetary base.

2.3 MONEY FORMATION IDENTITIES

Money formation tables arise from a re-arrangement of the balance sheet of the banks. Consider a simplified version of this balance sheet. The liabilities include only deposits with the banks (TD) and the assets are advances to the non-bank public (TA), bank holdings of government securities (TG) and bank deposits with the Reserve Bank (R). It should be noted that the "non-bank public" includes non-bank financial institutions as well as households and businesses.

We know that

$$TD = R + TG + TA \qquad (2.3)$$

The money supply is defined as

$$M = TD + NC \qquad (2.4)$$

where NC is notes and coin in the hands of the non-bank public. This monetary measure corresponds to the Maggregate (the "volume of money") used in Australia.
Now, from (2.3) and (2.4),

$$M = R + TG + TA + NC \qquad (2.5)$$

and primary liquidity is defined as

$$PL = NC + R + TG + PG \qquad (2.6)$$

where PG is the non-bank publics' holdings of government securities. From (2.5) and (2.6)

$$M = PL + TA - PG \qquad (2.7)$$

in terms of changes

$$\begin{aligned} \Delta M &= \Delta PL + \Delta TA - \Delta PG \\ &= Df + \Delta FE + \Delta TA - \Delta PG \end{aligned} \qquad (2.8)$$

from (2.1). Equation (2.8) is the basic money formation identity used in the traditional formation tables.

The identity used in the "new" formation table is easily developed from the relationships which have already been considered. First,

$$\begin{aligned} \Delta M &= \Delta NC + \Delta TD \\ &= \Delta NC + \Delta R + \Delta TA + \Delta TG \\ &= \Delta CB + \Delta TA + \Delta TG \end{aligned} \qquad (2.9)$$

$$M = \frac{(1 + n)}{e + n} \cdot CB$$

Equation (3.7) can be used to partition the rate of growth of the money supply –

$$\%\Delta M = \%\Delta mm + \%\Delta CB$$

where the changes are again percentage changes. Whether or not this is a useful way to divide up changes in the money supply depends on whether some meaning can be attached to the components. It has already been noted that in the past it has been difficult to interpret or predict changes in the cash base in Australia. Let us now consider the money multiplier. Explaining changes in mm requires a knowledge of the factors which determine the banks' reserve ratio and the public's holdings of currency relative to bank deposits.

Table 3.2 shows the values which the money multiplier (the ratio of M3 to the cash base) has taken at quarterly intervals over the period 1976/77 to 1983/84. The Table shows that there was not much seasonal variation in the money multiplier over the period covered. This suggests that the seasonal variation in the money supply discussed in the previous Chapter can be attributed largely to movements in the cash base which indicates in turn that any analysis of seasonal liquidity fluctuations would need to concentrate on the causes of changes in the cash base i.e. multiplier analysis is not likely to be a useful way of analysing seasonal fluctuations in liquidity.

authorities complete control of M3. The determinants of this relationship are discussed in the remainder of this Chapter.

A final point concerns the broader monetary aggregate defined above. Some writers (for example, Marzouk and Drane (1983)) have argued that since the velocity of broad money is more stable than that of M3, it would be better for the authorities to adopt a broad money target. The difficulty with this approach is that it is questionable whether broad money is controllable. Indeed, it can be argued that the fact that the velocity of broad money is relatively stable implies' that the volume of broad money is actually demand determined i.e. that transactors "manufacture" the amount of money necessary to meet their transactions requirements. If this is true, broad money will not be controllable at all. However, in a deregulated environment, the authorities will have some control over broader aggregates because they can force an increase in bank interest rates by contracting the cash base.

3.3 A SIMPLE MONEY MULTIPLIER MODEL

Consider a money aggregate M which consists of bank deposits and currency (M = ID + NC).If this is divided by the cash base, CD, we obtain the money multiplier mm. Remembering that the base is equal to (NC + R), where R is bank reserves,

$$mm = \frac{M}{CB} = \frac{TD + NC}{R + NC}$$

$$= \frac{1 + n}{e + n} \qquad (3.6)$$

where e is the banks' reserve ratio and n is the ratio which the public maintains between currency and bank deposits. This relationship can be rewritten

The Table also shows that there has been an upward trend in the multiplier. This trend actually began before the period covered by the Table and it is explained partly by the fall in the SRD ratio which has been reduced through the seventies. Little work has been done in Australia on predicting the value of the multiplier.

The money multiplier approach can also be used to analyse monetary policy. For example, open-market operations change the cash base CD and if the money multiplier is relatively stable, allow the authorities to determine the money supply. The effect of other instruments of monetary policy (reserve requirement changes and controls on bank lending) can be examined by considering their impact on the money multiplier.

3.4 THE RELATIONSHIP OF THE MONEY FORMATION AND MONEY MULTIPLIER APPROACHES

As the two approaches are simply alternative ways of representing the same phenomenon, they must give the same answers. They do, however, focus on different aspects of the problem. Consider the case where we take primary liquidity as the monetary base. Following the multiplier approach:

$$M = NC + TD$$

Therefore,

$$\frac{M}{PL} = mm^* = \frac{NC}{PL} + \frac{TD}{PL}$$

$$= k + d \qquad (3.9)$$

where k is the ratio of currency to primary liquidity and d is the ratio of bank deposits to primary liquidity held by the public.

An alternative money multiplier model can be derived from the money formation identity,

Table 3.2: Money Multipliers -- 1976/77 to 1983/84

Quarter		Multiplier	Multiplier (Broader Aggregate)
1976/77	S	6.45	7.38
	D	5.88	6.75
	M	6.11	7.02
	J	5.70	6.63
1977/78	S	6.14	7.18
	D	6.04	7.08
	M	6.26	7.33
	J	6.68	7.93
1978/79	S	6.91	8.21
	D	6.78	8.09
	M	6.58	7.85
	J	6.82	8.24
1979/80	S	7.04	8.51
	D	6.92	8.37
	M	7.21	8.72
	J	7.11	8.67
1980/81	S	7.29	8.89
	D	7.09	8.68
	M	7.34	8.96
	J	7.30	8.98
1981/82	S	7.22	8.87
	D	7.05	8.67
	M	7.41	9.10
	J	7.17	8.82
1982/83	S	7.44	9.13
	D	7.11	8.78
	M	7.62	9.38
	J	7.66	9.43
1933/84	S	7.68	9.51
	D	7.23	8.99
	M	7.81	9.74

Source: Various issues of the Bulletin of the Reserve Bank of Australia.

(044) 210 341

38 West Street,
NOWRA NSW 2541
8th July, 1991.

Professor Tom Valentine,
University of Technology.
(Kuringai Campus)
SYDNEY.

CREDIT/DEPOSIT CREATION

Dear Professor Valentine,

The attached is self explanatory.

I am writing a book on banking and would be most grateful if you could assist by providing any information on the questions posed.

Obviously you would know that there is a substantial amount of professional information available as to the long standing practice of banks creating credit/deposits by simply multiplying their 'cash in hand' and 'assets' by a factor to arrive at their lending total.

One has in mind, for example, 'Money' by Professor J.K.Galbraith, 'Oil in Troubled Waters' by Dr.Jim Cairns and the learned articles by R.S.Deane in the Reserve Bank of New Zeland Bulletin, December, 1972 ('The Credit Creation Process, Banks Versus Non-Banks') and June, 1978 ('The Creation of Financial Assets')

My questions are:-

1. What is the numerical figure by which the banks multiply their 'cash in hand' and 'assets' to arrive at their lending limits or totals?

2. What authority enables them to so to do?

3. If there is no statutory authority (or regulation) then is this merely tradition born of the banks themselves?

If you could assist me in any way in this matter then I really would be grateful.

Yours faithfully,

Laurence F.Hoins.

UTS
UNIVERSITY
OF TECHNOLOGY
SYDNEY

Postal address
PO Box 123
Broadway NSW 2007
Australia

Centre for Applied
Finance

Location
Kuring-gai Campus
Eton Road
Lindfeld
Telephone (02) 413 8176.
(02) 413 8360
Facsimile (02) 416 2129

Director
Professor T J Valentine

12 August 1991

Mr L.F. Hoins
38 West St
NOWRA NSW 2541

Dear Mr Hoins,

Thank you for your letter on credit/deposit creation.

The idea of the "credit or deposit multiplier is a common one in textbooks on banking. In simple terms it works as follows. Assume that the required reserve ratio for banks is 10% of deposits and the Reserve Bank supplies the financial system with an extra $100m in reserves (for example, in the form of deposits with the Reserve Bank).

Banks receive new deposits of $100m and lend $90m out (the remaining $10m goes into reserves). This $90m must be redeposited in the banking system which then lends 90% of the new deposits out. This process continues so that in the end the increase in bank deposits is

$100m + $90m + $81m + $72.9m + 65.61m …

which comes to $1000m.

The deposit multiplier is 10 which is the reciprocal of the required reserve ratio. Some comments must be made on this simple model:

(a) No bank or group of banks makes a definite decision to implement this process. Individual banks simple react to deposit inflows.

(b) The banks are also subject to the PAR (prime asset ratio) requirement which forces banks to hold government securities. The PAR requirement will also affect the deposit multiplier.

(c) The banks can only push out additional loans if customers are willing to take them. Generally, this will happen only if they drop interest rates. Since the Reserve Bank implements monetary policy by setting interest rates, it would offset this effect by removing some reserves from the system.

(d) The last point is important. The Reserve Bank is aware of the deposit multiplier and provides the amount of reserves which allows it to achieve its interest rate objectives. A quick answer to your question, then, is that the Reserve Bank determines the amount of credit/deposits generated by the banks.

I hope that these comments will be of assistance to you.

Yours sincerely,

Tom Valentine

T.J. Valentine

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

PARLIAMENT HOUSE
CANBERRA ACT 2600
TEL: (06) 2774584
FAX: (06) 2772221

Mr L F Hoins
2/20 Seaview Cres BLACK
ROCK 3193

Dear Mr Hoins,

In the Chairman's absence overseas, I am replying to your letter of 3 June concerning credit creation.

The term 'credit creation' generally refers to the process whereby the total credit issued by the banking system is a multiple of the capital of the banks themselves. This arises because most of the money a bank lends is usually deposited back with that bank or another and is then available to be lent again.

The process cannot continue infinitely though, as banks are not free to lend out all their deposits. They are required by the Reserve Bank to keep the ratio of their capital to assets above a certain amount. They also have to place a proportion of their deposits in accounts with the Reserve Bank and hold a proportion of their assets in government securities. Banks require authorisation from the Treasurer to operate in Australia. The legislative basis for the above restrictions is the Banking Act and the Reserve Bank Act. Details of them are available from the Reserve Bank of Australia (GPO Box 3947 Sydney).

As a simplified example, if the capital ratio were 8 per cent, then a bank with capital of $100 million could at most have loans of $1 250 million outstanding (as 100/1250 = 0.08). The 'factor' to which you refer would then be 12.5. (The actual ratio of assets to capital of Australian banks is currently around 10.)

Yours sincerely,

John Hawkins Adviser
13 June 1991

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TREASURER
PARLIAMENT HOUSE
CANBERRA 2600

Mr L.F. Hoins
2/20 Seaview Crescent
BLACK ROCK VIC 3193

30 JUL 1991

Dear Mr Hoins

Thank you for your letter of 5 June 1991 to the Treasurer concerning your book on banking.

In regard to your three questions, I am unclear as to information you are seeking. However, I believe you should be able to obtain the information you required by consulting texts on economics and banking in your local library.

Your sincerely

Geoff Painton
Departmental Liaison Officer

Commonwealth Bank
Commonwealth Bank of Australia
A C.N 123 123 124
Commonwealth Bank of Australia

GPO Box 2719
Sydney
NSW 2001

Telephone (021227 7111
Facsimile (02) 227 3317

D J Anderson
Secretary

Mr L F Hoins
4/3 McGrath Avenue NOWRA *NSW* 2541

27 December 1991

Dear Mr Hoins

I have been handed your letter of 19 December 1991 to the Managing Director. I have asked various parts of the Bank for assistance with your query, and will let you know shortly whether we can be of any help to you.
In the meantime, you might care to send me a copy of the letter from the FSU referred to in your letter - it was not enclosed as stated.
Yours faithfully

D R White
Acting Company Secretary

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AEFC Limited
ACN 000 835 423

Merchant Bank Commonwealth Bank Group

15th Floor
Hooker House
175 Pitt Street
Sydney
New South Wales
2000

GPO Box 3812
Sydney
New South Wales
2001

Telephone
Reception (02) 224 9100
Treasury (02) 231 5411
Facsimile (02) 221 2791

27 December 1991

LETTERS.DOC\TS\106

Mr Laurence F Hoins
4/3 McGrath Avenue
NOWRA NSW 2541

Dear Mr Hoins

Thank you for your letter of 20 December 1991. In response to your questions I advise:

(a) Commonwealth Bank of Australia owns 100% of AEFC Limited, and has done so from March 1989. Prior to that the shareholdings in Australian European Finance Corporation Ltd (as it then was) were:

Commonwealth Bank of Australia	51%
Banque Nationale de Pais	19%
Banca Nazionale del Lavoro (BNL)	15%

	100%

(b) ICLE is an Italian organization which to the best of my knowledge is 86.1% owned by Monte de Paschi di Siena.

(c) BNL is to the best of my knowledge wholly owned by the Italian Government.

Yours faithfully

A Schiavon
per

P L Kent
Associate Director
AEFC Corporate Advisory Services

(044) 232 962

4/3 McGrath Avenue,
NOWRA NSW 2541.
19th December, 1991.

Mr.Don Sanders,
Managing Director.
The Commonwealth Bank.
Martin Place.
SYDNEY.

BOOK-ENTRY CREDIT CREATION

Dear Mr.Sanders,

I am writing a book on banking and would be most grateful for the information listed below.

Attached is a letter to me from the FSO which tells me the figure I seek is 14. Each of the other major banks, except for Westpac, has replied and given me figures which vary between 11 and 17.

The information I seek is as follows :

1. It is a well established historical fact that all banks create book-entry credit (our American friends call it deposit creation). What is the figure (or calculation) by which your bank creates this book-entry credit?

2. If there is not a set figure, altered from Lime to time to suit your requirements, then how is the quantum of book-entry credit arrived at?

3. What legislative or regulatory authority is there for such credit creation?

4. If there is no authority in law then is it merely banking tradition, or precedence (i.e. it's been done for years)?

5. Your bank (or is it ours?) was started in 1912 with a commonwealth government cheque for 10,000 pounds as a loan. The bank loaned credits to the value of 350 million pounds during the 1914-18 war. How was this done? From whence came such a huge amount of money?

I really would be grateful if you could assist me with this basic information.

Yours faithfully,

Laurence F. Hoins

YOUR

DEFENCE

FOR THOSE WHO HAVE TO DEFEND THEMSELVES

HAVING ALREADY BEEN SUED BY 'THEIR BANK'

YOUR DEFENCE OR AMENDED DEFENCE

"Let him look to his bond!" [153]

This is the crunch document if you are being sued by 'your' bank.

Remember that it is nothing more than my defence amended for publication and having additional information not submitted in my original document.

It may not suit your circumstances at all. That is for you to decide and you do it entirely at your own risk and/or advantage.

The grounds for your Defence or Amended Defence are the same as laid out in the draft Federal Court Writ but the language is different, i.e.,

Applicant (Federal Court) = Plaintiff in other courts.

Respondent (Federal Court) Defendant in other courts.

It is far better to take the offensive than sit still and let 'them' sue you. Always take the initiative.

The old cavalry advice is relevant, i.e., Never accept a charge standing still; meaning that if you stand still the shock of the impact is far worse than if you yourself are on the move.

This is what you must do :

1. Carefully read the draft Federal Court Writ.

2. Delete anything that is not true in your case.

3. Insert facts that do apply in your case.

4. Type up the document in accordance with the requirements of the court in which 'your' bank is suing you. For example :

(a) Change the words to be used as above.

(b) Most Affidavits (that's what it is) have to be 1.5 line spaced [154] - ask the court staff how your Affidavit is to be typed. Don't argue with them, just ask them to tell you the format and layout that they expect in that particular court.

(c) You will need at least one original and two (2) photocopies, i.e., one for the court, one for 'your' bank's lawyers and one for yourself but again check with the court office.

(d) Do not double side the Affidavit as I have with this Manual. You must have each page as a separate one side used page only, i.e., you may only use one side of a sheet of paper.

Don't guess and don't blindly follow my draft - go and find out for yourself what is required of the court with which you are involved.

153, William Shakespeare. 'The Merchant of Venice, Act 111, 1, 52

154. Note that the Federal Court requires double spacing.

5. Attach all the documents I have provided for you as per 'THE EXHIBITS' to the copies to be served on 'your' bank but don't attach them to the court copies.

This Manual has been made so that you can go to a photocopier and reproduce the required pages with minimum problem. There is a lot of photocopying, but do it. You must show the bank's lawyers that you are in deadly earnest and that they have a real fight on their hands.

6. Ensure that your Affidavit is properly signed and witnessed.

7. Purchase the cheapest available copies of the books listed in this Manual and ensure that they are available to use in court if it comes to that. Any good bookstore will find the books for you. Some of the material can be obtained through your local library at a nominal charge, enabling you to photocopy it. [155]

The purpose is to ask the judge to read all of it before you argue your case before him/her. It is all expert evidence.

The material listed is, without question, heavy going if you have never done more than read a rural newspaper or the television guide.

But, my friend, it is your farm and home or small business that is in the firing line.

You don't have to (yet) fully comprehend the contents. You do need to know that what I have written is true and, more importantly, the bank's lawyers and the bank itself need to know that you finally know the great secret and can prove it in open court.

You can, if you are adequately motivated to save yourself and your family will plod away at the evidence to get a grip on the matter so that, if you bank is silly enough to continue with their action against you, they will be mortified in open court. Working through this Manual and all the reading list may be harder for you than everything else you do in running your farm and family but you have to grit your teeth and start.

There is NO SHORT CUT. You MUST allocate at least one hour a day (everyday) to study the material. Start with this Manual itself and then start working your way through the book list.

Don't attempt it alone (if this reading is foreign to you) but do it together with all your family.

You may well find that your children will (because they are more open to new information than us oldies) grab the essentials before you do, and then they will assist you to understand the subject details.

THERE IS NO SHORT CUT.

If you want to avoid the workload and brain drain then go hire someone to represent you (if you can find someone you really trust in this matter).

If, however, you are on your last legs and look like going down to 'your' bank then you have no alternative, and perhaps nothing to lose.

DO IT NOW.

In any case, at this stage it is highly likely that you know more than either the judge or the bank's lawyers.

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155. This is particularly so with publications such as the 'Reserve Bank of New Zealand Bulletin' which are held in university stacks and the National Library in Canberra and which are accessed through your local library via the State library in your State.

In the land of the blind the one eyed man is king.....

All this intellectual activity will distract you from killing yourself, or your wife and children.

If you really must kill something then let's work together and kill off the rotten bank's lying, thieving grip on you and the farmers and small business people of our once fair country.

DON'T QUIT!

It doesn't matter what Allen Cullen, hired mouthpiece for the banks 156, says about this Manual and its contents.

You can see from his letter to me that he hasn't a clue about this fundamental fact of the great secret (or he's a bare-faced liar - it's one or the other) Indeed, how stupid can they be that they would actually reply to me as they did, and then provide the very evidence which proves that they don't know what they are talking about.

Can't you see that against such opponents you are sure to win?

What arrogance to reply to me, patronising me with their 'superior' knowledge, and status in our community when in their base stupidity they attached the very evidence that proves they were (and remain) wrong and that I was (and remain) correct?

These people think they should be running our country....

No wonder Professor John Kenneth Galbraith called them fourth raters....

If the court staff will not accept the books 157 then agree with them and simply tell them that you will need probably an additional two months on trial (above and beyond the minimum ten sitting days your trial will take anyway) so you can personally read the books to the judge in open court. 158 More of that later.

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156. W Cullen (Australian Bankers' Association) is the thin lipped fellow who always appears on television or in the print media when someone (anyone) has the temerity to have a go at his feedbag (the banks).

157. Can you imagine the problems of all courts in the land if every farmer and small businessman being screwed by the banks dropped all these books in on the courthouse? The mind boggles at the implications.

158. This would mean you would require no less than fifty (50) sitting days or ten weeks - tell the court staff that.

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AMENDED NOTICE OF GROUNDS OF DFFFNCE

AND CROSS CLAIM

IN THE SUPREME COURT OF NEW SOUTH WALES
SYDNEY REGISTRY
COMMERCIAL DIVISION.
No. of 1992,

COMMONWEALTH BANKING CORPORATION — 44 Market Street, SYDNEY NSW 2000.

Plaintiff

(Your name in full) — Your address.

Defendant

CROSS CLAIM

COMMONWEALTH BANKING CORPORATION — 44 Market Street, SYDNEY NSW 2000.

Cross Defendant

(Your name in full) — Your address.
Cross Claimant

1. The Defendant makes no admissions in reply to the Amended Statement of Claim.

2. The Defendant denies paragraphs 8 and 9 on the Amended Statement of Claim.

3. The alleged debt was created by the Plaintiff as a book-entry credit out of thin air (or less) and thus the Plaintiff has no rights whatever to claim payments in cash currency in return for book-entry credit.

(You then continue on as per the draft Federal Court Writ as far as content is concerned)

CROSS CLAIM

The Cross Claimant claims against the Cross Defendant THAT,

1. The Cross Defendant entered into a criminal conspiracy to defraud the Cross Claimant of their property, their matrimonial home, their assets and their livelihood.

(You then go on to list briefly the very things contained in the draft Federal Court Writ)

AFFIDAVIT

I, FREDDY SPENCER SMITHERS, of 28Z Pitt Street, Sydney, in the

State of New South Wales, make oath and say as follows :-

1. I am the Defendant and Cross Claimant hereinbefore named.

2. The Amended Defence and Cross Claim set out above is true in substance and fact. SWORN by

the Deponent)

at)

on)

Before me :-

……

A Justice of the Peace.

PLEASE NOTE CAREFULLY

7. You must NOT blindly copy the draft document(s)

2. You must go to the court in which you are being sued and ensure that your own actual (real) Defence and Cross Claim or Amended Defence and Cross Claim is both formatted (laid out) and typed in a form acceptable to that court.

7. You must delete anything from my draft which is untrue and/or irrelevant to your particular circumstances.

4. You then need to add details pertinent to your own situation which are (obviously) not in my draft.

7. If you already have a Defence lodged with a court then you are entitled to lodge an Amended Defence.

7. If you have been sued by 'your' bank but have yet to lodge a defence then the document (obviously) is your Defence.

7. In any case make sure that you also make a Cross Claim which means that you are counter-suing 'your' bank.

CAUTION

You should obtain professional legal advice in your own best interests. If legal aid is not available for you and if you can't afford lawyers fees then this information may be used only at your own discretion and at your own risk. The author will not accept any liability in whatever you decide to do or not to do.

WHICH COURT?

If you are already being sued by 'your bank then (obviously) you will be defending in the court in which they started the action. 159

You would be well advised, however, to take the initiative and sue 'your' bank regardless of what they are doing to you.

I am, in the following pages, dealing with the latter, i.e., you suing 'your' bank.

Please bear in mind that even defending yourself, you must face the fact that if you get done in court then you may well find yourself facing the enemy's costs which, of course, will be substantial.

Nor do I recommend in any way that anyone go around suing anyone.

The very last thing you need is to be bogged down in the rotten court system.

There are far more important things in life.

Nevertheless, if you really are at risk of losing your farm and home (or small business) then you may have little choice in the matter.

Whatever you do don't just sit on your tail and allow them to kick you off your farm or business property.

Fight them.

Some professional lawyers recommend commencing action in the Federal Court because :

(a) the judges are supposed to be better (whatever that means).

(b) you may get on quicker than in a State Supreme Court.

But it may be that what you really need is to allow the matter to bog down for as long as possible.

Time is your ally.

The enemy always go for a quick kill, serve the rotten documents of death on you and then get the heavies to drag you off your farm or business as soon as possible.

---

159. There is nothing to stop you starting a cross action, i e., you sue 'your bank either in the same court in which they have sued you and you sue thern in a court of your choice. You can then 'cross vest' the case into the court in which you are suing thern. The tail starts to wag the dog.

It may be in your best interests to have as much time as possible to prepare yourself for your court appearance, and to allow for the full impact of the details of your action to sink in on 'your' bank - only if they see it as a bad business for them will they settle with you to avoid the courtroom drama and publicity.

On the other hand it may be better to get into a court like the Federal Court and kick the tripe out of 'your' bank and be done with it. If you feel you don't need time and if you really believe your case is good then go for it in a court which will hear you soonest.

Make some telephone calls and find out the time delay for the various courts in your part of the land.

You have to make up your own mind on this.

The following draft is for commencing action against 'your' bank.

It is intended for the Federal Court of Australia.

It is at time of writing only three or four months to get such a case on for trial in that court but ask the office of the court in whichever State or Territory in which you live.

SPECIAL NOTES :

1. The Federal Court of Australia requires double spacing between lines and between paragraphs. The real live example which follows is only single spaced to fit into this Manual, except for the first page which is an example only.

You must speak with the court, whichever it is, in which you are going to sue 'your' bank and make sure that you know how they want it typed up.

That court usually requires two copies of your Statement of Claim (Writ) for themselves plus one each for the people you are suing but ask them yourself to make sure.

Do not blindly follow the draft.

2. At time of writing the cost (or fee) for lodging a Writ (Statement of Claim) is $300.00 but speak with the court office itself and make sure you know exactly what costs are involved as well as their paperwork requirements.

3. Also ask them what is the cost, if any, for lodging an Amended Statement of Claim because there is more and more hard data and information coming forward all the time about the banks which you may wish to add to your existing Statement of Claim to further strengthen your hand, i.e., replace your original document with a better and more up to date version.

4. Writs (Statements of Claim) and Defences (and Amended Defences) are usually required to have a 'cover sheet' which is nothing more than a piece of paper which states your name and the Defendant(s) and the listed matter details, i.e., a summary sheet, except the Federal Court of Australia.

Ask the court office in which you are going to lodge your documents exactly what they require. They will give you a copy of the document which you can complete, photocopy and then attach to the front of your own documents if required.

5. You must expect some resistance both to you acting for yourself and the subject matter involving the banks. The Great Secret isn't something 'they' want out in the open at all. The point being that you

have to expect at least some opposition, obstruction and plain misleading information. Registrars in court administrations are, after all, lawyers.

For that reason you should first ascertain (find out) exactly what the paperwork is required to be for the court in which you are going to fight before you disclose the nature of the matter.

Keep your intentions secret. Don't give any advance information to the enemy until and unless it is in your own best interests.

Clearly you would be far better to have a qualified lawyer prepare your documents for you and it may be in your best interests to find one who will do only what you want him/her to do while you still defend yourself.

The following, although a real live Writ is, nevertheless, only a draft as far as you are concerned. Do NOT blindly follow it, it is for your guidance only.

You should buy and refer to the Federal Court Act and Rules for your information. 160

There are two documents, i.e., the (1) Application (2) Statement of Claim.

6. It is absolutely essential that you carefully follow the format required by the court for your documents; to know what the required format is requires you to talk to the court office yourself or, if you prefer, go to that office with a draft copy of your Writ (leaving off the identity of 'your' bank) and ask that office what, if anything, is wrong with your document.

You can then make the changes which that office requires (and only then add the identity of 'your' bank) before formally submitting the document for stamping by the court office.

7. Because it may take some months before you get a trial, you need to ask a judge for a Restraining Order on 'your' bank to stop them evicting you while you are waiting to have the matter heard. Most judges will see you with a few days notice if you plead urgency. Do so.

Tell the judge that you greatly fear (with good cause) that the bank will move in on you before the matter can be heard, that your matrimonial home is involved, that you will have nowhere to live for your one legged wife, your fourteen starving kids and your blind grand-mother.

Then tell the judge that you will give an undertaking that,

(a) the property will not be harmed

(b) the income earning potential will not be harmed

(c) you will "report on the monies at the trial" 161 in return for a restraining order on the bank.

If the judge agrees then keep in mind that you are agreeing to a court order which must be obeyed.

That will keep the bank locked up until the trial decision. Once you get the Court Order go serve it on 'your' bank.

If 'your' bank is represented in court (which they inevitably will be) then you don't have to serve any document on them since it is made effective personally by the judge.

---

160. Australian Government Publishing Service bookshops

161. Meaning that you will account for where your own money has gone at the trial but not before.

The ideal position for you to be in is that you can serve both your Writ and a Restraining Order on 'your' bank at the same time.

Then go straight to the media and give them the full story. This is a powerful weapon in your armoury.

The banks hate bad publicity so give them heaps of it. Go to the print media, the electronic (television and radio) in your region and sock it to 'em.

In the following draft :-

(a) You are the Applicant.

(b) 'Your bank is the First Respondent.

(c) Everyone else you are suing is then listed as shown but you have to type in their names in full.

(d) I have shown you the first page laid out as it is required by the registry.

(e) The first page of every document, whether it be one single page or any number of pages must have the first page laid out as shown hereunder.

(f) Double spacing between the lines except as shown in the draft.

(g) Delete from my draft anything that is untrue in your case.

(h) Insert anything missing from my draft that is true in your case.

(i) Make enough copies as follows :-

(i) Two copies for the registry.

(ii) One copy each for the Respondents.

(iii) One copy for yourself.

(j) Make sure that your final document complies with the requirements of the registry - talk to them to make sure.

(k) Sign your documents at the registry when lodging them for filing. You will have to pay $300 filing fee.

(I) Underneath your name on the front page you must show your 'address for service' which is to be within 10 kms of the registry.

CAUTION

You are well advised to have a lawyer prepare your documents for you.

THE NEVER-ENDING STORY

'Go into debt,' the manager said,
"It's all for your good, sign or you're dead,"
So trusting his word we signed on the line'
(we're not the type to whinge or whine)

We needed the money at once, you know,
To help the crops next year to grow,
So off we went to plant the wheat,
Knowing next year we'd have food to eat.

Without any warning the roof fell in,
Just as we were about to win.
The bank foreclosed within the year
Leaving us right out on our ear.

We didn't know it at the time,
But when we signed on that dotted line,
The bank intended all along to
Asset strip us for a song.

They never stood to lose or fall,
For the loan they paid was not real at all.
They created the loan from book-entry credit,
A dash of the pen was all there was to it.

Their only risk was about twenty percent,
The other eighty was all bent.
The 'money' did not exist at all,
And yet it sent us to the wall.

To think of all the money we've paid
And the terrible time we've had to wade
If we knew then what we know now,
We wouldn't be in our legal row.

For we are suing our bank at court
Because of this immoral rort,
And since they're doing the same to you,
We'll tell you what they really do.

They multiply by fifteen or so,
Their coin and paper in a row
And this they call their asset strength,
From which they loan to you at length.

Then you must pay in hard-earned dough,
A hundred times more than you really owe,
We all must be a little insane,
It's time, my friend, for us to complain.

June L. Hoins

IN THE FEDERAL COURT OF AUSTRALIA

VICTORIAN DISTRICT REGISTRY

GENERAL DIVISION

No of 1992

YOUR NAME IN FULL

Applicant

- and -

COMMONWEALTH BANK OF AUSTRALIA

First Respondent

BLOODNUT ONE

Second Respondent

BLOODNUT TWO

Third Respondent

BLOODNUT THREE

Fourth Respondent

BLOODNUT FOUR

Fifth Respondent

APPLICATION

On the grounds appearing in the accompanying Statement of Claim the Applicant claims –

1. That the Respondents have entered into a criminal conspiracy to strip the Applicant of his assets with malice aforethought.

2. That the Respondents have engaged in conduct that is misleading or deceptive pursuant to the Trade Practices Act 1974, Sections 52, 52A and 53.

YOUR NAME IN FULL

Your address for service which must be within 10 kms of the court.

3. That the Respondents loaned book-entry credit created at no cost whatever to the First Respondent and fraudulently passed that cost-free book-entry credit off to the Applicant as legal tender whereas in truth and in fact the Applicant himself provided his own legal tender by virtue of the (insert amount you have paid 'your'bank) in cash monies he paid to the Respondents and the Respondents' illegal transaction alone is cause for the alleged loan documents to be struck out.

4. Further and in the alternative, if the Court finds that the Respondents are somehow entitled to create cost-free book-entry credit and that book-entry credit so created is valid in law and in fact then the Applicant claims the same right.

5. That the alleged mortgage documents were not properly executed and are unenforceable and should be struck out.

6. A declaration that no monies were due and payable by the Applicant to the First Respondent on (insert date of first alleged mortgage contract) or at any time thereafter.

7. An injunction both interim and permanent restraining the First Respondent from exercising the powers conferred upon it by the said alleged mortgage.

8. Damages.

9. Interest including compound interest.

10. Costs. I shall be represented by counsel at the trial.

11. Such further and other orders as to the Court may seem appropriate.

TO THE RESPONDENTS
(Put them here) (Address)

A directions hearing on this application will be heard by the court at the time and place specified below. If there is no attendance before the Court by your counsel or solicitor, the application may be dealt with and judgement may be given or an order made in your absence.
Before any attendance at that time you must file an appearance in the Registry.

Time: (Date & time written in by Registry)

Place: The address of the court.

DATED ; (insert the date)

_____

Registrar

YOUR FULL NAME
Your address for service
Applicant.

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIAN DISTRICT REGISTRY
GENERAL DIVISION

No. of 1992
YOUR FULL NAME
Applicant
- and -
COMMONWEALTH BANK OF AUSTRALIA
First Respondent
BLOODNUT ONE
Second Respondent
BLOODNUT TWO
Third Respondent
BLOODNUT THREE
Fourth Respondent
BLOODNUT FOUR
Fifth Respondent

STATEMENT OF CLAIM

1. The applicant is and has at all material times been the registered owner of (insert land details in full).

YOUR FULL NAME

Your address for service which must be within 10 km of the court.

2. The First Respondent is and has at all material times been a duly incorporated corporation carrying on trade and commerce by way of banking within the meaning of section 5 of the Banking Act 1959.

3. On (insert date) the First Respondent approved the Applicant a mortgage loan of $440,000 (or whatever).

4. The said facility was secured by mortgage loan numbers (insert the numbers or proper identities as applicable)

5. The alleged debt was created by the First Respondent as a book-entry credit at no cost to the First Respondent and thus the First Respondent has no right whatever to claim payments in cash currency of the Commonwealth of Australia in return for book-entry credit created out of thin air and totally unbacked by either real wealth or security in the hands of the First Respondent.

PARTICULARS

(a) The First Respondent habitually and frequently creates book-entry credit (called deposit creation in the U.S.A.) based entirely on a multiplying factor solely at the First Respondent's discretion, and that multiplying factor is adjusted from time to time to suit the secret activities of the First Respondent.

(b) This multiplying factor is at least fifteen (15).

(c) The First Respondent habitually and with malice aforethought adds up the total of cash Australian Commonwealth currency held in its hands on any given day and to that minority figure it adds the total for that day of all its own created paper based on its nominal face value, and to that sub-total the First Respondent also adds any and all other essentially valueless paper such as cheques passing through the First Respondent's hands on that day to arrive at a total which is euphemistically called the 'assets' of the First Respondent.

(d) That artificially created total of which a minimum of ninety-six percent (96%) is totally without real value and unbacked by real wealth is then unilaterally multiplied by the First Respondent by a figure of at least fifteen (15).

(e) That final fictional figure gives a grand total which is what the First Respondent illegally, immorally and improperly nominates publicly as its 'assets' and /or its 'capital'.

(f) For every one dollar ($1.00) held by the First Respondent in cash currency of the Commonwealth of Australia, the First Respondent unilaterally and untruthfully states without any basis in fact that it actually holds something like one thousand fifteen hundred dollars ($1,500.00) in cash currency of the Commonwealth of Australia.

(g) The First Respondent is loaning not cash currency of the Commonwealth of Australia but book-entry credit created out of nothing and at no cost to the First Respondent but for which the First Respondent is illegally immorally and improperly demanding that the Applicant pay the First Respondent cash currency of the Commonwealth of Australia plus extortionate interest and charges.

(h) As from the 1/1/92 the First Respondent by mutual agreement between the bankers worldwide and subject to no other parliamentary, legislative, judicial or administrative approval, is obligated (to the worldwide banking fraternity) to hold only four percent (4%) of its nominal so called 'asset' and /or 'capital' as delineated above in cash currency of the Commonwealth of Australia.

(i) On the basis of 5.(b) above the First Respondent is constrained only to the extent that the First Respondent has to keep available sixty dollars ($60.00) in cash currency of the Commonwealth of Australia for every one thousand fifteen hundred dollars ($1,500.00) claimed by the First Respondent as being the First Respondent's 'assets' and/or 'capital'.

This means that the First Respondent can and does create book-entry credit entirely at its own discretion and without limit subject only to the self-imposed requirement to hold four percent (4%) of the First Respondent's so called 'asset' and/or 'capital' in cash currency of the Commonwealth of Australia or paper in lieu thereof.

(j) It follows inexorably that ninety-six percent (96%) of the First Respondent's so called 'asset' or 'capital' strength is fictional, being nothing more than that figure unilaterally decided upon by the First Respondent for its own secret purposes and illegal gain.

PROFESSIONAL DOCUMENTS PROVING THAT BOOK-ENTRY CREDIT IS CREATED OUT OF NOTHING BY BANKS INCLUDING THAT OF THE FIRST RESPONDENT.

'The Creation of Financial Assets', R.S.Deane, 'Reserve Bank of New Zealand Bulletin', June

PROFESSIONAL DOCUMENTS PROVING THAT BOOK-ENTRY CREDIT IS CREATED OUT OF NOTHING BY BANKS INCLUDING THAT OF THE FIRST RESPONDENT.

• 'The Creation of Financial Assets', R.S.Deane, 'Reserve Bank of New Zealand Bulletin', June 1987, pp.223-228.

* 'The Credit Creation Process, Banks Versus Non-Banks', R.S.Deane, 'Reserve Bank of New Zealand Bulletin', December, 1972, pp.19-22.

The foregoing twodocuments are available from the Australian National Library in Canberra at a charge of six dollars ($6.00) perarticle. The library call (reference) number for ordering copies is S332.1109931/ Res, so quote that number when ordering photocopies from the National library.

These two professionally learned articles from within the very heart of the banking system prove conclusively that the grounds contained herein and asserted by the Applicant are accurate and true.

* 'Multiple Expansion of Bank Deposits Under Australian Institutional Conditions', J.D. Stanford, 'Economic Record', June, 1968.

"Multiple Expansion of Bank Deposits Under Australian institutional Conditions - a Reply', J.D. Stanford, 'Economic Record', June, 1969.

The above two professional articles prove conclusively that the Applicant is factually correct in this matter of the creation by the First Respondent of cost free book-entry credit (deposit creation).

'Sir Robert Clayton and the Origins of English Deposit Banking', Frank T.Melton, Cambridge University Press, 1989.

This most scholarly and insightful study of the regular and systematic creation of book-entry credit (deposit creation) by London's bankers over the last three hundred years proves conclusively that the Applicant is correct in the facts asserted above.

∗ 'Money and Banking', Campbell and Campbell, 1981. This professional publication clearly states that the Applicant is correct.

∗ 'Observed Income Velocity of Money : A Misunderstood Issue In Monetary Policy', Leonall C. Anderson, 'Federal Reserve Bank of St.Louis Review', August, 1975.

∗ 'Non - Banking Financial Intermediaries and the Process of Credit Creation', F.Argy, 'Economic Record', December, 1960.

∗ 'Commercial Banks and Financial Intermediaries - Fallacies and Policy Implications', Joseph Asheim, 'Journal of Political Economy', vol. LXVII, February, 1959.

∗ 'The Uniqueness of Commercial Banks', Jack M.Guttentag and Robert Lindsay, 'Journal of . Political Economy', vol. 76, 1968.

∗ 'The Definition of Money', David Laidler, 'Journal of Money, Credit and Banking', vol.1, August, 1969.

The foregoing five (5) professional articles also confirm that the First Respondent and other banks do create cost free book-entry credit (deposit creation) as stated by the Applicant.

* 'In God's Name', David Yallop; a well respected investigative journalist who has exposed in definitive fashion the connection between banks and major criminals and the criminalityof the banks themselves.

- 'Power on Earth - Michele Sindona', Nick Tosches, Arbor House, New York, 1986; another well-known investigative journalist who, in effect, follows on from David Yallop's work in that he details the life story of one of the cental characters in the book 'In God's Name'. This book shows the close and evil connection between the banks and the criminal element and the criminality of the banks themselves.

- 'Tragedy and Hope', Professor Bernard Quigley, Macmillan, 1966. This book is unique in that Professor Quigley exposes, only because he thought the objectives laudable, the secret society to which he was a prominent member.

- 'The Underground Empire - Where Crime and Government Embrace', James Mills, Sidgwick and Jackson, London, 1987. This author spent five years within the American Centac unit. His book details the fraud and criminality of the banks in addition to showing the close working relationship between government at all levels and organised crime.

- 'The Money Masters', Dr.lan Reinecke, William Heinemann Australia, 1988. Commissioned by the Finance Sector Union (Bank Employees' Union), this professional university communications technology man exposes the true power and corruption in the Australian banking industry.

- 'Labour and the Money Power', Peter Love, Melbourne University Press, 1984. An informative background showing that the power of the banks has been entrenched in Australia for many years and that the tentacles reach everywhere.

- 'Battle Your Bank and Win', Edward Mrkvicka jnr.' Sons of Liberty, PO Box 214, Metairie, Los Angeles, USA 70009. This author is a former senior officer in the American banking industry and he has written a first class expose of the banking industry per se and confirms the truthfulness of all that the Applicant asserts herein.

* 'The Great Crash 1929', ProfessorJohn Kenneth Galbraith, Penguin Books, 1988. A lucid explanation that the banks were are still directly responsible for creating book-entry credit (deposit creation) out of nothing and then subsequently with-holding credit so as to create recessions and depressions to suit their own evil ends.

- 'Output Inflation and Growth', D.C.Rowan, Professor of Economics, Southampton University Australian Edition, Macmillan and Co. Aust., 1975. Evidence that banks do indeed create nil cost book-entry credit (deposit creation) at their own discretion.

- 'Economic Democracy'

- 'Credit-Power and Democracy'

- 'Social Credit'

- 'The Control and Distribution of Production'

- 'The Monopoly of Credit'

All five of the above books, written by engineer Major C.H. Douglas, London, 1924-31, details the truth about book-entry credit creation by the banks and offers a sensible solution to replace this secretive and oft-denied fact of fiscal fraud by the banks. This is important because these facts demonstrate that the Applicant is in no way suggesting that the Australian banking system be destroyed or even changed fundamentally without being able to suggest something eminently sensible to replace it in respect of cost free book-entry credit creation by the First Respondent.

'Banking and Monetary Studies', Department of Banking and Economic Research, Office of the

Comptroller of the Currency, Washington, 1963. This is the official U.S. Government publication celebrating the centennial year of the U.S. National Currency Act 1863 which created the National Banking System in the United States of America.

A more prestigious publication could not be tendered in evidence. With a forward by U.S. President John F.Kennedy, this publication proves conclusively that banks such as the First Respondent do indeed create book-entry credit (deposit creation) at no cost to themselves and that they use that unilateral power to control the economy not only of the country, but of everyone who comes within their grasp.

* 'Oil In Troubled Waters', Dr.Jim Cairns, Treasurer of Australia and Deputy Prime Minister. The author states conclusively that banks such as the First Respondent do indeed create book-entry credit out of nothing.

* 'Money', Professor John Kenneth Galbraith. A simply stated expose of the ineptitude of bankers per se and the truth about their book-entry credit creation (deposit creation) at no cost whatever to the banks themselves. This author was the Wartime Controller of Prices in the U.S., was U.S. Ambassador to India 1961-63 and then the Paul M.Warburg Professor of Economics at Harvard University.

* 'Volume Thirteen, Standing Committee on Finance and Public Administration', (The Rigg Submission), House of Representatives, Canberra. You should be able to obtain a free copy of this 343 expose of the Commonwealth Bank and other banks by telephoning (06) 277 4587 but at time of writing the banks have killed it.

Covering three separate small businesses, this document is a savage indictment of the Australian banking system. It details fraud, habitual lying, chicanery and deceit on the part of the banks.

SOME EXPERT STATEMENTS

(a) "If anything is evident from this history, it is that the task attracts a very low level of talent, one that is protected in its highly imperfect profession by the mystery that is thought to enfold the subject of economics in general and of money in particular."

Professor John Kenneth Galbraith, 'Money'.

(b) "The issue which has swept down the centuries and which will have to be fought sooner or later is The People v The Banks." Lord Acton, Lord Chief Justice of England, 1875.

The Applicant's Statement of Claim is precisely as that great lawyer and judge forecast and fully anticipated, i.e.,

THE PEOPLE v THE BANKS

This eminent lawyer and judge penned the now famous quote, "Power corrupts and absolute power corrupts absolutely."

Since the Federal Court of Australia, like all other courts in the land, is largely governed by precedence and the findings of superior court judges the Applicant claims the precedence in law and in fact of that which the eminent Lord Chief Justice of England said in his official position on the bench.

(c) "I am afraid that the ordinary citizens will not like to be told that the banks can and do create and destroy money. And they who control the credit of the nation direct the policy of governments, and hold in the hollow of their hands the destiny of the people."

Richard McKenna, Chancellor of England and Chairman of the Midland Bank, 1924.

(d) 'There is no more direct way to capture the control of a nation than through its credit (money) system."
Phillip A.Benson, President of the American Bankers Association, 8th June, 1939.

(e) "Not only have the banks the power to create money within wide limits but they do so. Although most writers still confuse and under-estimate the matter, banks certainly create credit." Dr.Jim Cairns, Treasurer of Australia and Deputy Prime Minister, 'Oil In Troubles Waters'.

(f) "As people hold proportionally less in currency, the possibilities of expansion (of book-entry credit) are greater. Also, lower bank reserve requirements and smaller holdings of excess reserves would tend to cause the money multiplier to be larger."
'Money and Banking', Campbell and Campbell.

(a) One money multiplier provided *by* the Australian Bankers Association is as follows.

$$m = \frac{(I + c)}{[r + c \div c \div (r1)\ (t)]}$$

m = 'money' or cost free book-entry credit created by the bank's formula. It should be noted that the First Respondent, as will be proven through direct questioning during the trial of the First Respondent's officers, employees, servants and agents, has its own computer programme which renders the above money multiplier obsolete, but the evidence is overwhelming that the First Respondent does in fact create book-entry credit out of nothing in its own inimical way. Discovery and Subpoena will have the relevant documents before the Court in due course.

(h) 'The Greater the power, the greater the abuse." Edmund Burke, British House of Commons, 7th February, 1771.

(i) "Power corrupts and absolute power corrupts absolutely." Lord Acton, Lord Chief Justice of England.

Both of these eminent people, one England's leading lawyer and judge for many years when Britain was at the apogee of its imperial power and influence, are describing the corrupt power the banks such as the First Respondent, really do hold over the people.

(j) 'The modern banking systems manufacture money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in iniquity and born in sin...Bankers own the earth. Take it away from them but leave them the power to create money, and with the flick of a pen, they will create enough money to buy it all back again...take this great power away from them and all the great fortunes like mine will disappear and they ought to disappear, for then this would be a better and happier world to live in...but if you want to continue to be slaves, then let bankers continue to create money and control credit"

Sir Josiah Stamp, former Managing Governor of the Bank of England, reputed at the time to be the second wealthiest man In the U.K.

(k) 'Whatever their other errors, a long line of financial heretics have been ri[9]ht in speaking of "fountain pen money" - money created by the stroke of a bank president's pen when he approves a loan and credits the proceeds to the borrower's checking account."
James Tobin, Sterling Professor of Economics at Yale University, a former member of the USA President's Council of Economic Advisers and 1955 winner of the John Gates Clark Medal of the American Economic Association ; page 408 of the official U.S. Government publication 'Banking and Monetary Studies', edited by Deanne Carson, Associate Professor of Economics, Brown University and Senior Economist, U.S. Department of Banking and Economic Research, Office of the Comptroller of the Currency, Washington, 1963.

(l) "Government financial policies have largely been made by people whose background is the banking and financial fraternity, whose thinking they reflect."

That same government publication then explains that the banks both loosen and tighten credit by creating book-entry credit and cancelling it as they themselves see fit.

"The reserves are provided and new money is created by the banks and injected into the economy."

It then goes on to discuss this creation and cancellation of book-entry credit and concludes : " Yet if some enemies of the market economy wished to install an agent in the central bank to subvert the system, he could not equip him with a more destructive set of instructions. For our banker is making systematic use of the money-creating power to accentuate economic fluctuations."

"He (the banker) in effect uses the money-creating power to enforce some personal prejudice as to the "proper" level of interest rates and the "proper" kind of loans to make."

"But bankers have characteristically been unsympathetic to monetary theory. They resist the idea that they are the creators of the nations' money stock, rather than simply lenders, no different from other lenders. Perhaps this is true partially because his lending function is more immediately apparent to the individual banker than his money-creating function, and partially because bankers unconsciously recoil from the implications for government control over them of the fact that they play a unique role in being the money creators of the economy."

Professor *J.M.* Culbertson, formerly a member of the Research Division of the U.S. Federal Reserve Board, and at the time of his writing, Professor of Economics and Commerce at the University of Wisconsin, 'Banking and Monetary Studies', Comptroller of the Currency, Washington, 1963, pp.162-166

The Court could not have a more definitive official government statement, issued with all the status and authority of the President of the United States of America, on the subject of book-entry credit creation (deposit creation) by banks including the First Respondent.

(m) "Banks create credit. It is a mistake to suppose that bank credit is created to any extent by the payment of money into the banks. A loan made by a bank is a clear addition to the amount of money in the community."

'Encyclopaedia Britannia'

(n) "Bank credit is a peculiar feature of a highly organised market economy. A commercial bank can also create credit, and hence money. When a commercial bank lends money, it sets up a checking account in the name of the borrower for the amount of the loan, thereby substituting its own credit for that of the borrower."

'Encyclopaedia American', Grober, USA, 1989, p.166.

(o) "In this case money is created through bank credit."

Joseph Marlin, 'Management of the Australian Economy', University of Queensland Press, 1979, pp.32-33.

(p) "A bank can create credit for use by its customers by issuing additional notes or by making new loans which in their turn become new deposits. The amount of the credit it extends may considerably exceed the sums available to it in cash."

'Encyclopaedia Britannica', 'Banks and Banking', pp.600-601.

(q) "HOW BANKS CREATE MONEY : Commercial banks differ from other financial institutions in two ways :1. they offer a wider range of services than the others (2) they create money. The power to create money arises from the public's acceptance of a check written on a commercial bank as money. It is this public acceptance that turns it into money. If a person goes to a bank to borrow money, the bank will

have him or *her* sign a loan agreement that gives the loan and indicates that he or she now owes the bank a stated sum. The bank then adds the sum borrowed to that person's bank account. All that the bank has done is state that the person has more money in the bank."
'The Macmillan Family Encyclopaedia', Macmillan London Ltd., 'Banking', 1980.

(r) "Paterson (the founder) offered a solution (for the shortage of money) : A banking company would be organised with the capital of 1.2 million English pounds. The whole sum would be lent to William of Orange and the government's promise to repay would be the security for a note issue of the same amount...the notes would go out as a loan to worthy private borrowers. Interest would be earned on those notes and on the loans to the government. Again, the wonder of banking. In 1694, it was agreed and the Bank of England was born."

Professor John Kenneth Galbraith, 'Money', pp.31-32.

(s) "Just as perplexing is why the bank of England and other authorities took so long to intervene. Britain's main financial regulator waited for more than a year after seeing a Price Waterhouse audit that raised serious doubts about BCCI's viability before seizing its 25 branches in Britain. One explanation : the Bank of England was conducting negotiations with Abu Dhabi authorities, apparently hoping that BCCI's current owner, Sheik Zayed bin Sultan al Nahayan, would shore up the bank. But suspicious expers raise questions about BCCI's links to Western intelligence agencies. Leaders in Parliament have expressed outrage at the regulatory failure, which among other things, has endangered deposits from as many as 45 municipalities and four utilities." 'Time' Ma[9]azine July 29, 1991, pp.24-29.

On Wednesday 18/12/91 the liquidators of the Bank of Credit and Commerce (BCCI) agreed to plead guilty to fraud, racketeering and drug money laundering, to pay a $13 million fine and turn over all of the bank's U.S. assets ($US500 million) to the U.S.Government. The bank had illegally obtained control of the First American Bank in Washington, the Independence Bank of California and the National Bank of Georgia. The bank had previously been charged with helping the Medilin drug cartel of Colombia to launder money and to avoid U.S. taxes.

(t) 'The few who can understand the system (cheque, money and credits) will either be so interested in its profits, or so dependant upon its favours, that there will be no opposition from that class. While on the other hand, the great body of the people mentally incapable of comprehending the tremendous advantage that capital derived from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests."

Rothschild Brothers of London.

(u) "Under the Federal Reserve Act, panics are scientifically created; the present panic (1920) is the first scientifically created one, worked out as we figure out a mathematical problem." Hon.Charles &Lindbergh, Snr.

(v) 'The youth who can solve the money question, will do more for the world than all the professional soldiers of history."
Henry Ford Snr.

(w) "My agency, in promoting the passage of the National Bank Act, was the greatest mistake in my life. It has built up a monopoly which affects every interest in the country. It should be repealed, but before that can be accomplished, the people should be arrayed on one side, and the banks on the other, in a contest such as we have never seen before in this country."
Salmon P.Chase, Chase Manhattan Bank family.

(x) "The Federal Reserve (privately owned banks) are one of the most corrupt institutions the world has seen."
Senator Louis T.McFadden, for 22 years the Chairman of the US Banking and Currency Commission.

(y) The Manual 'HOW TO SCREW YOUR BANK' which has been publicly endorsed by the Chairman of the Australian Borrowers Association and leading lawyers is appended as containing additional factual information in support of this Statement of Claim.

6. The alleged mortgage contract between the Applicant and the First Respondent specifically fails to state that the First Respondent is engaged in a barter contract which comprises book- entry credit created at no cost to the First Respondent in exchange for cash currency of the Commonwealth of Australia from the Applicant.

The First Respondent's alleged contract is therefore false and misleading and has been deliberately made so by the First Respondent's officers and employees for the purpose of taking unfair advantage of the Applicant.

The First Respondent has as a consequence denied the Applicant his proper rights in natural justice.

The Applicant cites the following Law in support :-

- Contracts Review Act (harsh and unconscionable), Section 4.
- Trade Practices Act 1974, Sections 52, 52A and 53.
- Industrial Arbitration Act 1940, Section 88F.

7. Further and in the alternative :-

If the Court finds that the First Respondent and the banks per se are somehow entitled to create book-entry credit and that book-entry credit so created is valid in law and in fact then the Applicant claims the same right.

PARTICULARS

(a) Displayed in the fabulous foyer of our Parliament House in Canberra is a certified copy of the 'Magna Carta'.

(b) That document is the very basis of the powers, rights and obligations of the Crown devolved upon the common or so called ordinary men and women of the Commonwealth of Australia.

(c) It is also the very foundation upon which the Federal Parliament and by definition the Federal Court stands and functions.

(d) The 'Magna Carta' confers on the Applicant equal rights in law and justice in relation to 0) the Applicant's matrimonial home which is guaranteed by 'Magna Carta' to be inviolate and sacrosanct from any and all action which may be taken by the First Respondent (ii) the Applicant's livelihood which is similarly protected (iii) the cost-free creation of book-entry credit by the First Respondent such that if it is legally valid for the First Respondent to so create cost-free book-entry credit then exactly and precisely the same privilege must be extended to the Applicant.

For the Court to rule otherwise is for the Court itself to rule against 'Magna Carta' and in so doing the Court would be invalidating itself by denying the Constitution of the Commonwealth of Australia upon which the Court relies for its powers and authority.

Attached and marked 'A' is the Applicant's own Book-Entry Certificate which if the Court finds that the First Respondent can legally create book-entry credit shall be completed by the Applicant in Court and which, in accordance with the Applicant's rights under the 'Magna Carta' and the Constitution of the Commonwealth of Australia, fully •satisfies the First Respondent's alleged contract without prejudice to the further rights and claims of the Applicant in this Statement of Claim.

(f) No legislation exists in Australia, either Commonwealth, State or Territorial, authorising or permitting the creation of book-entry credit by the First Respondent.

(g) No legislation exists anywhere in the World which authorises or permits the creation of book-entry credit (or deposit creation) by the First Respondent.

(h) The First Respondent is unable to produce any Regulation, validly made by any executive government anywhere in the World and including the Commonwealth of Australia, its States and Territories, authorising or otherwise approving of book-entry credit (deposit creation) by the First Respondent.

(i) In the absence of any such legislation or regulation, the Applicant is not in any way debarred from himself creating book-entry credit exactly the same as does the First Respondent.

8. The First, Second, Third, Fourth and Fifth Respondents engaged in a criminal conspiracy to defraud and illegally strip the Applicant of his assets, matrimonial home and livelihood.

PARTICULARS

The facts of the matter of the standard well entrenched management tactics of the First Respondent are detailed in the 343 pages of 'The Rigg Submission' being Volume Thirteen of the Standing Committee on Finance and Public Administration of the House of Representatives, Canberra as published by the Parliament of the Commonwealth of Australia.

The facts as publicly stated therein stand unrebutted, after several months of publication throughout Australia, by the Respondents and thus are established as facts in Law.

9. The alleged mortgage contract is in breach of the Trade Practices Act 1974 which prohibits deceitful and misleading advertising and invalidates contracts arising therefrom. Section 52 of that Act specifically prohibits a corporation engaged in trade or commerce from conduct that is or could be construed as misleading or deceptive.

The Applicant was deliberately and with malice aforethought mislead both by the First Respondent's deceitful advertising and by the First Respondent's officers, employees and agents, who kept secret from the Applicant the truth that the Applicant was himself required to create the real wealth or obtain the cash currency of the Commonwealth of Australia which the First Respondent was purporting to loan the Applicant.

Had the Applicant known the truth of the situation into which the Applicant was inveigled by the First Respondent's officers, employees and agents then the Applicant would not have considered conducting any business with the First Respondent.

PARTICULARS

(a) After being induced by the Respondents to sign the alleged mortgage contract in favour of the First Respondent the First Respondent failed to lend the Applicant legal tender currency of the Commonwealth of Australia to the full value of the alleged loan.

(b) The actual legal tender currency which the First Respondent risked for the alleged loan is estimated to be no more than four percent (4%) of the face value of the alleged loan, i.e., a real life risk amount of only $17,600.

The First Respondent charged an interest rate which was some six (6) times the amount authorised by the alleged mortgage documents and the First Respondent did so with malice aforethought and to the obvious detriment of the Applicant.

(d) The First Respondent in carrying out the First Respondent's commitment to lend the Applicant legal tender currency of the Commonwealth of Australia did instead write cheques with the deliberate intention of making a loan beyond the amount of the First Respondent's customers deposits and the First Respondent's capital reserves.

(e) The said cheques which the First Respondent and its officers wrote and issued were not at the time backed by or redeemable in legal tender money of the Commonwealth of Australia for their full face value.

(f) The only consideration which the First Respondent provided in respect of the alleged loan to the Applicant was a book-entry credit deposit which the First Respondent itself created effortlessly and at no cost to the First Respondent.

(g) The First Respondent in stamping its own cheque "Paid" did make a false representation as the First Respondent merely transfered some book-entries and never at any time intended to redeem the said cheques in legal tender money of the Commonwealth of Australia.

(h) The First Respondent and its officers failed to lend the Applicant legal tender money of the Commonwealth of Australia and instead substituted bad cheques with the intention of circulating such cheques as money.

(i) In agreeing to make the alleged loan to the Applicant the First Respondent deliberately failed to inform the Applicant that,

(i) What the First Respondent was intending to provide to the Applicant was book-entry credit and not legal tender currency of the Commonwealth of Australia.

(ii) The provision of that book-entry credit would result in an increase in the deposits of the Australian banking system.

(iii) Such an increase in loans and deposits would inject into the Australian community only sufficient credits to constitute the principle amounts of any such alleged loans and did not provide the means to repay either interest or charges.

(iv) The repayment of any or all such book-entry credits destroyed the book-entry credit to the extent of any such repayment.

(v) The only means by which the interest and charges could be serviced by the Applicant would be if other persons or corporations continued to obtain similar credits from the Australian banking system of which the First Respondent forms a part such that additional funds were available to some borrowers.

(vi) The contraction of credit by the Australian banking system would result in an inability of borrowers generally, and the Applicant in particular, to service borrowings as to either the interest or charges.

(vii) An increase in interest rates by the Australian banking system would result in the inability of borrowers in general, and the Applicant in particular, to service borrowings as to either interest or charges.

(viii) Whilst the First Respondent was proposing to provide the alleged loan by way of book-entry credit, the First Respondent would require repayment from the Applicant in legal tender currency of the Commonwealth of Australia.

Law cited in support :-

- Contracts Review Act (harsh and unconscionable) Section 4
- Trade Practices Act 1974, Sections 52, 52A and 53.

Industrial Arbitration Act, 1940, Section 88F.

10. The Respondents unilaterally terminated the alleged loan agreement by failing to honour and abide by the originally agreed interest rate.

PARTICULARS

(a) It was a fundamental condition of the original alleged loan that the Respondents would not under any circumstances alter or amend the interest rate without the written consent of the Applicant.

(b) Contrary to the aforesaid fundamental agreement the Respondents conspired together to unilaterally alter the Applicant's interest rate upward to suit the secret profit motivations and objectives of the Respondents without the prior approval of the applicant.

11. The Respondents deliberately and with malice aforethought set out to ruin the Applicant to enable the First Respondent to sell the Applicant's property and matrimonial home at far beneath its real value to a party or parties working in profit sharing conjunction with the Respondents for their private gain and profit.

PARTICULARS

(a) The value of the alleged loan was $440,000 against the value of the Applicant's property of $450,000.

(b) The Applicant has paid to the First Respondent no less than $76,000 in cash currency of the Commonwealth of Australia.

(c) Because the First Respondent did nothing other than create book-entry credit at no cost to the First Respondent and because the upper limit of the First Respondent's real wealth risk was only 4% of the alleged loan or $17,600 the First Respondent has no claim in equity against the Applicant.

(d) Nevertheless, the First Respondent is now fully intending to enforce its illegal, immoral and unjust mortgage contract to take further advantage of the Applicant in order to obtain the Applicant's assets which are valued at $450,000.

(e) The summary of the Respondent's financial intentions are :-

Payments made in legal tender currency	$ 76,000
Value of the applicant's assets	$450,000
Total target of the Respondents	$526,000

(f) As against the aforesaid 4% real wealth risk of the First Respondent the profit level at which the First Respondent and its associates are aiming is no less than 2,988% profit.

There surely wouldn't be a Court in the land that would fail to call that level of profit extortionate.

(g) Because of the Applicant's low level of financial experience in banking matters and complete lack of knowledge and experience in the secret activities of the Respondents, the Applicant was induced as hereinbefore stated to accept the business and financial advice of the Respondents.

11. The alleged mortgage contract while in the possession and custody of the First Respondent was rendered void by being materially altered without the consent of the Applicant..

PARTICULARS

(a) There was no independent witness present at the time of the alleged execution of the alleged mortgage by the Applicant.

(b) The independent witnesses' signature was subsequently inserted in the alleged mortgage by the First, Second, Third, Fourth or Fifth Respondent or by the First Respondent's officers, employees or agents in the absence of the Applicant.

(b) Further and in the alternative :-

The Applicant was induced to sign the alleged mortgage by oral representations made by the employees of the First Respondent to the effect that the mortgage was only a formality and would never be called upon in any way.

PARTICULARS

(i) The 343 pages of 'The Rigg Submission', Volume Thirteen published by the Parliament of the Commonwealth of Australia as hereinbefore stated clearly prove that the Respondents' habitual management style is to lie to and deceive their customers.

(ii) At various times the Second, Third, Fourth and Fifth Respondents said to the Applicant words to the effect,

"Don't worry about all the fine print, (your name), these documents are only a formality -they will never be used once we have filed them away."

Acting on the faith and truth of the said representation and induced thereby and not otherwise, the Applicant signed the alleged mortgage.

(iii) The Respondents made the said representations knowing the same to be false and untrue and/or recklessly and not caring whether they be true or false.

(iv) The alleged mortgage documents were not properly executed and are therefore unenforceable.

12. The prime management and motivational style of the First Respondent is to practice deceit and telling lies is habitual both to the Respondents and the banking industry per se.

(i) Evidence, even sworn evidence, from the First Respondent, its officers, employees or agents may not be relied on in any circumstances.

(ii) Bankers including the Respondents, have a now well established historical record of lying under oath, fabricating documents and suppressing the truth.

(iii) The First Respondent's advertising states that the First Respondent is honest and has caring attitude towards its clients whereas the reality is otherwise, and natural justice should require that the alleged mortgage be declared null and void.

PARTICULARS

(a) Current television advertisements being shown nationally by the First Respondent and which shall be shown to the Court as an Exhibit.
Internal memos from the First Respondent's officers and employees which shall be tendered to the Court prove conclusively that the First Respondent, its officers and employees, deliberately set out to

deceive both the Applicant and other customers but also the Australian Taxation Office with 'SIMULATED FOREIGN CURRENCY LOANS'

The word "simulated" is defined in the self-help Manual 'HOW TO SCREW YOUR BANK' which is tendered herewith as an Exhibit.

There are only two possible explanations for the First Respondent, its officers and employees, using this word 'SIMULATED' and they are,

(i) Either the First Respondent and its officers, employees and agents really are stupid, don't understand the English language and are ignorant of the meaning of the word, which seems incredible.

OR

(ii) They are showing their utter contempt for the Applicant and the Court by using the very word which tells us what they really are doing to all of us on the assumption that we don't understand the English language.

(c) On the basis of the aforementioned definitions of the word "simulate" as used by the First Respondent in its own internal memos the First, Second, Third, Fourth and Fifth Respondents and the First Respondent's officers, employees and agents may quite reasonably be described as mendacious monkeys crossed with pathological parrots which can't lie straight in bed.

(d) The First, Second, Third, Fourth and Fifth Respondents and the First Respondent's officers, employees, and agents stand condemned by their own use of the word "simulated" in relation to themselves personally and their professional conduct as bankers and business advisers.

13. The First Respondent is, like other banks in Australia, and contrary to the public image assiduously fostered at great advertising expense by the First Respondent and its fellow bankers, institutionally dishonest and habitually engaged in illegal and immoral practices and no reliance may or should be placed on anything said or submitted in evidence by the Respondents or the First Respondent's officers, employees or agents.

PARTICULARS

(a) "Capital must protect itself in every possible way by a combination and legislation. Debts must be collected, lands and mortgages must be foreclosed as rapidly as possible. When, through the processes of law, the common people lose their homes they will become more docile and more easily governed through the influence of the strong arm of government, applied by the central power of wealth under the control of leading financiers. This truth is well known among our principle men now engaged in forming an imperialism of Capital to govern the World. By dividing the voters through the political party system, we can get them to expend their energies in fighting over questions of no importance. Thus, by discreet action we can secure for ourselves what has been so well accomplished." Editorial 'The USA Bankers Magazine', 24th August, 1924.

The Court could not have a more succinct and accurate statement of the evil intent of bankers such as the Respondents.

All banks are "sleazy", defined in Collins Dictionary as "dirty, vulgar, sordid", according to the international article published by 'Time' magazine on 29th July, 1991. Attached and marked 'B' is an Exhibit being seven (7) photocopy pages of the aforesaid article titled 'The World's Sleaziest Bank'. The title of that article imputes and states that all banks such as that of the First Respondent are sleazy by definition and by their inherently ugly and habitually dishonest conduct. The contents of the aforesaid international article demonstrates a level of malice aforethought, inherent dishonesty and illegality in the banking system which is frightening in its implications.

(c) Attached and marked 'C' is an Exhibit being a photocopy of a Media Release from Senator Paul McLean dated 14th August, 1991 in which Senator McLean poses highly pertinent questions (as yet unanswered) regarding involvement by Australian banks such as that of the First Respondent in international terrorism.

(d) Attached and marked '0' is an Exhibit being a photocopy of questions without notice asked of the Minister Representing the Treasurer by Senator McLean on 14th August, 1991 and which are as yet unanswered.

(e) The Applicant will be presenting a sworn Affidavit to the Court relating to illegal and criminal conduct by banks such as that of the First Respondent from Congressional Representative Henry Gonzalez, Chairman of the United States of America Committee on Banking, The U.S. House of Representatives, Washin[9]ton D.C.

(f) Attached and marked 'E' is an Exhibit being a photocopy of a Media Release from Senator Paul McLean dated 15th August, 1991, in which the Senator describes the Australian banking system as "flagrant rapacity".

(g) Attached and marked 'F' is an Exhibit being photocopies of four pages of the Federal Parliamentary Hansard for the Senate, namely pages 2661 to 2664 inclusive, dated 17th April, 1991.

(h) The Commonwealth Bank of Australia, its officers and employees, acted illegally and improperly towards one Donna Batiste, being at that time a customer of the aforesaid bank, in order to gain material gain and spoil for that bank's Italian confederates.

(i) The Commonwealth Bank of Australia, in conjunction with the Italian bank Banca Nazionale del Lavoro, Banque Nationale de Paris and Dresdner Bank AG owned the Australian based merchant bank Australian European Finance Corporation Ltd. (AEFC) until March, 1989 when the Commonwealth Bank of Australia assumed 100% ownership of what is now known as AEFC Limited.

(ii) An Italian based merchant bank, Instituts Nazionale Di Credito Per II Lauore Italiano All 'Estore (ICLE) is owned by the Italian bank Banca Nazionale del Lavoro, supposedly owned by the Italian Government or in the majority of shares by Monte de Paschi di Siena.

(iii) ICLE has loaned funds to the Commonwealth Bank of Australia. There is, therefore, a close and fraternal working relationship between the Commonwealth Bank of Australia and the Italian banks nominated herein.

(iv) Mr.Vern Christie, Managing Director of the Commonwealth Bank of Australia at the time of the forgoing events, and an individual who took a personal hand in the asset stripping and ruin of the aforesaid Donna Batiste alle[9]edly killed himself by taking strychnine on 13th February, 1991.

Considerable efforts were made to cause the public to believe that Mr.Christie died of a heart attack. The Westmead Coroner, Mr.John Hiatt, made no finding of the cause of Mr.Christie's death, dispensed with a formal inquest and suppressed publication of the coronial file.

That suppression order was lifted on 2/1/92. Mr.Christie's estate was one of the defendants in a Victorian court case in which Occidental and Regal Insurance Group sued the Bank of Melbourne, the Battery Group (of which the late Mr.Christie was a director) and others in an attempt to recover $65 million which was fraudulently withdrawn from the insurance group's accounts and which was paid to the ANZ Bank and the Commonwealth Bank. That case was cited as costing $31 million in legal costs.

(vi) The Respondents are intending and have always intended with malice aforethought to ruin the business of the Applicant and then to take possession of the Applicant's property and assets exactly the same way as did the First Respondent in regard to Donna Batiste and her company Huon Valley

Springs Pty.Ltd. and as the Respondents have similarly already done to the Applicant's family by dispossessing the Applicant's parents and brother of four other land titles and all the benefits therefrom.

(h) Attached and marked 'G' is an Exhibit being 37 pages of photocopies comprising the now infamous 'Westpac Letters'. These pages consist of two reports from Allen Allen and Hemsley, lawyers, to Wes4pac Banking Corporation.

(i) The documents, which includes hand-written notes, prove conclusively that bankers such as the First Respondent and their lawyers are deceitful, that they act with malice aforethought towards their customers and that they are dishonest in their business dealings.

(ii) There is an element of secrecy and secret dealings in these documents which smacks of 'The Godfather' syndrome.

(i) On 14th July, 1988, Mr.Justice Keely in the Melbourne Federal Court said that Mr.Stewart Fowler, then Westpac's Chief General Manager of Retail Financial Services, gave a number of untruthful answers intended to mislead the Court.

(i) Attached and marked 'H' is an Exhibit being a photocopy of a news item published on the front page of 'The Sydney Morning Herald' on 15/7/88.

(ii) The aforesaid Stewart Fowler was subsequently promoted to Westpac’s Managing Director. It may reasonably be deduced, therefore, that being called a liar in open court by a Federal Court Judge and being so declared on the front page of a national morning newspaper, in no way hindered that individual's promotion to the top job in his bank.

(j) In an Exhibit yet to be tendered, being 56 pages of photocopies of the Tannhauser Judgement in the Federal Court in Brisbane on 12/12/91, the Federal Court Judge, Mr.Justice Pincus, called Mr.Albert Look, a Senior Manager for Westpac Banking Corporation, a liar and found in favour of Mrs.Johanna Tannhauser of Coopers Plain and awarded her $439,153 damages plus, and costs for negligent and misleading conduct by the bank in advising her about a Swiss Franc loan in 1984.

(k) In an Exhibit yet to be tendered, being 70 pages of photocopies of the Ferneyhough Judgement in the Federal Court of Australia in Perth on 18/11/91, Lee J. found that the Applicants were misled by Westpac Banking Corporation which had failed to properly advise its clients.

(l) Mr.Francis Galbally, testifying to the Federal Parliamentary Committee on Finance and Public Administration on 15/3/91, stated that there was a prima facie case that Westpac Banking Corporation's senior executives and its legal advisers had been guilty of aiding and abetting the deception of that bank's clients regarding foreign currency loans. Mr.Galbally, a lawyer, concluded his evidence as follows :-

"In my view, in those circumstances, there is a prima facie case that Westpac, the senior advisers of Westpac and the (legal) advisers have been guilty of aiding and abetting the initial deception or being an accessory after the fact, or being a party to a conspiracy."

Attached and marked 'I' is an Exhibit being a photocopy of a news item published in 'The Age' on 16th March, 1991.

All the foregoing is precisely what is described about the First Respondent in 'The Rigg Submission' published by the Federal Parliament.

(m) Mr.John Fletcher, Chief General Manager of the Commonwealth Development Bank and former Head of the International Division of the Commonwealth Bank of Australia made the following public statement at the Farm Writers and Broadcasters Society on New South Wales at their August, 1986 meeting :-

'The multinational bankers should never be underestimated in the lengths they will go to and the dirty tactics they will employ in pursuing their profit objectives. The international money market makes a rugby pack look like playschool."

(i) The First Respondent is an international bank in it own right as stated in the First Respondent's Annual Report 1991.

(n) Dr.lan Reinecke, author of 'The Money Masters' was commissioned by the Finance Sector Union (Bank Employee's Union) to write that highly informative book which is among the Exhibit Book List for the Court's reading.

(i) Attached and marked 'J' is an Exhibit being a photocopy of a letter from the FSU which itself is highly instructive as to the creation of book-entry credit by the banks such as the first respondent.

(ii) On pages 82 to 86 inclusive, Dr.Reinecke in his book writes as follows :-

"So concerned did the Reserve bank become at some of the practices adopted by the (bank's) foreign exchange dealers that formally warned the markets eighty seven dealers against fraudulent activities. The three activities the bank nominated to head its hit list had descriptions that conveyed their fraudulent nature. The first was referred to as the golden circle. It involved a group of dealers, by arrangement engaging in the practice of selling currency back and forth between them. In a game which none of the closed circle of participants could lose, the dealers profited by pocketing the difference. The second was insider trading, the practice of putting to use inside tips that large corporate orders to buy and sell were about to be placed. This allowed those in the know to predict the resulting fluctuation of currency prices and to place their own orders accordingly. The third practice was called screen pricing, and it involved talking currencies up and down on the basis of unsubstantiated rumours. The effect of this information was to influence the spread -the upper and lower limits - between buying and selling prices as shown on the dealer's screens."

(iii) On pages 73 to 74 inclusive, Dr.Reinecke provides evidence that according to the Bank of England, only nine percent (9%) of all foreign currency dealings (Worldwide) relates to direct trading between customers. Ninety-one percent (91%) of the speculative wheeling and dealing is done by the banks themselves, such as the First Respondent, for their own benefit.

The sheer magnitude of this daily wheeling and dealing by the banks is staggering. In 1984 London was trading a daily average of $US49 billion, a figure which by 1986 had risen to $US90 billion. In the same period, New York's currency dealing rose from $US8 billion to $US50 billion, Tokyo's from SUSS billion to $$US50 billion and Australia and other minor centres from $US4 billion to $US10 billion of which the Australian component is estimated to be $US3 billion daily.

(o) Attached and marked 'K' is an Exhibit being nine (9) photocopied pages being an internal memo of the Commonwealth Bank of Australia signed by one J.M. McAnay dated 28th June, 1984.

(i) This document proves that the banks deceive clients by 'simulating' foreign currency loans when in fact all the First Respondent has done is create and allocate book-entry credit to the customer which has been created out of thin air by the bank and at absolutely no cost.

(p) Attached and marked 'L' is an Exhibit being twelve (12) photocopied pages being an internal memo of the Commonwealth Bank of Australia signed by one J.O'Brien and one J.Knezvic of that bank's head office and countersigned by Senior Manager J.B. Gledhill and dated 6th May, 1982.
(i) Mr.Gledhill was previously Senior Loans manager for the aforementioned Commonwealth Bank's merchant bank AEFC in which the Commonwealth Bank of Australia had Italian banking partners and associates.

(ii) This bank document proves beyond reasonable doubt that banks such as the First Respondent do enter into spurious internal account fixing on a grand scale to the detriment of the customer and that when all is said and done the banks rarely, if ever, actually contract a foreign currency loan for its customers but merely says that it has done so. and then forces the customer to pay entirely spurious rising costs of non-existent foreign currency borrowings exactly as if such foreign currency loans really did exist in the customer's name in the first place.

(iii) It is criminal fraud on a grand scale.

(iv) Attached and marked 'M' is an Exhibit being three (3) photocopy pages of a front page story published in 'The Sydney Morning Herald' on 10/8/91. This is a public admission by the Commonwealth Bank of Australia that its dealings were and are "tainted" and "all of the problems we are experiencing are essentially of our own making" to quote their own words. This is evidence that the Respondents are guilty of deceit and impropriety on a grand scale.

(v) Attached and marked 'N' is an Exhibit being a photocopy of a news item published in 'The Australian' newspaper on 6/8/91 stating that a report from the Australian Financial Counselling and Credit Reform Association in Canberra states that "Bank managers, loan officers and car salesmen are breaking the law by conning customers into taking out insurance policies in order to win large commissions from insurance companies."

The actual report nominated will be tendered in evidence during the trial.

(vi) Attached and marked '0' is an Exhibit being a photocopy of a news item published in 'The Sydney Morning Herald' on 21/12/91 which demonstrates the high level of criminality, deceit and fraud by the international banks of which the First Respondent is one.

(vii) Attached and marked 'P' is an Exhibit being three (3) pages being a letter from the First Respondent proving that (a) the First Respondent is duplicitous in that it attempts (unsuccessfully) to hide the fact that the First Respondent does in fact unilaterally create cost free book-entry credit and (b) that the First Respondent does in fact create deposits by using a multiplying factor.

(viii) Attached and marked '0' is an Exhibit being a photocopy of an internal memo from the First Respondent signed by one I.L.Smith, Senior Manager, NSW Central Division of the Commonwealth Bank of Australia relating to Mr.Wilford Taylor's Mighty Chef Products Pty.Ltd. This internal memo proves that the Respondents habitually levy interest rates and profit levels rapaciously and entirely at their own greedy disposition without regard for the welfare and continued existence of their customers.

It also shows that the prime motivation of the Respondents is to asset strip the customer for their own selfish gain in defiance of their fiduciary obligation morally and under the law to their customers such as the Applicant.

14. The Federal Court of Australia is justified in its existence, powers and authority, by the Constitution of the Commonwealth of Australia which itself is justified in its existence, powers and authority by the 'Magna Carla'.

(i) The contract known as the 'Magna Carla' was signed by King John at Runnymede in 1215 and binds in perpetuity the Sovereign of England, his heirs and successors, to the terms of that contract.

(ii) In 1225 King Henry III executed a further version of Magna Carta substantially adopting the earlier version and is that contract which is the basis of all the common and constitutional law in Australia.
When Queen Victoria signed the Australian Constitution in 1901 she devolved upon the Parliament of the Commonwealth of Australia all her rights, privileges and obligations, excepting only the Reserve Powers of the Governor-General which remain vested in that office, and those obligations included the 'Magna Carta'.

(iv) 'Magna Carla' guarantees through all perpetuity the rights of the Applicant to his matrimonial home and this fundamental and guaranteed right may not under any circumstances be abrogated or interfered with by the Respondents or anyone else.

(v) The Applicant's rights under 'Magna Carta' in relation to his matrimonial home and his livelihood are inviolate and are not suspended, cancelled or in any way abrogated by whatever claims the First Respondent may make in relation to the alleged mortgage.

(vi) Chapter one of the 1225 'Magna Carta' provide inter alia: "....we have granted also, and given to all freemen of Our Realm, of us and our heirs forever, the liberties underwritten, to have and to hold to them and their heirs, for us and our heirs forever."

Sir Edward Coke in his 'Institutes of the Laws of England' makes the following comment "these words were added to avoid all scruples, that this great parliamentary charter might live and take effect in all the successions of a[g]es forever."

(vii) 'Magna Carta' states :

"In future no official shall put anyone to trial merely on his own testimony, without reliable witnesses produced for this purpose. No freeman shall be arrested or imprisoned or deprived of his freehold or outlawed or banished or in any way ruined, nor shall we take or order action against him, except by the lawful judgement of his peers and according to the law of the land. To no one will we sell, to no one will we refuse or delay right or justice."

In this singular clause of 'Magna Carta' The Applicant is guaranteed (a) trial by jury (b) preservation of his freehold (c) preservation of his livelihood.

Further, the contract specifically states inter alia,

"If anyone has been dispossessed or removed by us without the legal judgement of his equals of lands, castles, privileges or his rights we will immediately restore them to him..."

(viii) A certified copy of 'Magna Carta' is prominently displayed in the foyer of Federal Parliament House in Canberra, providing proof positive that the document is the very basis upon which the Federal Parliament stands and operates.

(ix) The Imperial Acts Application Act 1980 No.9426, Victoria, enshrines 'Magna Carta' and all its protections for the Applicant in law in the State of Victoria.

(x) To deny 'Magna Carta' is to deny the power and authority of the Federal Court both within Australia and within Victoria.

15. Both the Court and the Respondents use the King James Version of the Bible in swearing on oath as to the veracity of evidence.

(i) In so doing both the Court and the Respondents automatically and irrevocably covenant and agree to the contents of that publication and all that it contains.

(ii) The Respondents are in clear breach and acting in defiance of the Divine Law which the Court is duty bound in law and in all conscience to uphold and honour as publicly covenanted by Queen Elizabeth 11 at her coronation.
To do otherwise would expose the Court to the serious charge of cant and hypocrisy.

PARTICULARS

(a) 'Therefore, thou shalt love the Lord thy God, and keep his charge, and his statutes, and his judgements, and his commandments, always."
Deuteronomy 11:1.

(b) "Behold, I set before you this day a blessing and a curse; a blessing, if ye obey the commandments of the Lord your God, which I command you this day; And a curse, if ye will not obey the commandments of the Lord your God, but turn aside out of the way which I commanded you this day." Deuteronomy 11:26-28.

(c) "At the end of every seven years thou shalt make a release. And this is the manner of the release : Every creditor that lendeth ought unto his neighbour shall release it; he shall not exact it of his neighbour, or of his brother; because it is called the Lord's release."
Deuteronomy 15:1-2.

(d)"Beware that there not be a thought in thy wicked heart, saying, The seventh year, the year of release is at hand; and thine eye be evil against thy poor brother, and thou givest him nought; and he cry unto the Lord against thee, and it be a sin unto thee."
Deuteronomy 15:9.

(e) "If thou lend money to any of my people that is poor by thee, thou shalt not be to him as an usurer, neither shalt thou lay upon him usury."
Exodus 22:25.

(f) 'Thou shalt not give him thy money upon usury."
Leviticus 25:37.

(g) The alleged mortgage contract between the Applicant and the First Respondent clearly falls within the seven year period of release which is not of itself predicated upon the actual dating of the alleged contract between the First Respondent and the Applicant but is an ongoing and continuing period based upon the seasons of the land.

(h) The First Respondent has been proven to be guilty of usury which is forbidden by the Commandments of God.

(i) The Court, by using the King James Version of the Holy Bible as an appendage and Instrument of the Court is itself fully liable and duty bound in law to uphold and enforce the Commandments themselves on pain of being itself condemned.

(j) The Court is asked to note that the foregoing Commandments of God are not, as has been wrongly supposed by many, applicable only to the tribe of Judah (the Jews).

(i) The Commandments were given to all the children of Israel, through all the posterity of time down to and including ourselves.

(ii) Everyone in the Court action is a descendant of those forebears and thus those Commandments of God, which the Court itself acknowledges by using the King James Version of the Holy Bible as an Instrument of the Court, is binding on all the parties involved including the Respondents and the Court itself.

To deny this historic and sacred fact in law will bring down upon the heads of those who see fit to deny these Commandments, all the curses listed in the aforesaid scriptures.

Those curses are :-

(i) "Thou shalt keep therefore his statutes, and his commandments, which I command thee this day, that it may go well with thee, and with thy children after thee, and that thou mayest prolong thy days upon the earth, which the Lord thy God giveth thee, for ever." Deuteronomy 4:40.

(ii) "But it shall come to pass, if thou wilt not hearken unto the voice of the Lord thy God, to observe to do all his commandments and his statutes which I command thee this day; that all these curses shall come upon thee, and overtake thee:

(16) Cursed shall thou be in the city, and cursed shalt thou be in the field.

(17) Cursed shalt thou be thy basket and thy store.

(18) Cursed shall be the fruit of thy body, and the fruit of thy land, the increase of thy kine, and the flocks of thy sheep.

(19) Cursed shalt thou be when thou comest in, and cursed shalt thou be when thou goest out.

(20) The Lord shall send upon thee cursing, vexation, and rebuke, in all that thou settest thine hand unto for to do, until thou be destroyed, and until thou perish quickly; because of the wickedness of thy doings, whereby thou hast forsaken me.

(21) The Lord shall make the pestilence cleave unto thee, until he have consumed thee from oft the land, whither thou goest to possess it.

(22) The Lord shall smite thee with a consumption, and with a fever, and with an inflammation, and with an extreme burning, and with the sword, and with blasting, and with mildew; and they shall pursue thee until thou perish.

(23) And thy heaven that is over thy head shall be brass, and the earth that is under thee shall be iron.

(24) The Lord shall make the rain of thy land powder and dust: from heaven it shall come down upon thee, until thou be destroyed.

(25) The Lord shall cause thee to be smitten before thy enemies: thou shalt go out one way against them, and flee seven ways before them: and shalt be removed into all the kingdoms of the earth.

(26) And thy carcase shall be meat unto all fowls of the air, and unto the beasts of the earth, and no man shall fray them away.

(27) The Lord will smite thee with the botch of Egypt, and with the emerods, and with the scab and with the itch, whereof thou canst not be healed.

(28) The Lord shall smite thee with madness, and blindness, and astonishment of heart:

(29) And thou shalt grope at noon-day, as the blind gropeth in darkness, and thou shalt not prosper in thy ways: and thou shalt be only oppressed and spoiled evermore, and no man shall save thee.

(30) Thou shalt bethroth a wife, and another man shall lie with her: thou shalt build an house, and thou shalt not dwell therein: thou shalt plant a vineyard, and shalt not gather the grapes thereof.
Thine ox shall be slain before thy eyes, and thou shalt not eat thereof: thine ass shall be violently taken from before thy face, and shall not be restored to thee: thy sheep shall be given unto thine enemies, and thou shalt have none to rescue them.

(32) Thy sons and thy daughters shall be given unto another people, and thine eyes shall look, and fail with longing for them all the day long: and there shall be no might in thy hand.

(33) The fruit of thy land, and all thy labours, shall a nation which thou knowest not eat up; and thou shalt be only oppressed and crushed alway:

(34) So that thou shalt be mad for the sight of thine eyes which thou shalt see.

(35) The Lord shall smite thee in the knees, and in the legs, with a sore botch that cannot be healed, from the sole of thy foot unto the top of thy head.

(36) The Lord shall bring thee, and thy king which thou shalt set over thee, unto a nation which neither thou nor thy fathers have known; and there shalt thou serve other gods, wood and stone.

(37) And thou shalt become an astonishment, a proverb, and a by-word, among all nations whither the Lord shall lead thee.

(38) Thou shalt carry much seed out into the field, and shalt gather but little in; for the locust shall consume it.

(39) Thou shalt plane vineyards, and dress them, but shalt neither drink of the wine, not gather the grapes; for the worms shall eat them.

(40) Thou shalt have olive trees throughout all thy coasts, but thou shalt not anoint thyself with the oil; for thine olive shall cast his fruit.

(41) Thou shalt beget sons and daughters, but thou shalt not enjoy them; for they shall go into captivity.

(42) All thy trees and fruit of thy land shall the locust consume.

(43) The stranger that is within thee shall get up above thee very high; and thou shalt come down very low.

(44) He shall lend to thee, and thou shalt not lend to him: he shall be the head, and thou shalt be the tail.

(45) Moreover all these curses shall come upon thee, and shall pursue thee, and overtake thee, till thou be destroyed; because thou hearkenest not unto the voice of the Lord thy God, to keep his commandments and his statutes which he commandeth thee:

(46) And they shall be upon thee for a sign and for a wonder, and upon thy seed for ever.
Deuteronomy 28:15-46.

(k) "If a justification is found for every illegality, then there is no justification for having the laws." God the Creator.

(l) "Let us hear the conclusion of the whole matter : Fear God, and keep his commandments : for this is the whole duty of man."
Ecclesiastes 12:13.

The Applicant claims against the Respondents :

(a) A Declaration that no monies were due and payable by the Applicant to the First Respondent on 7th October, 1988 or at any time thereafter.

(b) An Injunction, both interim and permanent, restraining the First Respondent from exercising the powers conferred upon it by the said alleged mortgage.

(c) Damages.

(d) Such further or other Orders as to the Court may seem appropriate.

(e) Costs. The Applicant will be represented by Counsel.

DATED :

_____

Applicant

YOUR NAME IN FULL
Your address.

ADDRESS FOR SERVICE : (insert details)

THE POLITICIANS KNOW

Mr. Don Daisley of Sydney wrote to 40 Federal Politicians, supposedly 'our' leaders, as you can read on the next page.

Only little John Howard bothered to reply and, honest man that he is, (although he's a lawyer) and carefully note his reply:

Q. "Does the Coalition support the system where the banks can create money (credit) out of thin air?"

A. "Yes'

So much for our politicians.
So much for the banks denying that they create cost-free book-entry credit.

Mr. John Howard MHR was 'our Federal Treasurer (for 7 years) under Malodorous Mal.

BRENTLY ENGINEERING PTY. LTD.

FIRST FLOOR.
1 JOHNSTON LANE
LANE COVE WEST NSW 2066
FAX: (61) *(2)427* 0477

P.O. BOX 79
HUNTERS HILL NSW 2110
AUSTRALIA

PHONE: (61) (2) 427 1177

Our Ref : 13946

15 February 1991

Hon. John Howard, M.P.,
Parliament House,
Canberra 2600.

Dear Sir,

18 February 1991

Our Ref : 13946
'F1'

Dear Sir,

re: FRACTIONAL RESERVE BANKING

As a senior Spokesman for the Coalition, could you please advise the Coalition's policy when next in Government, on the present system whereby the banks can create "money" out of thin air by way of the fractional reserve banking system?

Most first year Economics or Finance text books have a chapter on this — usually under the title 'deposit creation" or "deposit expansion" or 'credit creation".

My specific questions are :

1. "Does the Coalition support the system where the banks can create money (credit) out of thin air?

2. Will the coalition pass laws to forbid this system which is very clearly a fraudulent one?

3. Does the Coalition recognise that the primary cause of the current recession was the huge credit creation binge that followed de—regulation? This increased the money supply so massively it created a false boom.

4. Does the Coalition recognise that increases in the money supply causes inflation (and a false boom) and that inflation erodes the value of peoples savings and encourages people to spend instead of save, and that inflation is stealing the wealth of all Australians?

I look forward to your specific reply, i.e. yes or no.

Best wishes

Yours faithfully,

THIS LETTER TO :
DAVID CONNOLLY
JOHN HOWARD
HARRY EDWARDS
DAVID KEMP

JIM CARLTON
ALASDAIR WEBSTER
DAVID MU
IAN McLACHLAN

TIM FISCHER
PETER COSTELLO
ANDREW PEACOCK

JULIAN BEALE
P REITH
J HEWSON

PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

JOHN HOWARD, M.P.
MEMBER FOR BENNELONG
SHADOW MINISTER FOR INDUSTRIAL RELATIONS. EMPLOYMENT &. TRAINING

22 March 1991

Mr Don Daisley
Brently Engineering Pty Ltd
PO Box 79
HUNTERS HILL NSW 2110

Dear Mr Daisley

Thank you for your letter of 18 February, about fractional reserve banking. I apologise for not replying earlier.

The answers to your questions are: yes, no (and it is not "fraudulent"); yes (but the binge, not deregulation, was the cause); yes.

Yours sincerely

(John Howard)

ROOM RG.113
PARLIAMENT HOUSE CANBERRA 2600
TEL (06) 277 4885 FAX (06) 277 2062

LEVEL 11 ANZ McCAUGHAN HOUSE
56-70 PHILLIP STREET. SYDNEY, 2000
GPO BOX 36 SYDNEY 2001

UNENFORCEABLE MORTGAGES

1. Carefully read your mortgage.

2. If you haven't got a copy get one from your State Land Titles (Deeds) Office.

3. Did 'your' bank register it? If not ask the judge to strike it out.

4. Was there an Independent witness present when you signed it? (See the following pages) If not then it is probably unenforceable.

IF YOUR MORTGAGE WAS NOT PROPERLY WITNESSED
OR NOT PROPERLY SIGNED OR NOT REGISTERED
THEN ASK A JUDGE TO KILL IT.

WED 8.[illegible]92 17:23 NO.[illegible] P.

LEGAL INFORMATION ACCESS CENTRE

LEGAL INFORMATION ACCESS CENTRE

STATE LIBRARY OF NSW

Macquarie Street, Sydney, 2000

Telephone: (02) 230 1558, 230 1575

FAX No: (02) 223 8920 (within Australia)
61+2+223 8920 (from overseas)

Email 6007: MLN210900

Page 1 of .3.. pages

Date: 25/3/92

Attention: Lawrence Homes

Sender: Lyndell Dunne

Company:

City/Country:

Our ref:

FAX No: (044) 232011

Sender's extn:
(02) 2301695

Dear Mr Homes,

Please find documents regarding the completion of mortgage papers, published by College of Law.

I hope this information is useful to you.

L. Dunne.

MORTGAGE (FORM RP25).

INSTRUCTIONS FOR COMPLETION

In filling out this form (or "dealing") you may write or type. You may also use a word processor provided you print the completed dealing on a laser printer or a letter quality dot matrix printer. In any case, We result must he clear, legible and in permanent. dense, black or dark blue non-copying ink.

2. Do not make alterations by erasure or the use of correction fluid: rule through any rejected material. Initial all alterations in the lefthand margin.

3. If We space provided at any point is insufficient, you may annex additional sheets. These must be of the same size and quality of paper as the dealing. The front of each sheet must have a margin of 15mm on the. left and 10mm on the other sides: on the reverse the margin should be 10mm on alt sides. Any annexure must contain a heading which identifies it as such and specifies the parties to the dealing and the date of execution_ On any additional sheets you must also identify all the material shown, for example by means of headings such as "The Mortgagors", "The Land Mortgaged" and so on. All pages containing such material must be signed by the parties and many attesting witness.

4. The following instructions relate to the marginal letters on the dealing form.

(A) LAND MORTGAGED

Show the number of the Certificate of Title: for the land to be Mortgaged. This is your "Reference to Tide." and can be found at the top righthand corner of the Certificate of Title, for example, "1/723456" or "Volume 12345 Folio 111".

If the Mortgage relates to only part of the land referred to in yaw Certificate of Title, specify the.part, for example, "Volume 6543 Folio 210, part being Lot 1 in DP 123456 or "11/765432, part being the land formerly comprised in 1/723456".

If you have more than twenty References to Title show none in this panel. Instead, show the Fords "Set Annexure" and place ALL the references on additional sheets (see 3 above) such that each sheet contains exactly twenty references, for the last which Fill contain twenty or less.

(B) MORTGAGE LODGED BY

This section is to be completed by the person or firm lodging the dealing at the Land Titles Office.

LTO Box If you are the holder of a Land Tides Office Delivery Box, show the number here; if not, leave this panel blank

Name, Address or DX and Telephone Show your name, full address and daytime telephone number.

Reference (max. is characters) This is optional and should not be confused with the Reference to Title (see 4(A) above). If you or your firm have your own reference for the mattes to which the dealing relate-s, you may show it. here; otherwise, leave this space blank. Any blank spaces, slashes, dots, etc included in your reference will he counted as characters. NOTE: your invoice will show only the number assigned to the dealing by the Land Titles Office, the dealing type, the fee, We first Reference to Title shown on the dealing and any reference of your own which you provide. Therefore, if you lodge a number of similar dealings relating to different matters, you may find it useful to provide references to distinguish the various matters

(C) MORTGAGOR

Show the full name of the Mortgagor. Address and occupation need not be shown.

(D) Specify the relevant annexure and /or Memorandum. If necessary, delete whichever does not apply.

(E)ENCUMBRANCES

Show the dealing number only of any lease, mortgage, charge or writ to which this mortgage is subject.

(F) MORTGAGEE

Show the full name of the Mortgagee. Address and occupation *need* not be shown.

(G) TENANCY

If there is more than one Mortgagee, delete either "joint tenants" or "tenants in common", whichever does not apply.
If the Mortgagees are to be tenants in common, you must specify the shares they are to hold.

(H) EXECUTION

General The dealing must be executed by or on behalf of all the parties to the mortgage.

By a Party Personally The dealing must be executed in the presence of an adult witness who is not a party to the dealing and who knows the party executing personally The witness should complete the appropriate section of the dealing.

By an Attorney The attorney must state her/his full name.
The Power of Attorney under which the dealing has been executed must be registered in the General Register of Deeds at the Land Titles Office, and the registration number must be quoted when executing the circling.
The execution would normally take the form, "AB by her attorney XY pursuant to Power of Attorney Book 1234 Number 567".

By a Receiver or Delegate Use the form of execution given above ("By an Attorney") suitably modified.

Under Authority If executing the dealing under a statutory, judicial, or other authority, except those specified above (Attorney, Receiver or Delegate) ,the form of execution most disclose the nature of that authority.

By a Corporation under Seal Execution by a corporation under seal should include a statement to the effect that the seal has been properly affixed, for example "... pu[r]suant to a resolution of the board of directors ._". AU those attesting the affixing of the seal must state their position in the corporation, for example, director or secretary.

By a Solicitor on behalf of the Mortgagee The solicitor must state that the dealing has been thus executed and must print or type her/his full name. The signature need not be witnessed.

The completed dealing must be presented to the Office of Stets Revenue, STAMP DUTIES DIVISION, for assessment or marking then lodged by hand at the LAND TITLES OFFICE, Queen's Square, Sydney (entrance opposite the northern end of Hyde Park near the Hyde Park Barracks) and must be accompanied by all relevant Certificates of Title (see 4 (A) above),

If you have any *questions about filling out the form, please call 228-6666 and ask for o*ur *Customer Services Branch.*

*** END OF DOCUMENT ***

(044) 232 962

PO Box 975.
NOWRA NSW 2541.
25th March, 1992.

Mr.John Marsden,
President.
NSW Law Society.
170 Phillip Street.
SYDNEY NSW 2000.

Dear Mr.Marsden,

I refer to the attached copy of my letter dated 23rd March, 1992 addressed to your society's community assistance department.

The manager himself telephoned me yesterday Tuesday 24th March, 1992) - a remarkably fast delivery by Australia Post! - and I was both surprised and stunned at what he said to me and the manner in which he spoke to me.

He was quite abrupt (perhaps as a result of his legal training) and unaccountably excited of agitated.

I know not why.

My letter, as you can see, is pleasantly couched and if anything fulsome in its praise of your service.

The chap in question (he spoke too fast and was too agitated for me to catch his name) told me,

1. I was wrong in what I wrote. I asked him to tell me specifically where I was wrong and the upshot of that excited conversation (from him) was (finally) that if farm mortgages are not executed properly then its not illegal but the mortgages may not be enforceable.

2. He was too important and too busy to write to people like me.

3. The newspaper clipping from 'The Sydney Morning Herald' was irrelevant, that he hadn't read it but that didn't matter anyway and that I would have to go and find it myself. I quite calmly pointed out the somewhat obvious contradiction in that statement, i.e., that if he hadn't read the newspaper article then how did he know it was irrelevant. He replied that he had a general idea of what it said.

It's all quite strange to a simple fellow like me.

All I did was ask a simple question on Monday 23rd March, 1992 by telephone.

I received a courteous answer and a request that I write if I needed written confirmation.

I did just that on the very same day and posted my letter to your

august body. The very next day (24th March) I am treated to a barrage of wordage which verged on the insulting and which was not at all justified by that which I had written.

Tell me, if you will, the answers to the following;

1. If a farm mortgage is not executed properly, i.e., if all the parties are not present when it is signed and there is no independent witness present then (i) is that mortgage legal or illegal and (ii) is enforceable or not.

2. Where both the husband and wife are present and the bank (being the other party) is present but there is no independent witness and the man and wife have not been told what the document means or entails then is it legal or not? Is such a mortgage contract enforceable or not?

3. Is it or is it not legal and/or proper for a lawyer and/or a bank to mail contracts such as farm mortgages to farmers and then have the documents witnessed and or executed later? Are such contract documents enforceable?

4. Where a bank fails to sign loan, mortgage or lease contract documents are those loans, leases or mortgages enforceable or not?

That doesn't seem too much to ask.

I really don't know why your manager got so upset. It was certainly not anything I said to him because he did all the talking.

It can't possibly be my letter which is the ultimate in courtesy.

I do hope that he has calmed down by now and that I may at your earliest convenience receive replies to my questions.

Yours faithfully,

Laurence F.Hoins.

The Law Society of New South Wales
A.C.N. 000 000 699

170 Phillip Street.
Sydney NSW 2000 Telephone (02) 220 0333 Telex AA73063
LAWSOC Fax 231 5809
DX 362 Sydney

Our Ref: MB:JMP:8397/WB
Direct Line 220 0256

6 April, 1992

Mr Laurence F Hoins
P 0 Box 975
Nowra NSW 2541

Dear Mr Hoins,

Thank you for your letter of 25 March 1992, concerning your enquiry of the Law Society Community Assistance Department.

Firstly, I must apologise if you got the impression that the particular Legal Officer you spoke with was discourteous. I have spoken with the person concerned and he assures me that he was not rude.

I am sorry you have not been able to get the service you expected from the Law Society Community Assistance Department but I am sure you will appreciate that we are not equipped to follow up every phone call by letter. The service is essentially a telephone advice service and we do not have the staff or resources to confirm in writing any advice given on the telephone.

Similarly, we do not have the resources to research back-copies of newspapers on any legal matter. Could I suggest you consult your local library or contact a most reputable clipping service, NJP News Express, Box 4276 GPO, Sydney NSW 2001.

Yours faithfully,

JOHN R MARSDEN
President

(044) 232 962

Fax (044) 230 753

PO Box 795.
NOWRA *NSW* 2541.
16th April, 1992.

Mr.John R.Marsden,
President.
The Law Society of NSW.
SYDNEY Fax (02) 231 5809.

Dear Mr.Marsden,

Many thanks for your letter dated 6th April, 1992. I didn't complain that your Information Manager was "rude" to me; what I said was that his "wordage verged on the insulting" as indeed it did but never mind.

I had written to your organisation because the lawyer in your information service to whom I spoke the day before told me to do precisely that; all I sought from you was a written confirmation that mortgages not properly executed are not enforceable but never mind.

The article on your good self (attached) published in the 'Sunday Telegraph' on 16/2/92 is just what I was looking for, i.e., a straight from the shoulder, no nonsense lawman who genuinely wants to help the underdog.

Will the Law Society now allow for a non lawyer to represent a litigant where the litigant either can't afford legal fees and/or the lawyers refuses to act on the litigant's reasonable instructions?

One has in mind the growing uproar against the banks in Australia where many lawyers refuse to act for a litigant against the banks.

The principle of 'Mackenzie Friend' is a recognition of the needs of the bank victims who are penurious and/or deserted by 'their' lawyer when their cash runs out so it seems a logical extension of that principle for the victim to be allowed, at their own risk of course, to use the services of a non lawyer to speak for them in court.

What say you?

Yours faithfully,

Laurence F.Hoins.

Marsden's mission to shake up the law

People in the Spotlight

Newly-appointed Law Society president John Marsden is embroiled in controversy over the issue of property conveyancing. He refuses to allow in non-lawyers, sparking heated debate from consumer groups, the housing industry and the State Opposition. SUE QUINN reports on the crusading legal boss

A LOT can be learned about John Marsden from the guest list of his recent 50th birthday bash. Leading lights of the State's judicial system, federal and State ministers, nuns from his early school days and members of a drug rehabilitation program of which he is director, celebrated together into the wee hours.

Mr Marsden is as complex a character as his guest list was diverse. He abandoned training for the priesthood to study law, believes Campbelltown and Rome are the only two great cities in the world, and is passionately committed to helping "the underdog".

He is in many ways an unlikely figure to head a traditionally conservative organisation like the NSW Law Society, but claims he has the support to give the body a shake-up the likes of which it has never seen before.

John Mardsenc going in to bat for the underdog

After more than 20 years in public life, Marsden says he has not lost the romantic notion that as a lawyer he can change the world and protect the innocent.

A committed workaholic, he says the legal profession has lost its once-cherished sense of social purpose and that he is going to wage his own personal "Operation Fightback" to claim that back.

His crusade, which he concedes involves an element of self-promotion, and the style in which he pursues it, is not without its detractors.

Mr Marsden can be as abrasive as he can be deeply compassionate; people either like him or hate him.

"As president of the Law Society I suppose I'm totally committed," he said from his office in Phillip St.

> "I am committed to the underdog — that has to do with the fact that I was one myself"

"I have an enormous love of the profession, I believe in the law and justice and that lawyers are the twin buffers between the excesses of government, excesses of bureaucracy and the community.

"As a person, I am committed to the underdog and I suppose that has a lot to do with the fact that I was an underdog myself.

"But I'm also a person that is hard to get on with, I do have a roaring temper and I am hard to work for.

"I suppose a lot of that comes from being a bachelor in the sense that I don't have a family, therefore my life is my work, and I somehow think everyone else should work as hard as I do.

"But I am enormously loyal to people that I work with, and it would be true to say that it would be difficult to find anyone that is ambivalent about me.

"They will either be pro-John Marsden or they'll say he's the greatest shit in the world."

Mr Marsden has a wide and diverse circle of friends, including the ALP's John Kerin, Michael Knight, NSW minister John Fahey and independent MP Clover Moore.

But he describes his social life as lonely — he prefers to read a Barbara Cartland or Harold Robbins novel than to spend a day with people, and takes a keen interest in theatre, art and travelling.

He describes his training for the priesthood as "great years", but says he was not suited to the vocation and left it for the law.

"I never was ordained, but I enjoyed every minute of it," he said.

"I trained in Armidale and then at Springwood and they were great times.

"I'm still believe in the Catholic religion and I'm still a Catholic in my practice of religion, but I don't agree with everything about religion."

Mr Marsden's considerable energies will be needed if he is to overhaul both the perceptions and the spirit of the legal profession which he loves.

He rejects suggestions that most people cannot afford to see a lawyer, and maintains that the profession does not receive the recognition it deserves for its services to battlers.

At the same time, he says the industry has to open up, must abandon its obsession with billable hours, and that a large proportion of the community does not have access to justice.

"I think we have an incurable disease called billable hours and I think it's time we got back to the fact that we are a service-orientated community," he said.

"We as a profession have to go back to our grassroots.

"A large proportion of the community does not have access to justice, but I don't think that's the solicitors' fault.

"I think the judiciary, the governmnents and the bureaucrats have been at fault."

Mr Marsden is going to try to organise a summit this year with the major players in litigation to do something about making the process less expensive.

He is also going to make himself hoarse by calling again for more legal aid funding and for a change in the eligibility rules to make assistance more widely available.

Mr Marsden himself still practises law, and although he does more than his fair share of pro bono work, has made a lucrative career with his chain of practices based in Campbelltown.

His comments that Rome and Campbelltown are the only two great cities in the world are sincere.

"When I was young and growing up, there was a little population of 7000, when I opened the practice there was a population of 12,000, and there's now a population of 158,000," he said.

"So I've grown with it. I think it's a beautiful area of Australia.

"But it's because I think we've got to be loyal to our roots. I've made a good quid there, so I'm very loyal to the town.

"And Rome, I just love Rome."

Text from newspaper article:

Newly-appointed Law Society president John Marsden Is embroiled In controversy over the Issue of property conveyancing. He refuses to allow In non-lawyers, sparking heated debate from consumer groups, the housing industry and the State Opposition. SUE QUINN reports on the crusading legal boss.

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EXHIBITS

(AS LISTED IN THE DRAFT WRIT)
COPY THEM AS REQUIRED.
MARK THEM IN ACCORDANCE WITH YOUR OWN
DRAFT REQUIREMENTS

ATTACHMENT A

BOOK-ENTRY CREDIT

Certificate©

To the Value of .....

Issued to .....

By .....

Of .....

Conditions of issuance of this Book-Entry Credit Certificate are as follows:

1. The Recipient by accepting this Certificate automatically accepts all the Conditions listed herein.

2. Acceptance of this Certificate is automatically confirmed unless the aforementioned Recipient issues and delivers personally to the Issuer a formal notice of non acceptance bearing the signatures of not less than two (2) Directors together with the Seal of the Recipient Company and/or Corporation within seven (7) days of certified delivery hereof.

3. The Book-Entry Credit created by.....
in the name of.....
is hereby irrevocably balanced and cancelled by this Certificate and no further obligation financial or otherwise exists in relation to the - - - -
aforesaid.....

4. This Certificate remains the property of.....
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Dated this .....

Signed for and in behalf of © .....

.....

ATTACHMENT B

COVER STORY

The Dirtiest Bank of All

How B.C.C.I. and its "black network" became a financial supermarket for crooks and spies—and how the U.S. is trying to cover up its role

By JONATHAN BEATY and S.C. GWYNNE
NEW YORK

"I could tell you what you want to know, but I must worry about my wife and family—they could be killed."
—a former top B.C.C.I. officer

"We better not talk about this over the phone. We've found some bugs in offices that haven't been put there by law enforcement."
—a New York City investigator probing B.C.C.I.

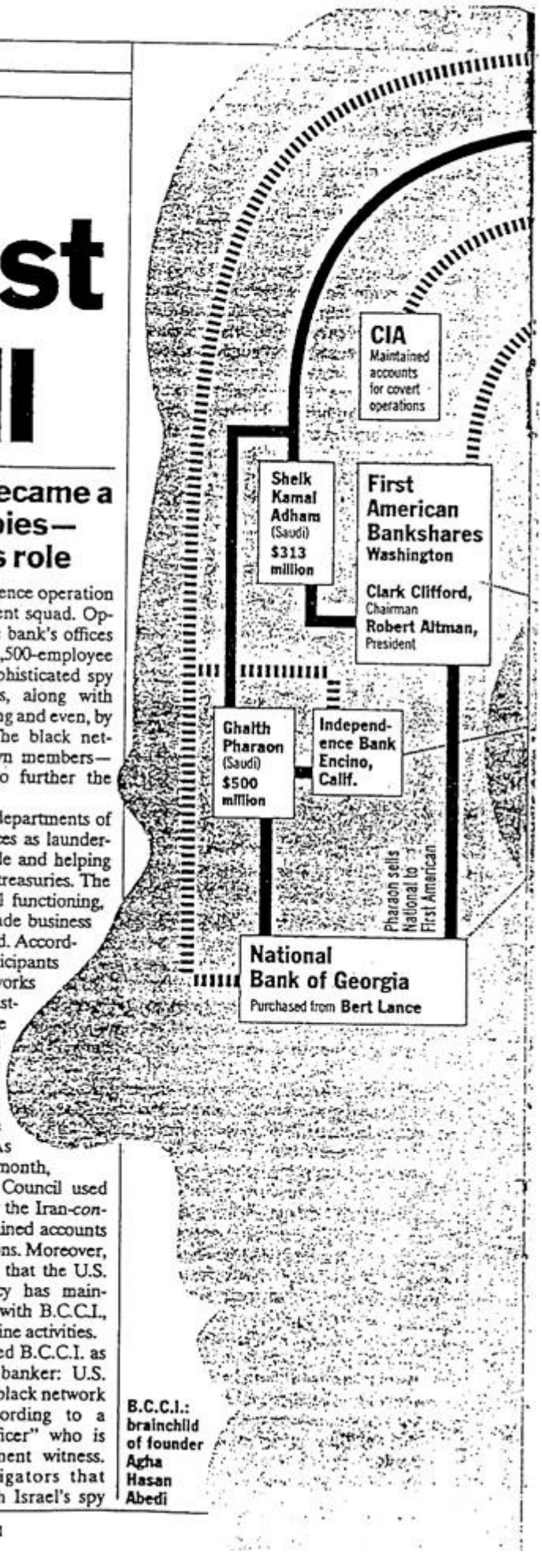
Bank-fraud cases are usually dry, tedious affairs. Not this one. Nothing in the history of modern financial scandals rivals the unfolding saga of the Bank of Credit & Commerce International, the $20 billion rogue empire that regulators in 62 countries shut down early this month in a stunning global sweep. Never has a single scandal involved so much money, so many nations or so many prominent people.

Superlatives are quickly exhausted: it is the largest corporate criminal enterprise ever, the biggest Ponzi scheme, the most pervasive money-laundering operation and financial supermarket ever created for the likes of Manuel Noriega, Ferdinand Marcos, Saddam Hussein and the Colombian drug barons. B.C.C.I. even accomplished a Stealth-like invasion of the U.S. banking industry by secretly buying First American Bankshares, a Washington-based holding company with offices stretching from Florida to New York, whose chairman is former U.S. Defense Secretary Clark Clifford.

But B.C.C.I. is more than just a criminal bank. From interviews with sources close to B.C.C.I., TIME has pieced together a portrait of a clandestine division of the bank called the "black network," which functions as a global intelligence operation and a Mafia-like enforcement squad. Operating primarily out of the bank's offices in Karachi, Pakistan, the 1,500-employee black network has used sophisticated spy equipment and techniques, along with bribery, extortion, kidnapping and even, by some accounts, murder. The black network—so named by its own members—stops at almost nothing to further the bank's aims the world over.

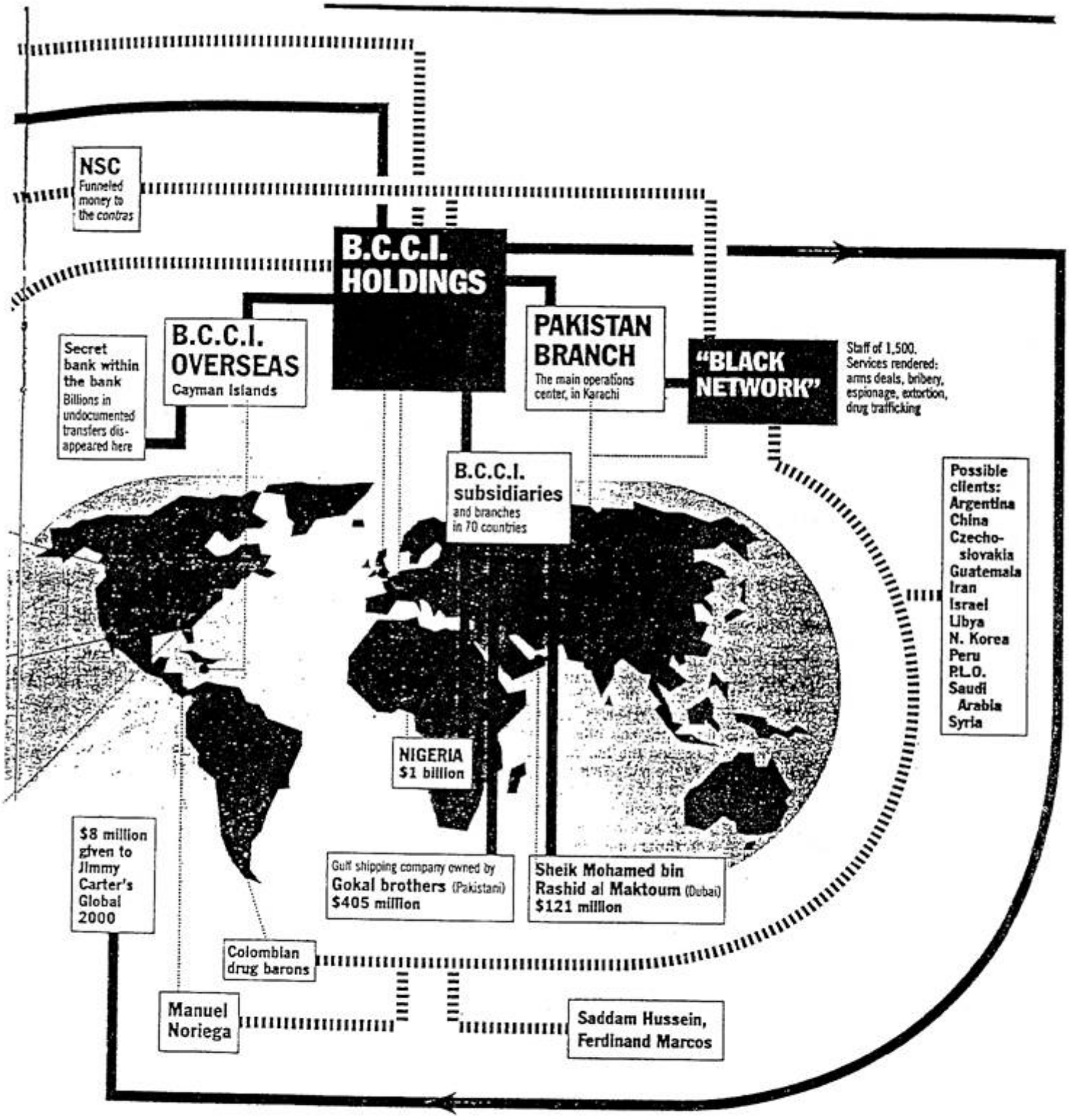
The more conventional departments of B.C.C.I. handled such services as laundering money for the drug trade and helping dictators loot their national treasuries. The black network, which is still functioning, operates a lucrative arms-trade business and transports drugs and gold. According to investigators and participants in those operations, it often works with Western and Middle Eastern intelligence agencies. The strange and still murky ties between B.C.C.I. and the intelligence agencies of several countries are so pervasive that even the White House has become entangled. As TIME reported earlier this month, the U.S. National Security Council used B.C.C.I. to funnel money for the Iran-*contra* deals, and the CIA maintained accounts in B.C.C.I. for covert operations. Moreover, investigators have told TIME that the U.S. Defense Intelligence Agency has maintained a slush-fund account with B.C.C.I., apparently to pay for clandestine activities.

But the CIA may have used B.C.C.I. as more than an undercover banker: U.S. agents collaborated with the black network in several operations, according to a B.C.C.I. black-network "officer" who is now a secret U.S. government witness. Sources have told investigators that B.C.C.I. worked closely with Israel's spy



B.C.C.I.: brainchild of founder Agha Hasan Abedi

ATTACHMENT B

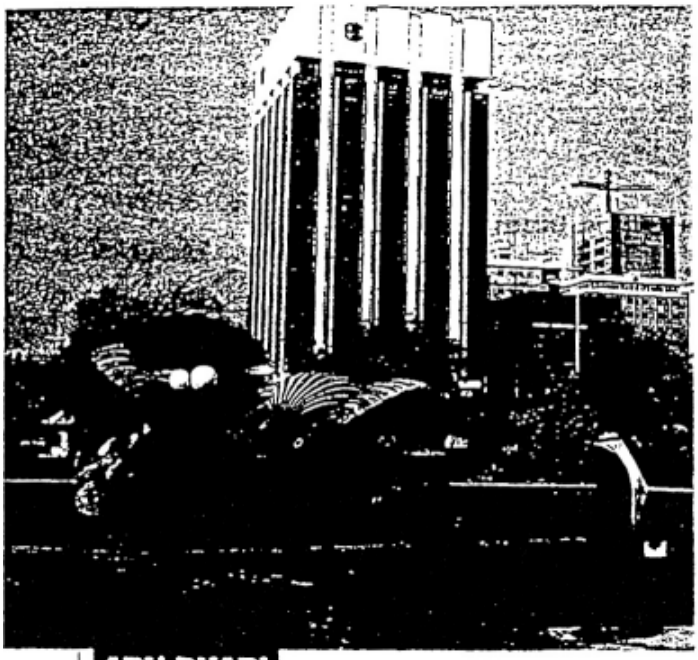


THE CONNECTIONS

OWNERSHIP (IIIIII secret)
CUSTOMER (IIIIII secret)
DUBIOUS LOANS
CHARITY DONATIONS

The bank's global web was designed to mystify. It consisted of dozens of shell companies, branches and subsidiaries in 70 countries. The structure allowed the bank to operate virtually without regulation all over the world. As a result, most of the missing money may be lost for good.

Time Graphic by Nigel Holmes



ABU DHABI A piece of Sheik Zayed's crumbling enterprise

KARACHI In Pakistan panicky account holders line up for

agencies and other Western intelligence coups as well, especially in arms deals. The bank also maintained cozy relationships with international terrorists, say investigators who discovered suspected terrorist accounts for Libya, Syria and the Palestine Liberation Organization in B.C.C.I.'s London offices.

The bank's intelligence connections and alleged bribery of public officials around the world point to an explanation for the most persistent mystery in the B.C.C.L scandal: why banking and law-enforcement authorities allowed the bank to spin out of control for so long.

In America investigators now say openly that the U.S. Justice Department has not only reined in its own probe of the bank but is also part of a concerted campaign to derail any full investi[9]ation. Says Robert Morgenthau, the New York County district attorney, who first launched his investigations into B.C.C.I. two years ago: "We have had no cooperation from the Justice Department since we first asked for records in March 1990. In fact they are impeding our investi[9]ation, and Justice Department representatives are asking witnesses not to cooperate with us."

B.C.C.I. was started in 1972 with the putative mission of becoming the Muslim world's first banking powerhouse. Though it was incorporated in Luxembourg and headquartered in London, had more than 400 branches and subsidiaries around the world and was nominally owned by Arab shareholders from the gulf countries, B.C.C.I. was always a Pakistani bank. with its heart in Karachi. Agha Hasan Abedi, the bank's founder and leader until his ouster last [y]ear, is a Pakistani. as are most of the bank's former middle managers. And it was in Pakistan that the bank's most

prodigiously corrupt division was spawned.

The Soviet invasion of Afghanistan in 1979 and the resulting strategic importance of neighboring Pakistan accelerated

the growth of B.C.C.I.'s geopolitical power

and its unbridled use of the black network.

Because the U.S. wanted to supply the mu-

jahedin rebels in Afghanistan with Stinger missiles and other military hardware, it needed the full cooperation of Pakistan. By the mid-1980s, the CIA'S Islamabad operation was one of the largest U.S. intelligence stations in the world. "If B.C.C.I. is such an embarrassment to the U.S. that forthright investigations are not being pursued, it has a lot to do with the blind eye the U.S. turned to the heroin trafficking in Pakistan," says a U.S. intelligence officer.

The black network was a natural outgrowth of B.C.C.I.'s dubious and criminal associations. The bank was in a unique position to operate an intelligence-gathering unit because it dealt with such figures as Noriega, Saddam, Marcos, Peruvian Presi-

dent Alan Garcia, Daniel Ortega, *contra* leader Adolfo Calero and arms dealers like Adnan Khashoggi. Its original purpose was to pay bribes, intimidate authorities and quash investigations. But according to a former operative, sometime in the early 1980s the black network began running its own drugs, weapons and currency deals.

"I was recruited by the black network in the early 1980s," says an Arab-born employee who has ties to a ruling family in the Middle East and has told U.S. authorities of his role in running one of the black units. "The[y] came to me while I was in school in the U.S.; they spoke my language, knew all of my friends and gave me money. They told me they wanted me to join the organization, and described its wealth and political power, but at first they never

said exactly what the organization did."

This operative—call him Mustafa—underwent a year of training that began with education in psychology and the principles of leadership and proceeded into spycraft, with lessons in electronic surveillance, breaking and entering, and interrogation techniques_ "Then the nature of our advisers changed," says Mustafa. "The pleasantness was gone, and we moved to Pakistan, where we trained with firearms." Mustafa's first operational assignment took him to London. "They gave us passports and identification, and we moved a shipment of [unidentified] goods. In England they had more I.D. waiting for us, because customs and immigration are strict, but when we moved many places, into India or China or Latin America, matters were taken care of, and we just slipped through borders. We would be met. It was always all arranged."

A typical operation took place in April 1989, when a container ship from Colombia docked during the night at Karachi, Pakistan. Black-unit operatives met the ship after paying S 100,000 in bribes to Pakistani customs officials. The band unloaded-large wooden crates from several containers. "They were so heavy we had to use a crane rather than a forklift," says a participant. The crates were trucked to a "secure airport" and loaded aboard an unmarked 707 jet, where an American, believed by the black-unit members to be a CIA agent, supervised the frantic activity.

The plane then departed for Czechoslovakia, taking the place of a scheduled Pakistan International Airlines commercial flight that was aborted at the last minute by prearrangement. The 707's radar transpon-

ATTACHMENT B

withdrawals at the troubled bank

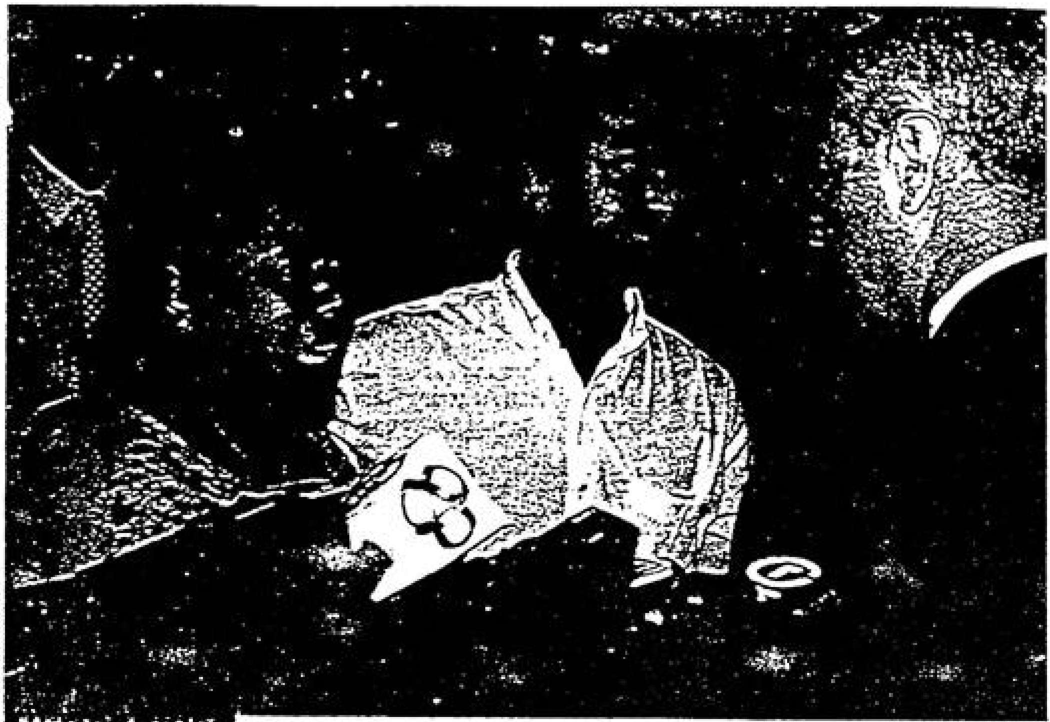
Depositors were furious when told they might lose most of their funds

der was altered to beep out the code of a commercial airliner, which enabled the plane to overfly several countries without arousing suspicion. "From Czechoslovakia the 7117 flew to the U.S.." said the informant, insisting their none of the black-unit workers had any knowledge of what was in the heavy wooden cases. “It could have been gold. It could have been drugs. It could have been guns. We dealt in those commodities.” Mustafa told US authorities.

Other informants with details about the black network have come forward as the banking disaster has unfolded. “B.B.B.I. was a full service bank” says an international arms dealer who frequently worked with the clandestine bank units.” They not only financed arms deals that one government or another wanted to keep secret, they shipped the goods in their own ships, insured them with their own agency and provided manpower and security. They worked with intelligence agencies from all the Western countries and did a lot of business with East countries”

ATTACHMENT B

withdrawals at the troubled bank



HONG KONG Depositors were furious when told they might lose most of their funds

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In Lima, where a probe of B.C.C.I.'s stewardship of Peru's central-bank funds is under way, local investigators are trying to trace what happened to money in an aborted B.C.C.I.-brokered deal to sell French-made Mirage jet fighters to the impoverished nation. Sources in the clandestine arms trade say B.C.C.I. eventually sold the planes to Pakistan and India.

U.S. intelligence agencies were well aware of such activities. "B.C.C.I. played an indispensable role in facilitating deals between Israel and some Middle Eastern countries," says a former U.S. State Department official. "And when you look at the Saudi support of the contras, ask yourself who the middleman was: there [illegible] connec-tion between the Saudis and Nicaragua."

As an equal-opportunity smuggler, the bank dealt in arms from many countries. "It was B.C.C.I. that financed and brokered [Chinese] Silkworm missiles that went to Saudi Arabia," the former official says, "and those were equipped with sophisticated Israeli guidance systems. When you couldn't use direct government transfers or national banks, B.C.C.I. was there to hot-wire the connections between Saudi Arabia, China and Israel." The bank also helped transfer North Korean Scud-B missiles to Syria, a B.C.C.I. source told TIME.

Yet the bank's arms business was benign compared with the black network's other missions. Sources say B.C.C.I. officials, known as protocol officers, were responsible for providing a smorgasbord of services for customers and national officials: paying bribes to politicians, supplying "young beauties from Lahore," moving drugs and expediting insider business deals.

When it came to recruiting and persuading, the black network usually got its way. "We would put money in the accounts of people we wanted to seduce to work for us," says Mustafa, "or we would use terror tactics," including kidnapping and blackmail. "The Pakistanis were easy to terrorize: perhaps we might send someone his brother's hand with the rings still on it." Adds Mustafa: "We were after business cooperation, or military or industrial secrets that we would use or broker, and we targeted generals, businessmen and politicians. In America it was easy: money almost always worked, and we sought out politicians known to be corruptible."

The black network was the bank's deepest secret, but rumors of its activities filtered through the bank's managerial level with chilling effectiveness. Senior bankers voice fears that they will be financially ruined or physically maimed—even killed—if they are found talking about B.C.C.I.'s activities. High-level bank officers know what happened to a Karachi-based protocol officer whom the black network suspected of unreliability last year. "They found he had been trying to liquidate his assets and quietly sell his house," says Mustafa. "So, first they killed his brother, and then they sent brigands to rape his wife. He fled to the U.S., where he is hiding." U.S. investigators confirm the account but have little hope he will volunteer any secrets if he is located.

Businessmen who pursued shady deals with B.C.C.I. are just as frightened. "Look," says an arms dealer, "these people work hand in hand with the drug cartels; they can have anybody killed. I personally know one fellow who got crossed up with B.C.C.I., and he is a cripple now. A bunch of thugs beat him nearly to death, and he knows who ordered it and why. He's not about to talk." Currently the black units have focused their scrutiny and intimidation on investigators. "Our own people have been staked out or followed, and we suspect tapped telephones," says a New York City law-enforcement officer.

The black unit's mission eventually became the pursuit of power and influence for its own sake, but its primary purpose was to foster a global looting operation that bilked depositors of billions of dollars. Price Waterhouse, the accounting firm whose audit triggered the worldwide seizure of B.C.C.I. assets earlier this month, says the disarray is so extreme that the firm cannot even put together a coherent financial statement. But investigators believe

$10 billion or more is missing, fully half of B.C.C.I.'s worldwide assets.

How did it happen? B.C.C.I.'s corporate structure allowed the bank to operate virtually without regulation all over the world. The bank's organizational web consisted of dozens of shell companies, offshore banks, branches and subsidiaries in 70 countries. it was incomprehensible even to its own financial officers and auditors. The bank's extensive use of unregulated Cayman Islands accounts enabled it to hide almost anything. The bank's complex organization and unique method of accounting—longhand in paper ledgers, written in Pakistan's Urdu language—make it unlikely that most of the missing money will be traced. Nor is it likely that anyone will ever know just how much Abedi, who has incorporated a new bank, called the Progressive Bank, in Karachi, stole from the rest of the world.

B.C.C.I.'s downfall was inevitable because it was essentially a planetary Ponzi scheme, a rip-off technique pioneered by American flimflam man Charles Ponzi in 1920. B.C.C.I. gathered deposits, looted most of them, but kept enough new deposits flowing in so that there was always sufficient cash on hand to pay anyone who asked for his money. During the years of its most explosive growth in the late 1970s and mid-1980s, B.C.C.I. became a magnet for drug money, capital-flight money, tax-evading money and money from corrupt government officials. B.C.C.I. quickly gained a reputation as a bank that could move money anywhere and hide it without a trace. It was the bank that knew how to get around foreign-exchange rules and falsify letters of credit *in* support of smuggling. Among its alleged services:

- In Panama, according to a little-known racketeering suit that the country brought against B.C.C.I., the bank systematically helped Noriega loot the national treasury. B.C.C.I. allowed the leader to open secret offshore 'accounts under the names of the Panamanian National Guard, the Panamanian Defense Forces and the . Panamanian Treasury, to transfer national funds into those accounts and then to tap the funds himself.

>In Iraq, B.C.C.I. became one of the principal conduits for money that Saddam Hussein skimmed from national oil revenues during the 1980s. According to investigator Jules Kroll, who is tracking Saddam's fortune, B.C.C.I. helped the dictator move and hide money all over the world.

- In Guatemala the collapse of B.C.C.I. has triggered a government probe into a $30 million loan that the bank extended to the country in 1988-89. Government officials told TIME they suspect that some of the money may have gonc to pay bribes to stifle a four-year-old investigation of a major B.C.C.I. client, coffee smuggler and arms merchant Munther Bilbcisi. "If the 530 million was given to corrupt public officials and that can be proved, then the loan should be wiped out or reduced," says Fernando Arevalo Reina of the Guatemalan Attorney General's office. (Bilbeisi has denied any wrongdoing.)

As B.C.C.I.'s influence grew, a corrupt core of middle management evolved, described by bank employees as "100 entrepreneurs," usually branch officers in foreign countries who were free to pursue their own agendas. One such was Amjad Awan. the B.C.C.I. officer who was convicted in Florida for the money-laundering services he provided for Noriega. As long as these remote managers kept on gathering deposits, they were given wide latitude to do as they pleased, which increasingly meant serving a core clientele of what investigators estimate to be some 3.500 corrupt business people around the world.

Abedi, called "the Rasputin of the Middle East," started the bank in 1972

Sheik Zayed, among the world's richest men, now owns the most crooked bank

As a cover for Abedi, tycoon Ghaith Pharaon bought Bert Lance's Georgia bank

Washington power broker Clark Clifford is now under criminal investigation

The more B.C.C.I. became a conduit for such money, the more deposit gathering became the bank's chief goal. At annual meetings, founder Abedi would harangue his employees for days on the importance of luring deposits. That was probably because billions of dollars were vanishing. At the highest levels, B.C.C.I. officials whisked deposits into secret accounts in the Cayman Islands. These accounts constituted a hidden bank within B.C.C.I., known only to founder Abedi and a few others. From those accounts, B.C.C.I. would lend massive amounts to curry favor with governments—as in its $1 billion loan to Nigeria—or to buy secret control of companies. U.S. regulators discovered recently that such loans had enabled B.C.C.I. to buy clandestine control in three American banks: First American Bankshares in Washington, National Bank of Georgia (later purchased -by First American) and Independence Bank of Encino, California. The latter two were bought officially by Abedi's front man, Ghaith Pharaon, the putative Saudi tycoon who received an estimated $500 million in B.C.C.I. loans, ia the 1970s and '80s. Those loans were secured only by shares of stock in the companies Pharaon purchased, which meant that they were never to be repaid.

What Abedi got in return for such loans was de facto ownership of three American banks, since he held their shares as collateral for the unrepayable loans. More important, this "nominee" shareholder arrangement meant that B.C.C.I. itself remained invisible to U.S. banking regulators. Following its discovery earlier this year that B.C.C.I. owned both First American and Independence Bank, the U.S. Federal Reserve ordered it to sell them off.

B.C.C.I.'s deposits also disappeared through the black network, which used the money to pay bribes and conduct its weapons and currency deals. According to a former officer, B.C.C.I. bought virtual control of customs officials in ports and air terminals around the world. In the U.S. millions of dollars flowed through B.C.C.I.'s Washington office, allegedly destined to pay off U.S. officials.

The bribes and intelligence connections may offer an explanation for the startling regulatory inaction. The U.S. Justice Department has hindered an investigation by Massachusetts Senator John Kerry, whose Subcommittee on Terrorism, Narcotics and International Op-

ATTACHMENT B

erations was the first to probe B.C.C.I.'s illegal operations. According to Kerry, the Justice Department has refused to provide documents and has blocked a deposition by a key witness. citing interference with its own investigation of B.C.C.I. To date, however, the Justice Department investigation in Washington has issued only one subpoena. "We have had a lot of difficulty getting any answers at all out of Justice," says Kerry. "We've been shuffled back and forth so many times between bureaus: trying to find somebody who was accountable. These things are very serious. What's shocking is that more energy hasn't been expended. Somebody consciously or negligently took their eves off the ball in this investigation." According to Jack Blum, Kerry's chief investigator in 1988-89. the lack of cooperation was so pervasive and so successful in frustrating his efforts to investigate B.C.C.I. that he now says he believes it was part of a deliberate strategy. Says Blum: "There's no question in my mind that it's a calculated effort inside the Federal Government to limit the investigation. The only issue is whether it's a result of high-level corruption or if it's designed to hide illegal government activities."

The Justice Department denies any reluctance to investigate. Said spokesman Dan Eramian: "We believe there has been good cooperation between law-enforcement [agencies] in this investigation. We're often accused of dragging our feet. and part of that we believe is partisan in nature." Yet the evidence of a cover-up is mounting:

- In one of the most mysterious events in the case, B.C.C.I. bank records from Panama City relating_ to Noriega "disappeared" in transit to Washington while under guard by the U.S. Drug Enforcement Administration. After an internal investigation. the DEA said it had no idea what had happened to the documents Lloyd's of London. which is enmeshed in a racketeering lawsuit against B.C.C.I., has fruitlessly made offers to provide evidence of bribery and kickbacks and has made "repeated pleas" to U.S. Attorneys in Miami and New Orleans to seize B.C.C.I. records. Lloyd's accuses B.C.C.I. of taking part in smuggling operations and falsifying shipping documents. The insurance underwriters offered the results of their voluminous research into the bank's illegal activities. The U.S. Justice

Department attorneys ignored the offers. Lloyd's says.

The U.S. Attorney General has assigned only a handful of FBI agents to its Washington grand jury investigation of B.C.C.I.'s relationship to First American Bankshares. The department's main probe of B.C.C.I_ itself is being handled by a sole Assistant U.S. Attorney in Tampa. Florida, who has recently been assigned another major case. Similar understaffing is evident in a Miami grand jury probe of the relationship between B.C.C.I. and the CenTrust savings and loan, whose failure is estimated to cost taxpayers $2 billion. This may help account for the fact that a 16-month investigation has yielded no indictments.

Just as perplexing is why the Bank of England and other authorities took so long to intervene Britain's main financial regulator waited more than a year after seeing a Price Waterhouse audit that raised serious questions about B.C.C.I.'s viability before seizing its 25 branches in Britain. One explanation: the Bank of England was conducting extended negotiations with Abu Dhabi authorities, apparently hoping that B.C.C.I.'s current owner. Sheik Zayed bin Sultan al-Nahayan. would shore up the bank. But more suspicious experts raise questions about B.C.C.I.'s links to Western intelligence agencies. Leaders in Parliament have expressed outrage at the regulatory failure_ which among other things has endangered deposits from as many as 45 municipalities and four utilities.

As authorities sift through B.C.C.I. subsidiaries around the world. they are trying to cope with potentially massive losses of depositors' money. The Pakistani press spoke of "panic withdrawals." and one paper added that "smugglers and drug barons" were desperately trying to rescue their offshore accounts. In such countries as Nigeria and Botswana. officials were worried that central-bank deposits at B.C.C.I.

might be lost.

Still to be probed with potentially explosive results, is B.C.C.I.'s Washington office. Sources have told TIME that one of B.C.C.I.'s Washington representatives distributed millions of dollars in payoffs to U.S. officials during the past decade. If that is true. the banker's black book may be the single hottest source since Deep Throat in the Watergate investigation. U.S. authorities are searching for the Washington representative and other B.C.C.I. protocol officers. but most have fled to Pakistan. In this investigation, many roads lead to Karachi where the infamous black network is enduring its most desperate hour. As it falters, the testimony by once fearful witnesses is likely to yield a succession of startling details about one of history's most ornate and ruthless frauds.

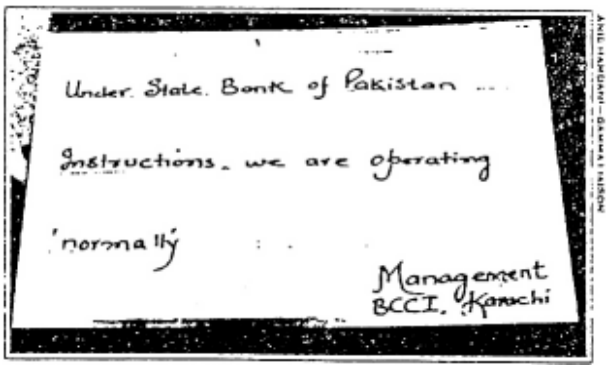
—With reporting by Cathy Booth/ Miami, Jay Branegan/Hong Kong and Helen Gibson/London

Scandal? What Scandal?

In the West, the most outrageous aspect of the crackdown on the Bank of Credit & Commerce International is that it was so long overdue. But most Pakistanis hold a very different view of the global banking empire founded by fellow countryman Agha Hasan Abedi.

At home he is revered as a courageous Third World entrepreneur whose bank has been hounded by racist Western financial interests. In Karachi last week, the English-language Daily News made the extraordinary claim that "Jewish pressure" led U.S. authorities to crack down on B.C.C.I.'s laundering of drug money Said Rubab Khan, a Karachi business executive: "This is part of the Western plot to seize all the money and assets of the Arabs and drive out the Pakistani bankers from international banking."

Sinister theories also echoed in the Persian Gulf last week. At the Bahrain Marina Club, a Saudi computer operator explained, "It seems to many of us in the Muslim world that the bank is being attacked, at least in part, because of its Muslim ideals.", Ideals? That view of B.C.C.I.'s criminal management may seem strange enough, but Muslims harbor even more elaborate conspiracy theories, linking B.C.C.I.'s problems with those of another onetime Muslim success story, Saddam Pakistanis say the bank is the victim of anti-Muslim prejudice



Pakastanis say the bank is the victim of anti-Muslim prejudice

Hussein. A senior executive with one of Bahrain's largest companies notes that the powers closing in on B.C.C.I. are "the same people who were involved in the coalition during the gulf war, mainly America, Britain and France." Many gulf residents believe, he says, that the Western coalition members are "not satisfied with now controlling the Middle East militarily. Through this action against B.C.C.I., the coalition is also seeking to control us financially and economically."

ATTACHMENT C

AUSTRALIAN SENATE
CANBERRA A.C.T.

MEDIA RELEASE

SENATOR PAUL McLEAN
Australian Democrats – New South Wales

9 1 / 3 6 5
CANBERRA
14 August 1991

McLEAN QUESTIONS AUSTRALIAN BANK INVOLVEMENT WITH DISCREDITED BCCI BANK AND SADDAM HUSSEIN'S WEAPONS DEVELOPMENT PROGRAM

Last month Democrat Senator Paul McLean met. with Congressman Henry Gonzales, the powerful and-respected Chairman of the House Standing Committee on Banking who strongly advised him to investigate possible Australian banking involvement in two scams involving the BCCI Bank and Saddam Hussein.

"I asked a series of questions of the Treasurer today, to elicit information concerning the alleged involvement of. Australian banks with the discredited BCC/ bank," Senator McLean said.

"A recent comprehensive CNN Report on American television concerned corrupt practices in American banking and alleged that virtually every major bank in the world had channelled money through the BNL Bank, Atlanta USA, to Saddam Hussein's weapons development program. 1 asked the Treasurer whether the Reserve Bark, or any law enforcement agency had investigated any allegations concerning involvement of Australian banks in conduiting funds to Hussein for weapons development', Senator McLean said.

"I also asked the Treasurer to undertake to investigate whether any Australian bank fell into the category of 'virtually every major bank in the world'.

"I have grave fears that these allegations may prove to be correct and I am waiting with some disquiet for the Treasurer's answer," Senator McLean concluded.

FOR INFORMATION: SENATOR PAUL McLEAN (06) 277 3450

ATTACHMENT D

AUSTRALIAN SENATE
CANBERRA A.C.T

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SENATOR PAUL McLEAN

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QUESTION WITHOUT NOTICE

Senator Paul McLean to ask the Minister representing the Treasurer on Wednesday 14 August, 1991:

I preface my Question to the Minister representing the Treasurer by advising the Senate of a comment made to me three weeks ago in the United States by Congressman Henry Gonzales, Chairman of the House standing Committee on Banking, when I met with him to discuss corruption in banking in Australia. Congressman Gonzales and two of his senior staff members strongly advised me to
examine possible Australian banking involvement in two scams, I refer also to a comprehensive CNN Report on American television concerning corrupt practices in American banking and I ask the Minister:

1) Has the Reserve Bank or any law enforcement agency investigated any allegations concerning involvement of Australian banks in conduiting funds to Saddam Hussein's weapons development program, and

2) Has any investigation been undertaken concerning alleged involvement of Australian banks with the Bank of Commerce and Credit International (BCCI).

PAUL McLEAN

ATTACHMENT C

AUSTRALIAN SENATE
CANBERRA A.C.T.

MEDIA RELEASE

SENATOR PAUL McLEAN
Australian Democrats – New South Wales

91/366
CANBERRA
15 August 1991

MCLEAN ALLEGES BANKS ARE PROTECTED BY THE VERY INSTITUTIONS SET UP AS THEIR WATCHDOGS!

Senator Paul McLean, Democrat spokesperson on Bank Matters said today that three factors have combined to leave Australians with no option but to conclude that banks have virtually all authorities eating cut of their hands. These are:

1. Treasurers and Attorneys-General who have been reluctant to initiate action on alleged bank malpractice,
2. a soft Bank Inquiry, and
3. a less than diligent Reserve Bank (clear evidence being what Westpac was doing right under their noses).

"If anybody is in doubt, they only need to note that just last week the Treasurer froze the savings of ordinary Australians in unlisted Property Trusts to placate the nervouseness of banks, yet he has taken no action to freeze interest rates to save hundreds of thousands of Australian farmers and business people, nor taken steps to initiate debt restructuring legislation along the lines of the American model," Senator McLean said.

With senior bankers arrogantly calling for us to 'get back to normal' and to stop 'this senseless bank bashing', Australians must now wonder what 'normal' is and whether their complaints of ill-treatment by the banks will ever be taken seriously.

I am calling for a moratorium on interest rates, debt restructuring legislation and a Royal Commission into banking. These are the only strategies that will protect Australians against the flagrant rapacity of our banking system", Senator McLean concluded.

FOR INFORMATION: SENATOR PAUL McLEAN (06) 277 3450

ATTACHMENT F

level of operation. Just who might do this is terribly difficult and an offhand comment some weeks ago that Reynolds will be the principal beneficiary of all that has happened seems close to the mark.

I have tabled the document from which I have just quoted. The Commonwealth Development Bank was in a similar predicament to the Commonwealth Bank of Australia. In a memorandum dated 31 December 1985, which I have previously tabled in this place, Mr K.I. Whatson of the Commonwealth Development Bank Head Office wrote:

What we would do if the factory closes down is not immediately obvious. First step would seem to be to get hold of what book debts there might be . . There is a risk of loss of most, if not all, of our investment of $500.000.00.

In a memorandum dated 8 January 1986, which I have previously tabled, the Commonwealth Development Bank State Manager, New South Wales, Mr J. W. Thompson, wrote:

. . . it now appears that the company may not be able to reach a position where its product will generate sufficient cash flow to service its commitments. We understand that the CBA is in the process of making demand for payment of its debt if this happens it seems to us very likely that the company will have no option but to close its operations. In this event. there would be little worth in our R/E/M security (that is, Registered Equitable Mortgage security).

What this means is that officers of the Commonwealth Bank of Australia had painted the bank into a corner by imprudent lending practices and were about to drag the Commonwealth Development Bank down the drain with them. At this stage there was no suggestion from the Commonwealth Development Bank of appointing receivers. The memorandum continues:

We have prepared in draft form notice of demand including fixing our charge in respect of R/E/M security. We have also prepared in draft a notice to individual debtors requiring funds due to be paid to CDB . . .

The Commonwealth Development Bank resisted approaches by the Commonwealth Bank of Australia to appoint a receiver. In a memorandum dated 15 January 1986, Mr Thompson wrote:

Mr Vanner of CBA was in touch with us on 15th January . . It was put to us that having in mind the supposedly substantial value of this stock CDB may wish to consider appointing a receiver to dispose of it. I told them we would be unlikely to wish to entertain such an arrangement as this may precipitate the folding up of the company which would not help CBA in the present investor negotiations and is unlikely to help CDB's case.

I have tabled the document from which I have quoted. In a memorandum dated 21 January 1986, Mr Thompson wrote:

We were telephoned yesterday by Messrs. Robinson and Vanner of NSW Branches Administration, CBA. . . . The CBA representatives suggested that CDB may care to take action under its RJE/M with a view to taking possession of and selling the stock said to be on hand. Whilst we did not reject that suggestion outright it was made clear we were not terribly enthusiastic .. .

I have tabled the document from which 1 have just quoted. In a memorandum dated 24 January 1986, Mr Thompson wrote:

Mr Vanner of CBA informed us this morning . . . We were asked whether CDB has thought any more of acting under its securities and appointing a receiver. I said we had not done any more regarding this and in fact we may have no cause to do so as we believed borrower is proposing to pay arrears of interest which is the only default under the CDB R/E/M at this stage.. .

I have tabled the document from which I have just quoted. The Commonwealth Bank of Australia even pre-empted the appointment of a receiver. In a memorandum dated 21 January 1986, Mr P. J. Shoebridge, an officer of the Commonwealth Development Bank wrote:

Miss Batiste went on to say they had just undertaken discussions with Mr Neil Sim (General Manager NSW Branches Administration) regarding CBA's position . . . Mr Sim also indicated that CDB were reviewing their position and in fact were considering Appointment of a Receiver! Mr Sim stated in regard to the above, "I am at liberty to disclose that! This lead to the conclusion that CDB was on the point of taking action under its securities. Miss Batiste was informed that at this point in time CDB had not reached a decision as to appointment of a receiver .. .

I have tabled the document from which I have just quoted. The statement by Sim was a blatant lie. That lie was told by the General Manager, New South Wales Branches Administration—the right hand man to the then Managing Director, Mr Vern Christie. Then, again, that revela

ATTACHMENT F

tion should not surprise us because Peter Poppett committed perjury in Wilfred Taylor's case—a case which I have similarly unfolded here. Geoffrey Kyngdon committed perjury in Tony Rigg's case, which I have similarly exposed. Jim Vanner committed perjury in Donna Batiste's case. Senior management of the Commonwealth Bank of Australia used the lie told by Mr Sim to influence the Commonwealth Development Bank's decision to appoint a receiver. In a memorandum dated 5 February 1986, Mr Thompson wrote:

There have been considerable developments throughout this week in relation to this account. On Monday 3rd February we were telephoned by Head Office with the message that the Managing Director (that is. Mr Vern Cnristie) had said at the 9.30 meeting that something must be done about this account without further delay. I was asked to arrange an urgent meeting with General Manager NSW CBA Mr Sim and this discussion took place immediately after lunch when Messrs Robinson and Vanner were also present.

It was clear from that, that Mr Sim's understanding was that CDB had virtually given a commitment in the previous week to take action. This was not as we understood it. Be this as it may however. it was clear that the time for action had arrived . . . Subsequently the case was reviewed by Deputy General Manager CDB, Mr Wright. Ken Whatson and myself. It was decided later, on the afternoon of)rd February that COB should move towards appointment of a receiver as quickly as possible.

I have tabled the document from which I have just quoted. I suppose the question then arises: why did Mr Sim lie to Miss Batiste? I would contend that Sim lied to pressure Miss Batiste into selling the business. Senior management knew that Miss Batiste was endeavouring to sell a share of the business to pay out the Commonwealth Bank of Australia. In a record of interview between Messrs Robinson, Vanner and Simington and Miss Batiste dated 16 January 1986, it is stated:

The sale package they are offering is 49% of the company with Miss Batiste staying on in the company. They are negotiation for total cover of the Bank debts (company only) for between $1.5Million and $2Million for a 49% share .. .

I have tabled the document from which have quoted. I return to the memorandum of Mr Shoebridge dated 21 January 1986 which I have also tabled. It states:

Miss Batiste went on to say that they had just undertaken discussions with Mr Neil

Sim . . there are three people stated to be interested in purchasing the business. Negotiations are proceeding but nothing has eventuated.

I contend that Miss Batiste passed this information to Mr Sim, and he then lied to her.

The question arises: why did Sim, Robinson and Vanner hold an urgent meeting with Mr Thompson? Why did they influence the Commonwealth Development Bank to appoint a receiver? Robinson and Vanner knew that Miss Batiste was negotiating with an Italian syndicate. Robinson and Vanner knew the terms of the negotiation. Robinson and Vanner knew Miss Batiste's attitude to those negotiations.

I return to Mr Thompson's memorandum dated 21 January which states: We were telephoned yesterday by Messrs Robin-

son and Vanner . . . They had shortly beforehand interviewed Brian Wickens who was the director of a borrower company . . . Wickens mentioned also that Batiste is believed to be trying to sell the company to an "Italian syndicate" for $4Million. The Italian syndicate is believed to be somewhat interested. provided Batiste is out of the company altogether. She is not impressed with this and wants to retain a 49% interest but with herself to receive $2Million in cash for sale of the 51% interest.

On 24 January 1986 a meeting took place and a deal was struck. In a memorandum from Max Reynolds to the *Sunday Telegraph* relating to that meeting, which 1

is have tabled previously in this place, it s

recorded that an offer was to be made to Miss Batiste as follows:

That the offer would be made to Donna Batiste and that the money would come through the ICLE bank via a group as follows:

ICLE	20%
AEFC	20%
ABC	20%
D. Batiste	10%
Durna	30%

Honourable senators will recall that 'ICLE refers to the Instituts Nazionale Di Cre-

dito Per Lauore Italiano All'Estore, an Italian resident merchant bank owned by Banca Nationale del Lauoro of Italy.

ATTACHMENT F

The reference to AEFC refers to Australian European Finance Corporation Ltd, an Australian resident merchant bank then owned by the Banca Nationale and the CBA. The reference to ABC refers to ABC Property Planners Pty Ltd, 25 per cent of which is owned by AEFC. What this means is that if the deal was consummated, the Commonwealth Bank of Australia would have carried equity in the project.

Honourable senators will also recall that the ICLE bank was the banker for the Italian syndicate's company, Durna Pty Ltd. The Commonwealth Bank of Australia had a material interest in the deal, as pan owner of AEFC. The ICLE banked with the Commonwealth Bank of Australia and loaned money to the Commonwealth Bank of Australia. I have tabled the audited accounts of the ICLE bank as at 31 December 1984 showing loans to the Commonwealth Bank of Australia. The ICLE would have informed the Commonwealth Bank of Australia of the deal.

Senior management of the Commonwealth Bank of Australia would have reason to believe that Miss Batiste would reject the offer. Senior management of the CBA had reason to believe that Miss Batiste would pay the arrears of interest to the Commonwealth Development Bank. Senior management of the CBA knew that the CDB did not want to appoint a receiver. I contend that the best senior management of the Commonwealth Development Bank could hope for was to consummate the deal and take its carried equity in the project. I contend that Sim, Robinson and Vanner used Sim's lie to influence the Commonwealth Development Bank as part of a corrupt deal to defraud Miss Batiste.

The ICLE bank wanted to take over Huon Valley Springs. In a letter from Messrs Sofia and Vizzone to ICLE Finance Corporation dated 31 December 1987, the Italians wrote:

> We believe that we were duped and forced into entering into the Huon Valley Springs mineral water venture by the Bank's over zealous General Manager. Dr Giorgio Draskovic. Dr Draskovic. we maintain was driven by his own personal ambitions and desire to achieve status within your own corporate structure and also amongst the wider banking community.
>
> In grandiose terms he-

that is, Dr Draskovic-

> said that he was about to show the Australian banking community how Italian banks operated and in the process use HVS as the spearhead for IFC (ICLE Finance Corporation).
>
> . . Draskovic continued to stress the importance of Huon Valley. He recounted the story that at a congregation of the banking fraternity i.e. amongst his peers, that the Federal Treasurer, Mr Keating, had singled IFC and himself as a model for other bankers to follow. Mr Keating has specifically mentioned the fact that he (and IFC) had picked Huon Valley springs when other banks did not want to touch it.

I seek leave to table the letter from which I have just quoted.

The DEPUTY PRESIDENT—Is leave granted?

Senator Collins—Very briefly, yes, but I point out that the letter, as would be obvious from the quote, is in fact, without question, defamatory of Dr Draskovic. As is his absolute right, the honourable senator has quoted from it. I simply rise to make the point that we will grant leave but I want it on the record that Dr Draskovic, pursuant to privilege resolution No. 5 of this Senate, can of course seek to have a response made to the President should he wish.

Leave granted.

Senator McLEAN—I draw the attention of honourable senators to the fact that I previously named Dr Draskovic some months ago. At that time I alerted him to the fact that there were privilege procedures available to him, as Senator Collins has quite rightly stated once again. The question arises: how did Giorgio Draskovic, the model banker, take control of Huon Valley Springs? I return to the letter from Messrs Sofia and Vizzone:

> Naghten (the Managing Director of ABC) structured a proposal which effectively took over all assets and liabilities of HVS Pty Limited.
>
> He told us the revised share structure would be:
>
> — 50% Durna
>
> — 20% IFC
>
> 20% Australian European Finance Corporation

ATTACHMENT F

The offer was presented to Miss Batiste. who rejected it. A meeting was then arranged with Draskovic, Naghten and ourselves to review the state of play. In spite of the offer being rejected Naghten and Draskovic were confident we could take over HVS Pty Limited. We were advised that they had already taken such steps through their contacts in the Commonwealth Development Bank to have the "plug" pulled on Batiste. A Notice of Demand was being served on Batiste almost at the moment. We were further advised that Mr Naghten would be taking Miss Batiste's percentage of the equity. We don't know what actually transpired but almost immediately HVS Pty Limited went into receivership .. .

What was the consequence of the action taken by Dr Draskovic? The answer is obvious. The inevitable happened. In a memorandum dated 14 February 1986, Mr J. E. Healey of the Commonwealth Development Bank head office wrote:

Mr Naghten said Duma Pty Limited had terminated Huon Valley Spring's lease of the factory property on the grounds of appointment by the Bank of a receiver and also non payment of rent. In view of this situation it must be acknowledged that Durna Pty Limited can effectively prevent sale of the business as a going concern to anyone else.

I have tabled the document from which I have just quoted. Messrs Sofia and Viz-zone summarised the position as follows:

The appointment of a receiver meant that Batiste contravened her contractual obligations and lost both her mineral water extraction rights and the lease on the factory buildings. Effectively the receiver had nothing to sell, as Durna owned the water and the factory building.

This means that Reynolds, along with the Italians, became the principal beneficiaries. The Italians recorded this comment, and I am quoting from documents which I have just tabled:

Channel 10 and Batiste were pretty close to the mark over a conspiracy to get her.

That is a statement they made in a documentary produced on this incident by Channel 10. In closing, I return to the fact that it is this type of evidence which the Martin committee has chosen to ignore. The Martin committee ignores it, as does the Attorney-General of Tasmania, whose attention I drew to this evidence some months ago. I can only say that they ignore it at their own risk and at our peril because the Huon Valley Springs Case, I am convinced, is a classic case of targeting and asset stripping, of fraud, of rank corruption and of malpractice—call it what you like—the type of practice for which it is the responsibility of this Senate, and me personally, to target and give evidence of. It is our responsibility to call upon the responsible authorities in this country to take the necessary action.

East Timor

Senator MACDONALD (Queensland) (8.11)-1 want to make a short reference to a rather unfortunate speech that was given in the other place earlier this evening by the honourable member for Moreton (Mr Gibson). He spoke about East Timor and, in doing so, about a parliamentary delegation to Indonesia which visited East Timor. He then proceeded to go on to other things. The contents of that speech were. in my view, quite outrageous, misleading and inaccurate, and the timing of the speech was improper, contrary to what I understand to be the ethics of this Parliament and unfortunate in the extreme.

I dissociate myself entirely from the remarks of the honourable member for Moreton. I want to make it clear that, whilst the honourable member for Moreton mentioned the delegation, in no way could what he said in that speech tonight be taken as being my impression as a member of that delegation.

I intend to speak on the delegation's visit to Indonesia, and *I* want to do that at greater length at the appropriate time which is, I understand, when the delegation's report is presented to Parliament. I will be speaking in a very positive way because the delegation was a very positive exercise and one which will do much to cement relationships between our nearest neighbour, the Indonesian republic, and the fine people who live in that nation, who looked after us extremely well and were very kind and helpful to us on that delegation.

I was somewhat shocked to see on my in-house monitor the honourable member for Moreton speaking as he did about East Timor and about the Indonesians. He said that he had recently been to *the*

THE

WESTPAC

PAPERS

ALLEN
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ATTACHMENT G

Our Reference BPJ:387512
Your Reference
Writer's direct number: (02) 229 8938

26th November, 1987

Warwick Kent Esq.,
Chief General Manager,
Corporate & International,
Westpac Banking Corporation,
60 Martin Place,
SYDNEY NSW 2000

ABSOLUTELY PRIVATE & CONFIDENTIAL

Noted
AJP
10/12/87

Dear Warwick,

PPL MANAGED OCLS

- The purpose of this letter is to report to you on:
- the work we have done (Section A)
- what went wrong (Section B);
- the conclusions I have reached (Section C.1);
- the reasons for those conclusions (Section C.2); and
- my recommendations (Section D).

SECTION A – THE WORK WE HAVE DONE

DOCUMENTARY

The documentary team examined all relevant PPL and Westpac files.

This exercise involved the consideration of at least 50,000 documents. Details of over 7,000 documents were entered into our computer system and approximately 1,500 documents were subjected to detailed review, because they were particularly significant.

As a result, for the purposes of the interviews described below, and for any subsequent purposes, we had and will have a capacity to use the system to provide extremely useful analyses of the documents.

ATTACHMENT G

For example, we can call up a list of all documents found in a particular person's file, or all documents authored and/or received and/or copied to a particular person.

This exercise has had three very significant benefits:

1. It enabled us to conduct the interviews described below against the background of what was said in the relevant documents. This greatly facilitated the efficient extraction of information in these interviews.

2. I can write this report, extremely confident that the assessments contained in it have been made in the light of the relevant documents and interviews based on the relevant documents.

3. If litigation should prove to be unavoidable, PPL is in a position to discover quickly and efficiently and at very little additional cost.

THE INTERVIEWS

A policy decision was taken not to interview ex-PPL employees, because it was thought that the risks of signalling the problem outweighed the advantages to be derived from such interviews.

The following people were interviewed In the light of an analysis of the documents relevant to their position:

Stan Davis	Bob Plummer	Belinda Beatton	Peter Gow
Tony Snape	Bruce McKenzie	David Brooke	Bruce Glover
Neville Hiles	Peter Lovegrove	Robert Carr	Ken Lawson
Garth Carter	Stuart Lummis	Julie Cleary	John Todd
			Elizabeth Wyse

All those interviewed were co-operative and frank and, quite apart from this, interviews conducted against the background of a detailed consideration of the relevant documents lead to a far more accurate picture than those conducted without this advantage.

FIELD INVESTIGATION TRIPS

Each of the interstate offices was visited. These visits had three purposes:

1. To consider the documents held by the local office;

2. To interview the local state manager and relevant Westpac Personnel; and

3. With the assistance of the local state managers' feel and knowledge of the attitudes and circumstances of particular customers, to form an opinion, on a state by state basis, of the extent of possible liability.

BPT.

In Sydney, these functions were attended to, mutatis mutandis, by interviewing the relevant PMOs.

ASSISTANCE RECEIVED

I gratefully acknowledge:

- the counsel and assistance received from Terry Dunne and his Westpac legal team; and
- the enormous contribution made by Ashley Ayre, who managed the investigation summarized in this report, with outstanding energy and skill.

SUMMARY OF PPL'S PERFORMANCE WITH MANAGED LOANS

Attachment 1, summarises PPL's position on a state-by-state basis. Overall, while managed, PPL-managed borrowers:

- had capital losses of $33.1m;
- had an unfavourable position vis- a - vis a totally unmanaged position of $7.6m;
- had an unfavourable position vis a vis a fully-hedged position of $12.5m.

SECTION B - WHAT WENT WRONG?

Late in 1984, PPL started to offer a managed FX loan product.

In early 1985, PPL's Managing Director was Rob Douglass. Reporting to Rob Douglass was the General Manager, Graham McPherson. Reporting to McPherson were the executives who headed up the two sides of PPL's business, Tony Snape beading up asset-based finance, and Brian Eggert heading up treasury.

Douglass and McPherson did not get on, and Snape and Eggert did not get on. Eggert was close to Douglass, who tended to view his performance through rosy-eyed glasses as a result.

Reporting to Eggert was Louise Jackson, who headed up the PPL forex department.

It was not *a* good time to be marketing this product/ the $A had been sliding against the $US for a year and was about to start its momentous downward slide against all currencies.

Douglass started what was to become a tradition of weak management by sending Eggert a memorandum in June, 1985 (part of Attachment 2) telling him that the product was being introduced against Douglass's wishes. Notwithstanding the chief executive's opposition, the product went ahead and a further 42 customers were to be added to the 22 which existed at the date of Douglass's memorandum.

BPT.

Louise Jackson bad reporting to her two dealers — David Green and Peter Mihajlovic. All three were generally regarded as competent forex people.

Eggert did not share the generally high regard for Jackson. Eggert disliked and distrusted Jackson and their relationship was extremely stormy. In February, 1986 Jackson was dismissed/resigned in controversial circumstances. Jackson's staff certainly felt that the bad been badly done by and David Green resigned as chief forex dealer virtually at the same time, and was followed by Peter Mihajlovic in April.

Those left to shoulder the burden were Haniff Abu Bakar and Andrew Fedas.

There were better times to lose one forex dealing team. The SA was plummeting against all major currencies.

By mid 1986, the deterioration since February had been dramatic.

- The department was demoralised;
- Reporting systems with clients had broken down;
- The volume of dealing was far too much for the PPL system to handle;
- The dealers were relatively inexperienced;
- Clients were complaining about their crippling losses, and most of all, about an inability to communicate with the forex department.

These difficulties did not prevent a further 22 clients being signed during the first half of 1986, which worsened all the difficulties referred to above.

The brunt of the client complaints were taken by the state managers and PMOs who had the relationship with them. State managers and PMOs, for their part, found it impossible to get any sensible answers out of the forex department. All the time, the dollar dropped and dropped.

It was these pressure cooker circumstances which caused memoranda like Col Logie (WA Manager) in June 1986 (part of Attachment 2). This memo is trenchantly critical of the entire manner in which borrowers were being managed.

It is important to note that this memo was sent to all the PPL senior management from McPherson down.

On 27th June an equally vituperative memorandum (part of Attachment 2) was sent by the Sydney PMOs to McPherson.

Early in July, 1986, McPherson sent a memo to Eggert (part of Attachment 2), which said that McPherson regarded Eggert as being

responsible for several seriously deficient aspects of managed borrowings.

This memorandum is in very strong terms and it is staggering that the memorandum concludes by merely asking Eggert to do better in future.

I believe that McPherson's attitude may have been based on a view that Douglass would not countenance action against Eggert. Whatever be the reason, it was a very weak conclusion to a very strong memorandum.

By early July, 1986 then, there can 'be no doubt that all senior management at PPL were only too well aware of the gravity of the situation.

The failure of Douglass, McPherson and Eggert to act decisively to redress the position is a tragedy, and it is on these three gentlemen that primary responsibility for the situation PPL faces today must rest.

Unfortunately, weak management tends to beget weak management, and one could summarise all management from the middle of 1986 onward by saying that it was management by memo and management by memos which were primarily designed to protect the author from responsibility, rather than to redress the position.

During the balance of 1986, the position continued to deteriorate; clients continued to lose money; communications with clients and with state managers and PMOs continued to be a disaster, and management continued to do notning about it.

By late 1986, there was a clear view within PPL treasury that the product should be abandoned. This met robust opposition from Snape on behalf of the state managers and PMOs, who took the view that to drop customers who already had much about which to complain was unwise.

I think this view correct. However, managed borrowing should not have been allowed to lurch on towards 1987 in *a* management vaccuum. At the end of 1986, it was decided to merge the PPL and Westpac treasuries and to restructure the Westpac group's merchant banking operations.

Douglass, McPherson and Eggert departed. Carter was appointed to head PPL's treasury operations, which included managed loans.

During the first quarter of 1987, the Westpac rick management unit (via Agnes Wong) was supposed to exercise a supervisory role over loan management.

This first quarter of 1987 was a period of non-management. Agnes Wong gave advice, but had no power to direct. Garth Carter regarded his management responsibility for managed loans *as* being purely nominal, and the position continued to drift.

At the end of the first quarter of 1987, it was decided to formally transfer the management to the Westpac unit.

This decision was not implemented as quickly as was planned. This was partly due to stiff resistance from Westpac risk management, who doubtless feared they were being handed a can of worms, and partly due to a lack of drive on the part of PPL executives.

The management vaccuum thus remained in force until late June, 1987 when most contracts were terminated and five managed customers were transferred to Westpac risk management.

In short, managed forex loans vas a bad idea, introduced at the worst possible time, and badly managed.

The dollar fared well from late 1986 to mid 1987, and given the management vaccuum, PPL was clearly lucky that it did.

In September, 1987, complaints 'made by managed borrowers had come to Terry Dunne's attention and be asked Martin Kriewaldt of Feez Ruthning to look into the matter.

This led to Martin's letter of 7th September, which is Attachment 3. The views expressed in this report and in that letter are substantially the same.

As a result of Martin's letter, Ashley Ayre was asked to direct an investigation into the matters raised in it.

SECTION C — MY CONCLUSIONS AND MY REASONS FOR THEM

C.1 CONCLUSIONS

1. According to PPL's own documents, PPL:

   - told clients it would do a professional management job
   - told clients that it would adopt a conservative, “when in doubt, hedge” approach to risk management.

2. PPL's own documents acknowledge that:

   - PPL did neither of these things; and
   - this failure caused loss which would not otherwise have been incurred.

3. Trading conditions during the relevant period were such that all a prudent manager could have done is to have hedged and stayed hedged for the duration. This:

   - was objectively what PPL should have done;
   - would have been consistent with PPL's representations as to the policy it would adopt.

4. As a result of 1-3, a number of clients did significantly worse than the fully-hedged position.

5. PPL undoubtedly took points which, at best, exceeded its entitlement and to which, in my view, PPL had no entitlement at all. PPL probably switched transactions between its own account and its managed borrowers accounts.

6. The exemption clause in the Power of Attorney signed by managed borrowers will not operate to defeat actions which are available to those borrowers based on:

- point taking and deal switching;
- failure to follow the conservative management policy

which PPL represented to clients it would follow.

7. As a result of 1-6, it is likely that managed borrowers would succeed against PPL.

8. The measure of damages will be:

- the amount lost via the taking of points;
- the profit lost via the switching of transactions;
- the difference between the fully-hedged position (plus, say, 20% to approximate the point at which clients should have been fully hedged) and the position actually achieved.

9. Clients will be slow to commence action because of:

- the breadth of the exclusion clause in the Power of Attorney will deter clients (who don't know of the deal switching and point taking and the damaging PPL documents) from commencing action;
- their lack of knowledge of how damaging PPL's documents are;
- the lack of success of OCL actions to date;
- the high costs involved

10. Given 9 and given full-time bands-on management by a suitable executive having total responsibility, suitably supported by state managers, it should be possible to keep liability at a manageable level.

C.2 REASONS FOR CONCLUSIONS

CONCLUSIONS 1 & 2: THE ACKNOWLEDGEMENTS CONTAINED IN PPL'S OWN DOCUMENTS

I wrote to you on 22nd October and attached to that letter a collection of documents.

ATTACHMENT G

Many more documents have been examined and a number of them are very damaging.

I see little point in adding further documents to the bundle, however, because the documents attached to my letter of 22nd October illustrate the extraordinary extent to which PPL's own documents support the conclusions I have reached. The bundle is Attachment 2 to this letter.

All those reading this letter should read these documents - they ire devastating.

CONCLUSION 3: TRADING CONDITIONS - THE OBLIGATION TO HEDGE

Between the beginning of 1985 and November this year, the Australian dollar depreciated:

- 53% against the Swiss franc;
- 32% against the $US;
- very significantly against virtually every other currency.

An inter-bank trader can have one of three postures with respect to any given currency:

1. long;
2. short; or
3. out of the market.

Importantly, when the inter-bank trader goes short or long, be is under no necessary added risk in doing so.

The risk manager is in a very different position:

Firstly, he can't go out of the market - he is managing an offshore borrowing which is a fact of life;

Secondly, if the loan is in currency A and the manager shorts that currency, his managed client is a double risk;

Thirdly, if he keeps the managed loan hedged most of the time, the cost of the loan will equal (or perhaps slightly exceed) the cost of onshore borrowing. It is precisely to avoid these costs that clients have borrowed offshore and, regrettably, some of them would have bad difficulties in servicing their loans at onshore rates;

Fourthly, an inter-bank trader is aware that a certain level of buying and selling will tend to alter prices and can take this into account in his trading activities. A risk manager is not in a similarly fortunate position. If his clients are long a total of, say, $US100 million and he is going to close

There is an alternative view which asserts a market convention that a modest amount of points may be taken; the number of points being designed merely to recoup the coats of carrying out the transactions.

The PPL forex section made extensive use of *a* suspense account for significant periods of tine.

The suspense account was used to "park":

- transactions which would otherwise have caused difficulties with Reserve Bank imposed limits;

- transactions before allocating them to a managed borrower or to PPL's account.

Transactions put into the suspense account were entered in to suspense account books, which were kept for this purpose. These books have disappeared and an extremely diligent search has failed to find them.

The absence of these books greatly hinders the unravelling of transactions and this difficulty and the difficulty in establishing when, in the course of a day's trading, a particular transaction took place, have prevented us from quantifying the profits which PPL made from point taking.

Notwithstanding this, the following factors cause me to believe that *a* court would find that point taking occurred:

- the 6.4.87 memorandum from Kr. Williams which is part of Attachment 2;

- spot checks of deal slips and position sheets done at the direction of Ashley Ayre;

- the extraordinary comparative profitability of PPL trading on its own account compared to its trading record for managed borrowers;

- the extraordinary trading volume which was otherwise at variance with PPL's represented management policy.

Deal Switching

The loss of the suspense books makes it impossible to form a firm view about deal switching. However, the position sheets disclose some transactions which would probably cause a court to infer that deal switching had gone on. I have interviewed a PPL employee whose first-hand observation was that some (albeit unquantifiable) deal switching did go on, and I think it probably did.

CONCLUSION 6: THE EXEMPTION CLAUSE WILL BE OF LITTLE ASSISTANCE THESE CIRCUMSTANCES

All managed borrowers signed a Power of Attorney which contained a widely drawn exemption clause. That exemption clause will defeat

actions (both in contract and tort) based on a failure to exercise sufficient care and skill.

The High Court decision in Darlington Futures Ltd v. Delco Australia Pty. Ltd (68 ALR 385) makes it clear that, as a matter of construction, clauses of this sort will not be allowed to defeat claims based on point taking and deal witching, because these depend on allegations of deliberate dishonesty.

Even if, contrary to the view expressed above, the exemption clause was held to defeat a claim based in contract for point taking and deal switching, PPL would still face an identical claim based on breach of fiduciary duty.

In its Hospital Products decision (United States surgical Corp. V Hospital Products International Limited (156 CLR 41)), the High Court said that it was reluctant to introduce fiduciary duties into commercial relationships unless there was a genuine element of control by one party over the affairs of the other, with a consequent vulnerability of that party.

I have little doubt that a fiduciary duty existed here because of the total control which PPL had over the managed loan and the vulnerability of managed borrowers which resulted from this total control.

Liability for breaches of fiduciary duty cannot be contractually excluded because they are not based on contract.

Section 52 of the Trade Practices Act creates an obligation not to carry on business in a misleading fashion and this obligation cannot be contractually excluded.

PPL represented that it would keep clients fully hedged, except in advantageous situations, and failure to do this leads to a liability under the Act which cannot be contractually excluded.

CONCLUSION 7: MANAGED BORROWERS WOULD SUCCEED AGAINST PPL

This needs no expansion in the light of the discussion which has preceded it.

CONCLUSION 8: THE MEASURE OF DAMAGES

It will be obvious Cram my discussion of the difficulties of quantifying point taking and deal switching in Conclusion 6 that a court will face the some difficulties which I have faced and will probably not be able to take a precise calculation of the relevant loss/loss of profits.

This will not deter a court from doing rough and ready justice as best it can on the evidence available. This is clear from the long-established cases of Chaplin v. Hicks (1911) 2 KB 786 and Howe v. Teefy (1927) 27 SR(NSW) 301 and from the more recent decision of the Full Court of the Feder.1 Court of Australia in Enzed Holdings Ltd & Ors. v. Wynthea Pty. Ltd & Ors (1984) 57 ALR 167.

The Enred Holdings decision concerned calculation of damages for a breach of s.52 and it is thus authority for the proposition that a court will adopt a similarly robust approach to overcome any of the difficulties in determining precisely when hedging should or should not have taken place reviewed in my discussion of Conclusion 3.

CONCLUSION 9: CLIENTS WILL BE SLOW TO COMMENCE ACTION

The following factors will make clients slow to commence action:

- Breadth of the exclusion clause

  For reasons discussed, the exclusion clause will not operate to defeat claims based on point taking and deal switching, but clients are unlikely to be aware that these breaches took place.

  The exclusion clause will not defeat actions under the Trade Practices Act, but most clients will be unaware of how clearly PPL's oral representations are recorded in PPL's documents and will assume that proof that the representations were made will boil down to oath versus oath.

- Lack of knowledge of the Damaging PPL documents

  A number of management/personality/frustration factors which we have discussed led to PPL producing documents which were unusually selfcritical. Most organisations tend to produce documents which are unduly self justifying. Most clients would not expect PPL's documents to provide them with the treasure trove which they in fact present.

- Lack of Success of OCL Actions to Date

  Both reported OCL actions have gone against the borrower and one other was discontinued with considerable publicity. None of these actions involved managed OCLs but there is a tendency, nonetheless, for these results to act as a deterrent to action.

- The High Costs Involved

  Many borrowers (particularly in these troubled times) are not flush with cash and they would doubtless perceive that PPL would defend proceedings grimly.

CONCLUSION 10: GIVEN SUITABLE MANAGEMENT, LIABILITY SHOULD BE CONTAINABLE TO A MANAGEABLE LEVEL

As I indicated in my discussion of Conclusion 4, the total extent to which managed clients' positions fell below fully hedged was $12.5m million.

This is not to say, of course, that clients will limit claims in this way; any client who brings action will probably base his claim on his total capital loss.

PPL can be reasonably confident, however, that a court would regard a comparison with the fully-hedged position as the appropriate starting point.

As discussed in reviewing Conclusion 6, a court would then reduce the difference between the fully hedged and actual position *by* an appropriate allowance (say, 20%) to reflect the fact that PPL was not operating with perfect hindsight.

This reduces the potential liability to approximately $10m, but with potential claimants affected by the matters discussed in reviewing Conclusion 9.
Shrewd exploitation of these difficulties, as discussed in the next section, should keep the loss to PPL at something like 30-50% of this potential liability, Se between $3m and $6m.

SECTION D – RECOMMENDATIONS

PERSONNEL

My recommendations are straightforward and are essentially those made in Section 3 of my letter of 22nd October.

You will recall that I recommended the appointment of a suitable executive to deal full-time with these managed loans. That executive should have full authority over these loans, subject only to direct reporting to Phil Deer.

That executive should be supported by the relevant PHCs i[n] New South Wales and the state managers.

The state managers should be clearly directed:

- that so far as managed loans are concerned, they are to report directly to the chosen executive;

- that managed loans are to be given the degree of priority determined by the chosen executive.

It is important that the above be implemented as quickly as possible.

STRATEGY

PPL's strategy should have the following key elements:

1. Keep close and cordial contact (with as productive a business relationship as possible) with all potential claimants. This must be done by the chosen executive and by the PMOs and state managers who have the personal contacts. Bob Plummer's efforts in this regard in Adelaide have demonstrated just bow effective this can be in keeping the lid on PPL's exposure. It is very important that the state managers in Brisbane and Perth be directed to spend all necessary time in keeping up these contacts and business relationships and to do so as a matter of priority;

2. Avoid litigation at any reasonable Cost;

3. Bring borrowers onshore as quickly as possible;

4. Any concessions given to borrowers should only to be given in exchange for a complete release;

5. When particularly dangerous potential claimants come onshore, try and arrange this on the basis of a concession and a consequent release. My concern is that if these claimants come onshore without a concession, they may become bellicose once their reduced capital and higher interest rates start to bite.

6. Take all practical step: to avoid PPL's weaknesses being known outside PPL/Westpac boards and senior management.

Please don't hesitate to contact me if there is anything I can amplify.

With best wishes,

Yours sincerely,

B.P. JONES

ALLEN
ALLEN
&
HEMSLEY

Solicitors & Notaries

MLC Centre
19-29 Martin Place
Sydney
NSW 2000

Telephone
(02) 229 6765

ATTACHMENT G

Our Reference BPJ:387512 11th December, 1987
Your Reference
Writer's direct number: (02) 229 8938

Warwick Kent Esq.,
Chief General Manager,
Corporate & International,
Westpac Banking Corporation,
60 Martin Place,
SYDNEY NSW 2000

ABSOLUTELY PRIVATE & CONFIDENTIAL

Dear Warwick,

DOES PPL HAVE ANY CRIMINAL LIABILITY?

WESTPAC'S CONDUCT OF MANAGED OCLS

I refer to my conference with you and others on 26th November.

You asked me to write to you about some matters raised in that conference.

These matters come into two categories:

1. Two matters relating to PPL's position:

   - whether PPL or its employees have been guilty of criminal conduct; and

   - whether it would be prudent for PPL to attempt to make recompense to managed borrowers to reflect deal switching and point taking.

   I deal with these questions in Section A.

2. Four matters relating to Westpac's current forex trading activities, and in particular, their handling of managed accounts.

   I deal with these in Section B.

SECTION A — DOES PPL HAVE ANY CRIMINAL LIABILITY?

A.1 POINT TAKING

There are two features of the relationship between Westpac and the managed borrowers which, in my view, preclude criminal liability.

A.1.1 PPL sold currency to managed borrowers as principal

It was the very essence of the contractual relationship between PPL and its managed borrowers that PPL owned the overseas currency that managed borrowers would acquire from it.

The essence of all criminal offences involving dishonesty is the acquisition by A of B's property.

It is difficult, in the sale situation described, to categorise the sale of property from A to B as criminal merely because:

- that sale takes place at a profit to A
- the better legal view is that there is no contractual justification for taking that profit.

A.1.2 PPL's broad discretion

Under Clause 1 of the Powers of Attorney, PPL was given total discretion in its right to sell currency to managed borrowers.

The width of PPL's contractual discretion is such as to create profound difficulties in categorising a sale made pursuant to the exercise of that discretion as criminal.

POINT TAKING SUMMARY

I adhere to the view; expressed in my earlier letter as to the civil law problems created by PPL's point taking and deal switching.

These problems are civil. For the reasons given above, I see no question of criminal liability.

A.2 DEAL SWITCHING

A thorough review of all the relevant documents and the interviews described in my earlier letter failed to provide any basis upon which one could hope to convince a jury beyond reasonable doubt that deal switching had occurred.

As a matter of judgment, I believe that it probably did, but there is no basis upon which I, or a jury, could be satisfied beyond reasonable doubt.

A fortiori, there is no basic whatsoever for asserting deal switching with respect to any particular transaction or transactions, and this of course, is a sine qua non of any criminal liability.

It follows that the legal status of deal switching does not arise.

If the legal status of deal twitching did arise, there are two factors which cause me to be confident that no criminal liability is involved.

A.2.1 PPL's broad discretion

I deal with this in A.1.2 above.

A.2.2 Difficulties in establishing allocation of currency to managed borrowers suspense account entry

It it virtually impossible, when a suspense account is involved, to establish allocation prior to entry into the suspense account

If this is not established, there is no prospect of criminal liability.

A.3 SHOULD PPL TRY TO RECOMPENSE FOR POINT TAKING AND DEAL SWITCHING?

A.3.1 Point Taking

My clear recommendation is 'no'.

I say this for the following reasons:

i. There is no basis upon which we can establish what point taking took place with respect to what managed borrowers.

ii. Even if I was not correct, any approach to managed borrowers would disclose a breach of contract which vitiates the exclusion clause in the Power of Attorney.

I strongly recommend that PPL reflect its proper concern about this in the relative generosity with which it approaches settlement discussions.

A.3.2 Deal Switching

An I indicated in A.2, there is no basis for raking any assessment of any loss suffered by anyone as a result of deal switching.

There it thus no basis upon which recompense could be approached, and disclosure of this to managed borrowers would be even more serious than disclosure of point taking.

SECTION B - MATTERS RELATING TO CURRENT WESTPAC FORM OPERATIONS

B.1 POINT TAKING

I confirm my advice that I doubt that Westpac could establish a contractual right to sell currency to managed borrowers at prices any higher than that available in a free market.

Given this, I think it unwise for any points to be taken unless there is a clear written agreement with the client which covers this. It would obviously be unwise to approach the former PPL clients to seek this agreement, and it therefore follows that no points should be taken from former PPL clients.

B.2 ESTABLISHING THE MARKET PRICE BY SEEKING QUOTES

This is a related issue. Unless there is an agreement to the contrary, managed borrowers are entitled to buy at market price. This market price rust be established by seeking quotes in the market and dealing with those offering the most favourable quote.

If that quote happens to be from Westpac, well and good, but Westpac must be able to establish that Westpac sought, and accepted, the most favourable quote.

A.3 'PARKING'

PPL sometimes 'parked' transactions in the suspense account in order to circumvent Reserve Bank limits. I have no reason to believe that Westpac is 'parking' transactions for the same purpose. I stress that it is very important that it not do so.

B.4 CONSERVATIVE HEDGING POLICY

I am most concerned about recent losses suffered by the three formerPPL managed borrowers during the recent slide of the $AUS against the CHF.

These borrowers were largely unhedged.

I think it important that the former PPL managed borrowers be kept fully hedged, unless and until there is a clear strategic appreciation of the $AUS against the relevant currency.

A fully hedged client may not like the interest rates, but he is suffering no losses and he can't sue.

A policy of ruthless conservatism is called for.

With best wishes,

Yours sincerely,

B.P. JONES

ATTACHMENT G

12/6/87

Met with Stan Davis, Peter Clarke on memo written by Old State / PPL : Thomas Booker

Points made:...

① T. Booker alledged that A. Wong a Westpac employee was "managi the PPL loans pool, and was doing so without authority (legal) knowledge of clients. Booker would not be under such impression unless he was told by some employee of PPL. It appears to be G.

② If this memo goes into customer's file (and many other copies or replies or accounts of similar conversations will go into vari customer files), and if one of these customers brings PPL or to court 6 years later, under the Freedom of Information Act customer's file will be brought to the Court of Law, when th memo will unearth, and it will implicate the Bank. Neit the Bank nor A. Wong will stand a chance.

③ Wong has met with G. Carter and T. Booker to ask Carter to write a clear reply. Carter said he could not do so without implying tha had once relied on a single person (himself) who has no proven FX track (He said perhaps say A. Wong was acting as advisor (which Wong tol Booker was the real situation) until Feeley left, Wong was a bit in any case) it is difficult to make any sort of reply with ou having some implication on PPL.

④ PPL's customer received a report of their position in Marc then a second one after 2 months in May, under a tota different format and supporting they have lost a lot of m In addition, the numbers don't look right (perhaps due to c errors) The way it was handled made the customers fe PPL (and/or WP) was trying to hide something.

⑤ Everytime a deal is written by WP (Wong's staff) for PPL is a bookie deal between WP & PPL. Then it is up to PPL to apportion it to respective clients and take them out to respective rollover dates. WP has never written any de directly to PPL clients who are still managed by PPL.

⑥ According to PPL customer printout, there was no transac between late May to late April for a month. Then late M

ATTACHMENT G

to G. Carter, who sometimes did and sometimes did not act upon those suggestions. But G. Carter has repeated said to Wong: Do whatever you're doing ~~to~~ with WP pool to PPL pool as well. So far 2/5/97 Wong did act for PPL and informed Carter later. But as G Carter were on the phone at night on 26/5 about the market, so Wong did not really act for PPL until 27/5 at 2PM. Miles knew the arrangement but did not object to it.

However, although Carter gave Wong the instruction and with knowledge of Wong's Manager Miles. Neither Carter nor Miles represent the Law Strictly from the legal point of view, Wong did seem to have acted without authority although authority was implied (implied) from PPL & PPL's

① Booker was saying to Wong in yesterday's meeting... that... due to Westpac's or WP's employee's doing, clients have been losing money.. Again he was led to believe that from PPL source.

Due to Booker's conversations with all PPL State Managers about the situation (of reporting, boxes, Carter-Wong joint market arrangements, lack of information from PI Treasury to clients or account managers), now almost everyone at P knows about it and may be led to believe what Booker beli There may be many copies of that memo all over PPL and

David & Clarke's points:

① Now that the memo is written, it may be too late to destroy every copy. So David to ask Phil Beer to speak to all State Manage and tell them not to use the memo as official file.

② David to get all facts from Carter and a reply. Suggested we m again next week to see where we stand. David will issue Official memo for files to state the case, and to state WP did nothing wrong outside of authority. The situation whe WP may have an employee acting for PPL at some instance even may seem to be default, was only due to confusion and lack of clear authority to the parties involved, lead to situations where and when proper decisions have to be made the best interest of PPL clients, certain decisions... were taken with those made for WP clients.

ATTACHMENT G

15/6/87

O/N orders to buy USD not done.
USD closed a little above 1.8100m, 1.50 CHF. May see higher + 1.82 20m before retracement.

Miles & Wong concensus: don't scramble to buy USD. Await & see. H.K. public holiday. Mkt will be quiet.
A$ well bid.

Garth Carter informed Wong:
Stirling Council (Allens, Solicitors)'s opinion is that better not to have late secondment, but something in black & white is recommendable. As long as it was agreed between Stan Davis, Garth Carter and Neil Miles that secondment was to take place effective April-end 1987, it should then become official, whether there is secondment pa, or not. So we need to put the agreed date/situation on file.

BDL's Roger Houghton & WI's Chris Hardwick was in/up on the secondment.

Wong left O/N orders to buy USD/sell CHF in USD50m total for

16/6/87
O/N orders not done. USD higher but seems overbought.

A$ bid. C/A deficit today. Wong left stop loss orders to sell A$'s at 7150.

Wong/Spike to Garth Carter:
Feel USD maybe a bit overbought, but good level to unwind at least ½ USD/CHF portfolio at 1.5000 or close to that level (Consignment 30m at 1.8050-1.8100 level), A$ stable & well b/f fall below 7150 may see quick 50 pts. run and bounce off. G. Carter happy to remain 2m A$/US$ leg and covered US$/CHF until better level to unwind USD/CHF

ATTACHMENT G

position as @ PPL termination (£/Thirds Fully Covered, A$/USD = 70% hedged), rather than leave exposure open. We feel it more prudent to continue as per the normal course as above, given the absence of client notification to discontinue management and our perception of downside risk @ this time. We request no reports/deal confirmations be sent to clients in mean-time. (nor to PMOs).
PPL and Adrian Edwards meeting to set-up "PPL IEC"

6/7/87 → Tuesday
Miles @ IEE seminar today.

- PPL Client Takeover Position-
  - ✓ 3 clients elect to be fully hedged until consi document (Perpetual, Wis Nominees, Kraxat)
  - 4 agreement/fees rec'd so far (Hockey, Melinos, The Sim Sann)
  - Thomas No 1, and No 2 discontinued management last week

Boral annual management fee due mid month.
Boral Group looking to bring exposure onshore + A.W to renegotiate fee ∴ no action now.

Strategy today:
£ direction remains unclear. Key resistance 1.8 1.6360 tested a no. of times but ! failed. Miles prefe to wait until break of these levels befor Stgr Buy. £/JPY fion on Nakasone comments : lik

ATTACHMENT G

Support 7145/50 level

A$15 executed @ 7144. $300 mio sell by IBJ pushed A$ through critical support. A$ well bid however, @ 7115, in late Aust trading. Order to hedge Telosa 3/4 @ 7140.

7/7/87 Wednesday
Morning Strategy:
A$ quiet o/N. in range 7120/35. Telosa Notting do look again to hedge. Some short squeezing may occur early, but generally bearish. Lower in Welli Miles look for 7130 to hedge more + Telosa,

NB THE $15m PARTIAL OFFSET OF TOTAL PORTFOLIO DEAL DONE ON 23/6/87 OF 67,353,764·34 in 23'l.
TO MAINTAIN CUSTOMER CONSISTENCY OF POSITION, STY BUILD WAS DEALT OUT TO HIS ROLLOVER DATE ON THIS RATIO. [BASED ON USD]

- Childs / Glover on leave. Watkins advise PC based application in place to assist Julie in apportionment. Tandem reports are being modified to accomodate our dealing, but beside this, seems that none the modifications we requested have been implement (intention locking)

- Evening Strategy:
  Offshore initiated selling send A$ 50 points lower to temporary support 7060. Market nervous. Position is still 77'l. hedged W/Pac; 69'l. PPL.

ATTACHMENT G

Special Customer

(4) ~~Special Customer~~

Miss Watkins has certain ~~private~~ understanding with ~~Trans~~ PPL as to method of management. A. Wong placed letter from Miss Watkins today to inform him of the change of management, and explained the method will remain as per ~~the~~ present RMU ~~and~~ operation style ~~of Miss Watkins~~. Irwin & Wong agree to meet in about 2 weeks to further discuss Miss' ~~transa~~ considerations (mainly the Board approved $22 million ceiling ~~imposed~~ on loans managed by PPL)

(5) F.E.C. limits, Netting, Suspense Accounts

As A. Finder noted, presently none of the discretionary clients has any approved F.E.C limits, nor forward cutting approvals, nor suspense accounts under clients' names. All deals are understood to be non-deliverable. It means PPL ~~for~~ Treasury & forex dealings on behalf of clients with no limits approved. (This explains ~~why~~ certain account managers are ~~so~~ wary about cash impacts of our dealing methods). All deals are ~~not~~ done to the rollover dates to avoid immediate cash impact as ~~some~~ customers don't have suspense accounts to absorb dealing P/L. On rollover date, all deals are offsetted or swapped out at market rate (no H.P.R allowed) so a cash P/L is crystallized.

Cash profits are ~~not~~ trusted as a restricted deposit deposit under client's name (although PPL has no legal authority to restrict the deposit). Cash

ATTACHMENT G

losses are funded by drawing a loan under client's n

~~Graham Mackie is informed~~
A. Wong discussed this with G. Mackie who will ask PPL I
to establish suspense account for each client to
absorb trading P/L.

(6) Dealing Method

Due to ~~x~~ (5), we must deal all PPL client to
their rollover dates until suspense accounts are
established.
A. Fedas said PMU can do a bulk deal, give
amount to PPL ID who are then able to split it
into each client's amount and date, and they
will also deal the swaps out with ~~our~~ dealers.
~~In this respect~~ If ~~the~~ PPL ID can in fact do the
~~it~~ it is desirable ~~for~~ to deal each client to
their rollover dates to avoid the problem of
understating or overstating the bottom line by
revaluing ~~the~~ at forward rates.

~~(7) Confirmations and Reports~~
~~Present PPL agree to agreement does not auto PPL~~
~~As Westpac will become principal, PPL agent of FX deals,~~

~~Both with the~~ All deal details will be entered.
Tandem system by PPL ID.

ATTACHMENT G

23/3/87

Around 4:30 pm Andy Fedas gave A Wong a "fast accurate" s[illegible] of numbers (customer's losses, dollarise, covers) after having devised it for 5 times

Garth Carter & Libby met Wong at 6:30 pm to say that something is wrong with these numbers

Legally Westpac & Westpac staff can't deal for PPL clients so Garth Carter said if A Wong deals on their behalf he accept it between WP & PPL for PPL to onward dea[l] with clients. The CHF total exposed amount is around CHF 37.69 M

24/3/87

A Wong covered CHF 37.7 M vs USD at 1.5200 after being unsuccessful with order to cover at 1.5290. Garth was informed immediately. A Wong asked Libby for exact A Fedas rang to say Libby has nothing to do with it and Garth wasn't involved so he didn't know the [illegible] amt. Fedas advised A Wong has covered CHF 365 [illegible] too much. Wong suggested he look for another [illegible] client to take on the cover as USD will fall quick[ly] Fedas rang back to advise the amt was [illegible] in fact [illegible] small and we need to cover another CHF 584,000

A. Wong covered the balance and wrote a bulk deal with PPL for CHF 38,273,486.12 at 1.5188 Value 25/3/[illegible]

CHF +USD/-CHF PPL +CHF/-USD

WP RIMU has not taken on responsibility of portfolio until we are legally under PPL employed. Please only assist PPL on request.

ATTACHMENT G

Partnership Pacific Limited

60 Martin Place
Box 3903 GPO Sydney Australia 2001
Telex: AA 121756
Fax: (02) 235 0791
DX: 1365 Sydney
Telephone: (02) 226 1990

18th June 1987

Mr Neville Miles
Head of Sales and Distribution
Treasury DivisionWestpac Banking Corporation
18th Floor
60 Martin Place
SYDNEY NSW 2000

Dear Mr Miles

We wish to confirm your appointment as an employee of Partnership Pacific Limited ("PPL") effective from 18 May, 1987. This employment shall be up to and including 30 June, 1987.

You are being employed for this period by PPL for the purpose of effecting foreign exchange transactions for PPL or for its clients and for the purpose of giving advice to PPL or its clients. In performing those tasks you are acting solely as an employee of PPL.

You are subject, in the course of performing those duties, to the direction and supervision of PPL.

During the course of your employment with PPL, you continue to be employed by Westpac Banking Corporation ("Westpac") and continue to hold the office and perform the duties for Westpac as it may from time to time direct. Notwithstanding the above, your salary, annual leave, long service leave, superannuation and other benefits (payable or accruing under the terms of your employment with Westpac) shall continue to be met by Westpac.

In consideration of Westpac agreeing to your employment by PPL in accordance with the terms of this letter, PPL shall pay an annual fee to Westpac on terms agreed between Westpac and PPL.

Please sign and return the duplicate of this letter to confirm your agreement with the above.

Yours sincerely,

R. J. Regan
National Manager, Corporate Resources
For and on behalf of
Partnership Pacific Limited

19/6/87

ATTACHMENT G

Partnership Pacific Limited

60 Martin Place
Box 3903 GPO Sydney Australia 2001
Telex: AA 121756
Fax: (02) 235 0791
DX: 1386 Sydney
Telephone: (02) 226 1990

18th June 1987

Ms Agnes K.W. Wong,
Manager FX Risk Management
Treasury Division,
Westpac Banking Corporation,
18th Floor, 60 Martin Place,
SYDNEY, N.S.W., 2000.

Dear Ms. Wong,

We wish to confirm your appointment as an employee of Partnership Pacific Limited ("PPL") effective from 18 May, 1987. This employment shall be up to and including 30 June, 1987.

You are being employed for this period by PPL for the purpose of effecting foreign exchange transactions for PPL or for its clients and for the purpose of giving advice to PPL or its clients. In performing those tasks you are acting solely as an employee of PPL.

You are subject, in the course of performing those duties, to the direction and supervision of PPL.

During the course of your employment with PPL, you continue to be employed by Westpac Banking Corporation ("Westpac") and continue to hold the office and perform the duties for Westpac as it may from time to time direct. Notwithstanding the above, your salary, annual leave, long service leave, superannuation and other benefits (payable or accruing under the terms of your employment with Westpac) shall continue to be met by Westpac.

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Please sign and return the duplicate of this letter to confirm your agreement with the above.

Yours sincerely,

R. J. Regan
National Manager, Corporate Resources
For and on behalf of
Partnership Pacific Limited

AGNES WONG

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