How to reform finance in Australia
Interactive Zoom Symposium

Most power points will not be included by Dr Shann Turnbull unless the audiences provide feedback/questions during the Symposium.

(Please identify the slide number or title so it can be shared)

Suggestions by participants are also very welcome.

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Hosted by Andy Agathangelou

UK based Founder Transparency Task Force,

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https://www.transparencytaskforce.org/upcoming-events/how-would-you-reform-the-finance-sector-in-australia/

Financial reform requires education on:

Knowing: "What is right and what is wrong" as stated by the 2003 HIH Royal Commissioner. Australian business culture has been poisoned by following UK practices.

How to correct the: "asymmetries of power and information" that favours financial institutions rather than their customers: as noted in 2018 by the Hayne Royal Commissioner who made no suggestions.

Only then is it worth considering the reform proposals that follow. These also requires education on how self-regulation and self-governance requires bottom-up contestable information and powers in both public and private sectors.

Examples of toxic unethical group think

Corporate constitutions providing directors with excessive powers like:

① Absolute power to identify and manage their conflicts of interest to corrupt absolutely themselves, the business and society;

② Control how they become accountable to shareholders by not having an independent chairperson controlling shareholder meetings;

③ Nominate, renumerate and negotiate with auditors appointed by shareholders to judge directors accounts for the shareholders. (Auditors then lie about their independence defined irrelevantly)

④ Control the nomination of themselves and/or others to the board without any advise and/or consent by shareholders;

⑤ Control their own pay, expenses and privileges;

⑥ Allow corporate shares to be traded without counter parties being informed with whom they are trading.

⑦ Be uninformed on the identity of who are the ultimate owners and/or controllers of shares in their so called "public" companies.

Inter-dependent transformations required:

① Define economic value on a basis that markets sustains, rather than destroy, the wellbeing of humans and their environment as reported by Lord Stern;

② Make public corporations a public good for all their stakeholders and society to promote global sustainability by adopting polycentric governance identified by Laureate Elinor Ostrom and created by author for sporting and civic entities;

③ Recognise how substantial inequality is created in ways not reported by accountants and so is neither taxed or shared;

④ Make public the identity of all individuals controlling corporations;

⑤ Limit excessive powers of directors to corrupt abosolutly: themselves, their business and society to allow corporations to become self-governing to reduce the size and costs of regulators and their governments;

⑥ Use money tethered to a SI to shrink global debt by replacing central banks, their assets and liabilities with decentralised banking funding with self-liquidating money only real goods and services that improve or maintain human wellbeing.

Defining sustainable units of value

① A Sustainability Index (SI) is required to determine the value of money to allow market prices to allocate resources, including humans, to exist on the planet for eternity without the necessity for carbon taxing and/or trading;

② As the endowments of nature in each region of the planet varies the SI will vary accordingly to guide the allocation of global resources for eternal wellbeing of people and their environment.

③ Money tethered to a SI would introduce stable values that would only change slowly according to changes in real resources, not by speculators, social constructs like economic metrics (GDP) or twitter tweets.

④ Central Banks with their huge assets and liabilities could be liquidated and replaced with decentralised banking governed by local needs to further local sustainability and democracy with immunity from global financial risks

Use tax incentives to reform corporations

① Use self-funding tax incentives to allow corporations to become a public good providing benefits for all their stakeholders and so able to promote global public goods

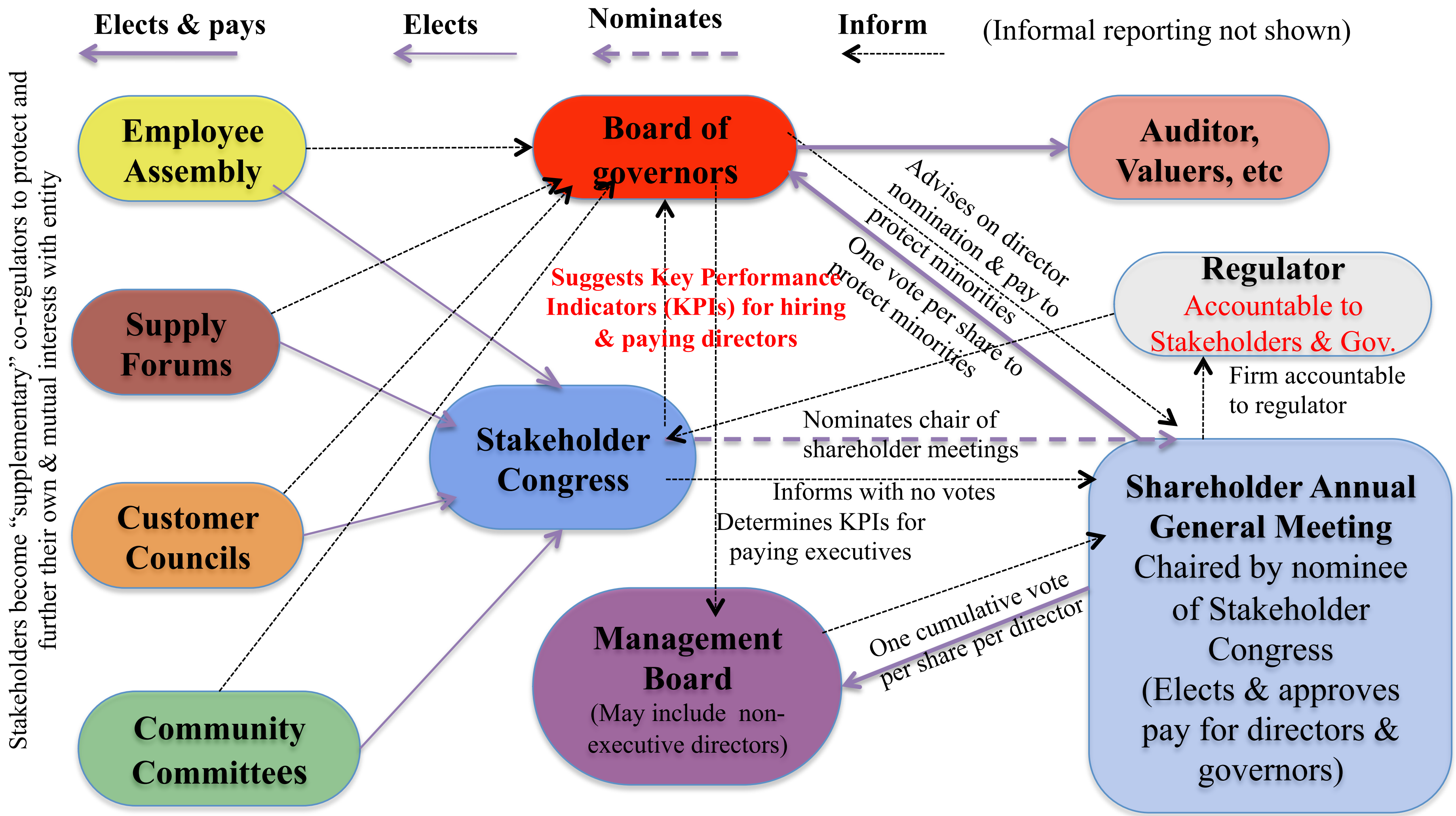
② The tax incentive would allow corporations to provide their shareholders with a bigger, quicker profit with less risk in return for them agreeing to create stakeholders shares that over time are endowed with their equity.

③ Endowment corporations would grow their business by full payout of their profits being available for dividend reinvestments in "offspring" corporations. The spin-off new firms provide continuity in: business operations, management and shareholder investment in many smaller competitive human scale locally owned and controlled enterprises.

④ Efficiency is increased from: (a) re-investment decisions transferring from managers to investors; (b) privatising welfare from stakeholder endowments that could be used to fund a universal wellbeing income; (c) privatising regulation by adopting an ecological form of self-governance found in all living things; (d) the tax base nudges from corporations to individuals endowed with equity to make the tax incentive self-funding. (The author created ecological constitutions for sporting and civic corporations).

Ecological "polycentric governance", identified by Ostrom, makes corporations a "Common Pool Resource" benefiting all stakeholders with shareholder primacy

Separation of governance powers from management allows independent bottom-up and outside-in stakeholder intelligence to integrate governance into Corporate Social Responsibilities to monitor and control misconduct



For publicly traded, large private firms, non profits and government corporations:
To make Shareholders and Regulators accountable the wellbeing of stakeholders

Overpayment of investors is not reported

① Accounting doctrines do not require Investor Time Horizons (ITHs) to be identified and so how investors can be overpaid in a way they cannot report. If they did, economists would not understand because they do not have a word to communicate the idea of "overpayments". Words are the tools of thinking. Economists conflate the idea with their jargon word "economic rent" which accountants do report.

② Limited life investments are the rule for business people except for land and corporations. All intangible assets possess limited life, real assets wear out or are made redundant by changes in technology and/or markets.

③ Any payment received by an investor after their ITH is not required to bring forth the investment and so represents a surplus incentive which I describe as "surplus profit" to distinguish it from super profits which can also arise before the ITH. (The definition also includes windfall gains in land)

④ As surplus profits are not reported they cannot be taxed. The solution is not a tax but by using a tax incentives to distribute surplus profits by introducing endowment corporations. The author has financed two publicly listed corporations and a number of films with investor's property rights limited to 15 years or less.

Make public, controllers of corporations

① A fundamental requirement of responsible finance is to know your client. But stock exchanges generally flout this rule by keeping secret the identity of: (a) counter parties; (b) a record of their trades, and (c) associated changes in any other related securities (options, derivatives, hybrids, liens, hypothecations, etc).

② Covert capitalism protects insider traders, tax evasion, bribery, money laundering, terrorist funding and all others sorts of corruption of children people and planet.

③ No corporation should be described as "public" unless its ultimate owners and/or controllers are identifiable without cost through the internet with the identity of any actual or contingent change in the degree of control of any share being publicly traceable.

④ Sunlight corporations (with full control disclosure) that meet self-governing guidelines (by providing stakeholders exposed to harms the powers to take effective self-correction) can trade their own shares to avoid costly covert capitalism from using a stock exchange.

Table 1a. How mimicking nature can mitigate systemic problems in hierarchies

	Toxic problems of hierarchies	Mitigation by mimicking nature
1	Society assumes top-down control is natural	Nature uses bottom/up control & top/down guiding
2	So no education about ecological governance with distributed control to simplify complexity	Complexity simplified with almost self-governing sub-systems dependent upon contrary guiding
3	Unitary boards obtain absolute power to identify and manage their own conflicts of interest to allow absolute corruption of directors, the business and society	Shareholders appoint one board to manage the business and a second to govern the corporation to establish tensegrity benefits for all stakeholders and society
4	Group think arises from directors captured by CEO to hide risks, misconduct & malfeasance	Governors/guardians of stakeholder voices obtain contested "requisite variety" of data for checks and balances
5	Corporations can lie and/or mislead themselves about director independence	Directors independence becomes irrelevant as Governors control minimized conflicts
6	Directors capture auditors who judge their accounts	Governors control auditors who judge directors accounts
7	Auditors lie that they are independent	Auditors kept independent by Governors
8	Accounting doctrines hide how investors get overpaid beyond their investment time horizons with surplus profits creating hidden sources of inequality and stakeholder exploitation	Ownership of surplus profits distributed by corporations issuing shares to citizen stakeholders that democratizes wealth and power. Reduces the need for corporate taxes and welfare programs
9	Directors control advisors to shareholders	Shareholder advisors controlled by Governors
10	Directors nominating themselves for election	Director nomination by shareholders & Governors
11	Directors control their own pay after setting and marking their own "exam papers" aka KPIs	Governors determine director pay from Stakeholder Key Performance Indicators (KPIs)

Table 1b. How mimicking nature can mitigate systemic problems in hierarchies

	Toxic problems of hierarchies	Mitigation by mimicking nature
11	Directors control their own pay after setting and marking their own "exam papers" aka KPIs	Governors determine director pay from Stakeholder Key Performance Indicators (KPIs)
12	Directors control reports about corporate impact on the environment, stakeholders and community welfare and their own governance	Stakeholders provide guardians with reports for shareholders on Governors pay, corporate impacts on: stakeholders, the environment and society.
13	Directors control how they are held accountable to shareholders at AGMs and control the voting processes on own election and remuneration.	Stakeholder nominee controls conduct of AGMs. Governors determine AGM agenda, location, acceptance of proxy votes, vote counting, etc.
14	Directors ignorant of shareholder identities, etc.	All ultimate owners and/or controller made public
15	Share trading relationships and price manipulation hidden from directors and public	No shares traded without prior disclosure of any related derivatives and identity of counter parties
16	Shares traded covertly by third party exchanges and in "Dark pools"	Corporations directly execute all share transfers
17	Directors not held to account by various stakeholder groups who may have conflicting interest but on who directors rely upon to improve the quality, reliability, and efficacy of continuous operational improvements	Each common interest stakeholder group obtains rights to form their own non-profit associations to appoint advocates-supplementary regulators/ management mentors that avoid directors and shareholders being kept in a cocoon of ignorance
18	Directors of simple command and control hierarchies lack systemic process to cross check management actions and misreporting	Directors obtain stakeholder communication and control channels independent of mgers to cross check integrity of operations and outcome reports.
19	Impossibility of controlling complexity directly	Complexity controlled indirectly by stakeholders
20	Self-regulation/governance is impossible	Self-governance shrinks costs & size of government & compliance costs.

11/10

Reference information:

‘The case for radical reform of corporate governance’, July 15, 2020, Keynote webinar for Global Research Foundation for Corporate Governance (GRFCG), with numerous article citations presented in the 78 associated power points at: https://www.youtube.com/watch?v=xWve9MJyRXA#action=share

‘Avoiding extinction requires System Science, August 15, 2020, 10:31 minutes video at: https://youtu.be/gnOiBsnRPAY, as a contribution to the American Society of Cybernetic (ASC) Global Conversation Online September 12-13, in coordination with the British Cybernetics Society’s event http://cybsoc.org/index.htm

‘Managing the complexity of climate change’, August 15, 2020, 10:41 minute video at: https://youtu.be/Gx0BeipqMdg for discussion by the World Organization of Systems and Cybernetics (WOSC) online event September 16-18th to replace 18th World Congress deferred to Moscow 2021. (Based on accepted paper at: https://papers.ssrn.com/abstract=3636845).