



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	iv
 CHAPTER ONE - RATIONALE OF FINANCIAL SUPERVISION	
1.1 Introduction	1
1.2 Objectives of Financial Supervision	2
1.3 Rationale for Financial Supervision in the Insurance and Superannuation Sector	6
1.4 Conceptual Approaches to Financial Supervision	17
1.5 Conclusions	20
 CHAPTER TWO - FINANCIAL SYSTEM OVERVIEW	
2.1 ISC's Role in Australian Institutional Arrangements	22
2.2 Costs and Benefits of Financial Deregulation	29
2.3 Financial Market Developments	33
 CHAPTER THREE - PRUDENTIAL SUPERVISION OVERLAPS AND OPTIONS	
3.1 Introduction	37
3.2 Current Overlaps	37
3.3 Convergence - Financial Groups versus Financial Entities	40
3.4 Council of Financial Supervisors	43
3.5 International Experience and Developments	46
3.6 Option 1 - Lead Supervisor Model	53
3.7 Option 2 - Mega-Supervisor Model	57
3.8 Conclusions	60



CHAPTER FOUR - CONSUMER PROTECTION OVERLAPS AND OPTIONS

4.1	Current Regulatory Framework	63
4.2	Financial Advice and Advisers	66
4.3	Product Disclosure	71
4.4	Complaints Handling	74
4.5	Option 1 - A Single Regulator for Consumer Protection	76
4.6	Option 2 - Inter-Agency Harmonisation	80
4.7	Single Scheme for Complaints Handling	83

CHAPTER FIVE - A NEW RETAIL INVESTMENT COMMISSION

5.1	Legislative and Administrative Structure	86
5.2	Mandate and Coverage	87
5.3	Rules v. Principles	89
5.4	Scope for Self-Regulation	91

CHAPTER SIX - OTHER ISSUES: MERGERS AMONGST FINANCIAL MAJORS AND ELECTRONIC COMMERCE

6.1	Mergers Amongst Financial Majors	93
6.2	Electronic Commerce	101



APPENDICES

- Appendix A Financial Institutions Report Card - December 1995
- Appendix B Comparison of Regulators
- Appendix C International Experience and Developments
- Appendix D Financial Conglomerates by Industry Type
- Appendix E Financial Adviser Regulatory Overlaps
- Appendix F Different Entry Requirements for Securities Advisers and Life and General Brokers
- Appendix G Complaints Schemes

ACKNOWLEDGEMENT

The ISC gratefully acknowledges the contributions from Mr Richard Beetham, Access Economics, and Professor David Llewellyn, Loughborough University, United Kingdom, which were drawn upon in the preparation of this submission. However, the views expressed in this submission are the ISC's alone.