

6 September 1996

The Secretary
Financial Systems Inquiry
Treasury Building
Parkes Place
PARKES ACT 2600

Dear Sir

Submission to Financial System Inquiry

We are writing to express our views on some aspects of the Financial System Inquiry, as announced by The Treasurer on 30 May 1996.

Coles Myer supports, in general terms, the enabling of a 'level playing field' in terms of the ability of service providers to compete on equal conditions. This maximises competitive positioning and promotes innovative service delivery mechanisms from which end users benefit.

Of course, prudential guidelines need to recognise the inherent imperative of financial stability in the Financial System.

The Financial System is undergoing very substantial change which is occurring at an increasing rate. Technology is facilitating much of this change. The Inquiry, we believe, needs to ensure that the capability and feasibility exists for a range of non financial institutions (particularly large corporates) to participate in various aspects of the Payments System and the wider Financial System to support the benefits that technology is facilitating.

Participation by such organisations should be permitted under appropriate financial prudential guidelines to the extent applicable to their Financial System activity, as opposed to the broader overall activities of the organisation. This would establish a direct and relevant relationship between the extent of Financial System participation and the degree of financial prudential guideline compliance.

Further, the financial responsibility of participants should be governed by more general prudential guidelines capable of adherence by all participants equally, not specific groups of them. The disciplines of the market generally may be able to replace some of the current regulatory framework.

Coles Myer has an open mind as to the manner in which it may seek to participate in the Financial System in the future and may wish to provide more detailed comments on this at a later date. Technology has already facilitated closer association to the Payments System for retailers, particularly in relation to EFTPOS. New developments may well involve closer associations again.

Such participation could take the form of working more closely with Coles Myer's financial institutions in financial services matters, or directly by Coles Myer as an entity in its own right.

Under either approach, Coles Myer is keen to ensure that none of its activities, or the activities of its relationship financial service providers, are discriminated against by regulations which impose unequal burdens between Financial System participants.

We would be happy to discuss our views further, and may provide further comments on the Inquiry's proposed discussion paper after its scheduled release late in November 1996.

Yours faithfully

J P Schmoll
Chief Financial Officer