

APPENDIX 1: FINANCIAL SYSTEM INQUIRY - TERMS OF REFERENCE

MISSION

The Inquiry is charged with providing a stocktake of the results arising from the financial deregulation of the Australian financial system since the early 1980s. The forces driving further change will be analysed, in particular, technological development. Recommendations will be made on the nature of the regulatory arrangements that will best ensure an efficient, responsive, competitive and flexible financial system to underpin stronger economic performance, consistent with financial stability, prudence, integrity and fairness.

SPECIFICS

1. The Inquiry will report on the results arising from the financial deregulation flowing from the *Inquiry into Australian Financial System* (“Campbell Report”) published in 1981. This will involve examining and reporting the consequences for:
 - a) the choice, quality and cost of financial services available to consumers and other users;
 - b) the efficiency of the financial system including its international domestic competitiveness;
 - c) the economic effects of deregulation on growth, employment and savings;
 - d) the evolution of financial institutions and products offered by them and the impact on the regulatory structure of the industry.

2. The Inquiry will identify the factors likely to drive further change including:
 - a) technological and marketing advances;
 - b) international competition and integration of financial markets;
 - c) domestic competition in all its forms;
 - d) consumer needs and demand.

3. The Inquiry will make recommendations on the regulatory arrangements and other matters affecting the operation of the financial system (including prudential and other regulations made by the Reserve Bank and other bodies) as will:
 - a) best promote the most efficient and cost effective services for users, consistent with financial market stability, prudence, integrity and fairness;
 - b) ensure that financial system providers are well placed to develop technology, services and markets and that the financial system regulatory regime is adaptable to such innovation;
 - c) provide the best means for funding the direct cost of regulation;
 - d) establish a consistent regulatory framework for similar financial functions, products or services which are offered by differing types of institutions.

4. The Inquiry in its consideration of financial system regulation may not make recommendation on, but will take account of:
 - a) the objectives or procedures of the Reserve Bank in its conduct of monetary policy;
 - b) retirement incomes policies;
 - c) the regulation of the general operation of companies through corporations law;
 - d) policies for the taxation of financial arrangements, products of institutions.

5. In carrying out its investigations, the Inquiry may invite submissions and seek information from any person or bodies.

6. A final report is to be provided to the Treasurer no later than 31 March 1997.