



Regulating on-line money

A review of the Australian Securities Commission's 'Regulating the Marketplace' electronic commerce conference, held in Sydney on 4-5 February 1997

Electronic commerce used to be the subject of half-day seminars for academics and technology developers. This conference was held over two days and attracted about 250 attendees - mostly regulators, lawyers, government officers and business managers.

It is a sign of the emergence of electronic commerce as an issue of national significance that the Treasurer, **Peter Costello**, agreed to make a presentation. Unfortunately, the Treasurer's speech was itself a sign of the lack of depth of understanding of the policy issues raised by electronic commerce.

Costello unimpressive

The Treasurer spoke confidently and expansively about his government's general economic policy, but gave no indication that he either understood or was interested in the specifics of electronic commerce. It was a marked contrast US President Bill Clinton's recent speech outlining his proposal for a 'global policy on electronic commerce', which contained both technical detail and political vision. Costello did little to alleviate the fear that we will be left behind by US developments in this field.

A wide range of speakers pointed to the many gaps in the regulation of electronic commerce. Existing legislation is designed around paper-based trading systems and currency and appears unable to deal with concepts such as the provision of prospectuses on CD-ROM or the international transfer of money on the internet. However, it was encouraging to see that Australian regulators are willing to tackle these issues, and are gearing up to do so.

Regulators' views

Alan Cameron, Chairman of the ASC, has set his organisation on a path that may ultimately see the ASC become the dominant regulator in the electronic 'marketplace':

'The cyberworld has made dramatic changes to the way the financial services industry operates. It is clear that the interdependent forces of technology and globalisation will continue to be the major impetus for continuing innovation and structural change in electronic commerce. As a regulatory body, the ASC had the choice of either sitting back and seeing what develops in this new environment, or taking an active role by responding to, or pre-empting, the new environment. We chose to be pro-active'.

These comments must be seen in the light of the imminent report of the Wallis Inquiry into financial system regulation in Australia. The nature and structure of regulation are likely to change, and the ASC are fighting hard to show that they are still a relevant regulator as financial systems move away from paper-based models.

The Chairman of that inquiry, **Stan Wallis**, also spoke at the conference, but was tight-lipped about the Inquiry's possible outcomes. He said that the Inquiry had received numerous submissions on electronic commerce issues, and that he was considering the many calls for the establishment of a 'new technology council' to co-ordinate a national regulatory approach to products such as Internet banking and digital cash.

Another regulator to make a good impression was the Reserve Bank.

Governor Ian McFarlane delivered a detailed paper on the history and development of innovative banking products in Australia. While acknowledging occasional glitch in the introduction of technologies such as ATMs and EFTPOS, he was generally optimistic about the future.

Social issues ignored

However, presenters had little to say on social issues, and it is these issues which appear to be of greatest community concern. The effect of bank branch closures was not discussed. Nor was the likely impact of these new technologies on privacy and consumer rights. There were virtually no consumer representatives in attendance, and only one was invited to make a presentation.

Regulators saw their role as primarily to catch those involved in fraud, money laundering and tax evasion. There appeared no chance of starting up a discussion about how older members of the community might be affected by the push to replace pass-book banking with Internet banking or similar issues.

It appears it will be left to community groups and consumer advocates to argue public interest issues raised by the development of electronic commerce. A result which means the brave new world of electronic commerce may claim more than a few casualties along the way. □

Chris Connolly, director of the Policy Network, was recently commissioned by the National Consumer Trust to establish an electronic money information centre in Australia.