FROM THE
Managing Editor

KEVIN DAVIS SF Fin, Professor of Finance, University of Melbourne
Research Director, Australian Centre for Financial Studies and Professor of Finance, Monash University

The third issue of *JASSA* for 2016 opens with a discussion of the importance of the HILDA Survey for finance professionals and empirical finance researchers. In an invited paper Roger Wilkins explains that the Household, Income and Labour Dynamics in Australia Survey, which is a study of individuals' and households' economic wellbeing, collects detailed information on household wealth every four years, creating Australia's only nationally representative longitudinal household wealth data. Wilkins notes that many studies have used the HILDA wealth data in recent years as finance researchers have increasingly turned their attention to empirical analysis of household financial decision making and outcomes. He suggests, however, that many unexploited opportunities remain, and this will likely increase in coming years as the length of the HILDA panel grows.

With financial technology (fintech) experiencing rapid growth internationally, this issue of the journal also includes a special section containing papers from the July 2016 Melbourne Money and Finance Conference, which focused on fintech and financial innovation. These papers examine the critical strategic and policy implications of financial technology for the financial services industry. The conference was organised by the Australian Centre for Financial Studies and was sponsored by the Reserve Bank of Australia and the Australian Prudential Regulation Authority. While not subject to the usual double-blind process, each of these papers was considered by a member of the Editorial Board and by me prior to publication.

The first paper in this special section, by Ian Pollari F Fin, analyses the key trends in fintech investment in global and regional markets and Australia's alternative finance market, and highlights a series of strategic challenges and opportunities for incumbent financial institutions. Pollari believes the financial services industry of the future will look very different, with the landscape likely to be more competitive, more efficient and provide more customer choice. He suggests that large multi-national technology giants may pose the biggest threat in terms of disruption to the financial services industry, given their dominant market positions (and user bases), access to data, strong brands, low-cost operations and platform-based business models. He also observes that the institutions that will thrive in this environment are those that are constantly striving to understand, influence and react to the transformational forces impacting the industry, and possess the ability to quickly make strategic corrections along the way.

Next, the paper by Douglas W Arner, Jànos Barberis and Ross P Buckley provides an evolutionary analysis of 150 years of fintech. The authors note that the critical difference in the current fintech era is that in many markets, there has been a shift in the customer mindset as to who has the resources and legitimacy to provide financial services, combined with an entirely new speed of evolution, particularly in emerging markets. They note that, now in its third major era, the fintech sector is attracting growing interest from regulators as it evolves, both in developed markets and developing countries. They argue that more experimentation and innovation in regulatory approaches is needed, and that it is too early yet to seek international regulatory harmonisation in this space.

The paper by Mark Manning, Maxwell Sutton and Justin Zhu explores the potential role of distributed ledger technology (DLT) in securities markets, using the equity market as an example. The paper discusses potential benefits and costs, highlighting the limitations and challenges in the adoption of the new technology, as well as regulatory considerations. The authors' assessment is that despite the heightened interest in DLT, the likely path is incremental adoption of the technology rather than wholesale replacement of the existing infrastructure. They argue that there are many challenges in the transition to its large-scale adoption, including the difficulty of unravelling the existing structure and firmly embedded business processes. However, economic incentives, including those arising from back-office savings and capital reduction, could nevertheless accelerate some aspects of the transition.

I have co-authored a paper with Jacob Murphy that outlines the key characteristics of peer-to-peer (P2P) lending, the risks involved and alternative approaches to regulating P2P platforms. We indicate that P2P lending is an example of how modern technology enables the integration of a range of economic functions, including market operator, financial services provider and credit broker. Additionally, we suggest that this removes the basis for separate legislative treatment of financial products and credit, and existing regulatory distinctions between different types of financial service providers. As a result, we argue that a new approach to market regulation is warranted which is more consistent with emerging institutional arrangements.

Turning to the paradigm shift underway in credit data, Steve Johnson and Lisa Schutz examine the challenges involved in managing this market. Johnson and Schutz note that in Australia, National Consumer Credit Protection (NCCP) and Consumer Credit Reporting (CCR) legislation have attempted to ensure better use of credit data in the financial services industry, and address the issues of willingness and capacity. They argue, however, that black letter law solutions haven't been as successful as originally anticipated. They propose, instead, a new approach to data access and usage, and a regulatory mandate, which combines aspects of prudential, consumer and privacy regulation.

Finally, Karl Mattingly and Anne-Louise Ponsoby take a look at prediction markets on crowdsourcing platforms and the potential gains for corporate governance. Mattingly and Ponsoby suggest that crowdsourcing platforms can enhance an organisation's management decisions and governance, by harnessing the 'wisdom of the crowds', but prediction markets can go one step further: also providing an iterative summary signal of the crowd estimate back to participants. They argue that evidence is accumulating that prediction markets can perform better than opinion experts, management consultants and surveys under specific conditions. They note that multinational and other companies are already using prediction markets, predominantly for improved information delivery to senior executives charged with corporate decision making, but their potential role in business is likely to grow.

As always, we encourage practitioners and researchers with interesting insights and analysis on important applied finance issues to contact us at membership@finsia.com about contributing to the journal. We would also be keen to hear from readers interested in providing a formal response to any of the papers we publish in the journal.