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The first three articles in this issue of *JASSA* span credit markets, the 'value premium' in Australian shares and bank finance. The remainder of this issue of the journal is devoted to papers from the 15th Melbourne Money and Finance Conference: 'Assessing the Impact of Changes in Financial Regulation'.

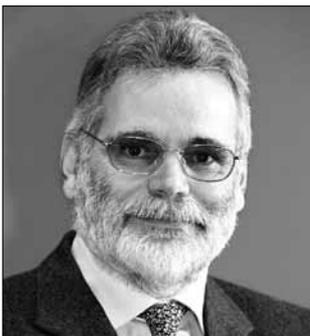
The conference was conducted by the Melbourne Centre for Financial Studies (now the Australian Centre for Financial Studies) on 31 May and 1 June 2010 and was sponsored by the ANZ Bank, Australian Prudential Regulation Authority (APRA), Commonwealth Bank, National Australia Bank and Reserve Bank of Australia. The papers from the conference highlight the scope of the task for regulators, both within Australasia and around the world, as they seek to address the key problems that emerged through the global financial crisis in terms of financial market failure, risk management, liquidity, deposit insurance, governance and remuneration practices.

A study by Jiri Svec and Maurice Peat F Fin, the first of its kind conducted on Australian data, analyses a number of potential factors that may explain changes in CDS spreads in the Australian market. They argue that although a large proportion of the movement in investment grade CDS spreads can be explained as a reward for bearing systematic risk, their results suggest that much of the movements in spreads can be explained by international developments, with the S&P500 and VIX indices being the dominant factors.

Paskalis Glabadanidis examines the performance of value and growth portfolios in Australia and the implications for asset management. His study indicates that the value premium in the Australian stock market is highly significant, and it provides new evidence which suggests that the value premium is driven by positive loadings of value portfolios and negative loadings of growth portfolios on a zero-beta factor portfolio.

'Size does matter' according to Önder Kaymaz, Mustafa Pehlivan and Özgür Kaymaz, who undertake an empirical study of ISE-listed commercial banks operating in Turkey. Their study indicates that larger banks have higher credit margins while smaller banks realise rather lower credit margins, with the main contributing factor being that larger banks have lower funding costs than those of their smaller counterparts.

The first of the papers from the 15th Melbourne Money and Finance Conference, by Susan Black and Carl Schwartz, examines banks' use of the wholesale guarantee. The authors indicate that the Guarantee Scheme contributed to the stability of the Australian financial system by ensuring that institutions continued to have access to capital markets during the peak of the crisis. They note that with the support of the guarantee, banks were able to issue bonds in large volumes and for long terms, and also that the guarantee substantially reduced the cost of issuing debt, although this cost advantage gradually declined over time.



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The paper by David G Mayes indicates that attitudes to deposit insurance have changed since the financial crisis, and authorities in most countries now believe that almost all bank deposits should be insured. He also notes that it is clear from the crisis that people need uninterrupted access to their deposits if a run is to be avoided and that this needs to be addressed by the authorities right away.

Jeremy Richardson explains the Reserve Bank of New Zealand's new liquidity policy for banks, which was introduced earlier this year after concerns about the low level of liquid assets in the New Zealand banking system, its strong reliance on short-term offshore funding and the inability of existing bank disclosure requirements to address these concerns. He observes that although the three minimum ratio requirements put a ceiling on the amount of liquidity risk that a bank can take on, that in no way guarantees that a bank meeting those requirements is immune to liquidity problems.

David Love's paper on central counterparties examines the risks being managed through central clearing, the proposed benefits of central counterparty clearing for OTC derivatives, and the factors that may limit the ability of a central counterparty to reduce the systemic risk resulting from these transactions. He notes that although central clearing is intended to reduce settlement risks between two parties, forcing derivatives through central counterparties could intensify risk in the system.

Disclosure is another significant area of concern for regulators, and the paper by David Tripe SF Fin, Richard Kirkland and Azira Abdul-Adzia addresses the importance of accurate reporting of banks' credit quality, as was clearly highlighted by the global financial crisis. Their paper uses Reserve Bank of New Zealand data to examine the different approaches by the major banks in New Zealand to identifying their credit problems and losses under IFRS and Basel II, and highlights the key differences and inconsistencies observed.

The editors would like to thank both the sponsors of the conference and the authors for their contribution to this issue of *JASSA*. ■

## *JASSA* articles

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