From the Chair of the Editorial Board

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WITH FINANCIAL MARKETS facing another significant round of uncertainty and de-risking in recent months, this issue of JASSA addresses a number of very topical and ongoing issues for policy makers, practitioners, academics and investors.

This issue is led by an important paper from Jaime Caruana, General Manager, Bank for International Settlements, that analyses the issue of systemic risk, which he says is the most difficult and important being dealt with by regulators currently. He argues that financial regulatory policies are not enough to address systemic risk, and that other policies – especially monetary and fiscal policy – also have a role to play. He also points out that policy coordination is essential both nationally and internationally.

In their paper examining merger control during the global financial crisis (GFC), Dave Poddar F Fin and James Marshall suggest that regulators have been reluctant to accept 'failing firm' arguments even though the GFC has resulted in more compressed timetables for merger reviews to minimise financial systemic risk. They indicate that, now that the global maelstrom appears to be receding, competition regulators are again tightening their assessments, with the ACCC in Australia, for example, expected to undertake a rigorous analysis of the evidence to determine whether the failing firm argument may be allowed.

Next, John Livanas F Fin examines the issue of whether lifecycle investing is more about behavioural finance than risk management. While noting that lifecycle investing has been a marketing success, his paper illustrates the fallacy of this approach as a gradual risk reduction strategy. He presents a Monte Carlo simulation of the lifecycle of investment during both the accumulation and decumulation phases, which he asserts shows clearly that decisions taken just prior to retirement will have the most effect.

Christine Brown F Fin, Colm Trusler and Kevin Davis SF Fin raise a number of questions related to the high-profile failures of several agribusiness MIS schemes in recent years. In particular, they challenge the Responsible Entity (RE) model imposed on such schemes by the *Managed Investments Act 1998*. They also outline a number of other concerns, such as the role of agents of the RE as salespersons rather than financial advisors, which were aired in the PJC Inquiry, and they suggest some policy options to deal with these issues.

Aaron Minney's paper contributes to an area receiving increasing attention of late: the relevance of tax considerations to the investment decisions of fund managers in Australia. He investigates the extent to which the value of franking credits is reflected in the market price of stocks. He finds that the market price now tends to incorporate a relatively large component of any franking credit into stock prices and he suggests that the increased significance of franking credits since 2006 is likely to be the result of marginal investors, including superannuation funds, actively seeking these credits.

In his paper on the complex process of valuing specialised operational assets, Roy Farthing notes that the measurement of goodwill is not a precise science and that valuation professionals continue to have difficulty in making a clear distinction between enterprise and asset values. He points out that valuations completed for acquisition accounting, tax and stamp duty purposes are all affected by these considerations, and a number of high-profile stamp duty cases have arisen where these issues have been in dispute.

Chuan Liao, Chien-Ting Lin and Lei Xu provide some new insights on firm characteristics and information risk, examining the relationship between a firm's fundamental characteristics and its probability of information-based trading (PIN). They find that asset turnover and dividend yields are important firm characteristics that influence a firm's PIN. Their paper also indicates that a higher dividend yield mitigates information asymmetry about the firm between traders and lowers its PIN.

Finally, my review of Richard Thaler and Cass Sunstein's book, *Nudge: improving decisions about health, wealth and happiness*, suggests that with the appeal of the neo-liberal mantra badly shaken by the GFC, their proposals will seem sensible to many readers.

This is a particularly diverse and rich issue of the journal. JASSA aspires to build on its position as the key Australasian forum for practitioners, policy makers, investors and those in academe to present and discuss recent research into financial markets, institutions and regulation. I would encourage you to consider making a contribution for a future issue.

Please note that the guidelines for submission are available at www.finsia.com and any comments on these or any previous articles in JASSA are also welcome at m.fahrer@finsia.com.