

# 2011 INDEX

This is the full index of articles that have appeared in 2011. It includes papers from the papers from the 16th Melbourne Money and Finance Conference: 'Retail and Household Finance: Current Issues', conducted by the Australian Centre for Financial Studies (in July 2011) and published in Issues 3 & 4. The conference was sponsored by ANZ, APRA, Finsia, NAB and RBA.

Entries are grouped under general subject headings and each contains the title, author, the issue (Issue 1, Issue 2, Issue 3 and Issue 4) in which the article appeared and a brief summary of the content. Some entries in the index appear more than once, where the content is appropriate to more than one category. Following the subject index is an author index listing the names of authors, the titles of their articles and the issues in which they appear.

## Banking crisis

---

**International perspective: 2008 – Banking crisis, 2011 – sovereign debt crisis: two sides of the same coin?**, by Lord Eatwell, *JASSA*, Issue 4, pp. 6-10.

It has been obvious for some time that the banking crisis that engulfed the Western world in 2008 has also seriously weakened sovereign financial systems. The commitments to bail-outs were dwarfed by the sharp fall in tax revenues in the recession that, in turn, led to major increases in fiscal deficits and substantial public debt accumulation. However, the impact on the eurozone has been far more severe than elsewhere.

## Consumer protection

---

**Consumer financial protection: future directions**, by Richard Sandlant, *JASSA*, Issue 4, pp. 42-47.

With governments around the world taking a renewed interest in effective consumer financial protection, this paper focuses on four key pillars: financial literacy, disclosure, advice, and product regulation. Although there is no one 'silver bullet' that will provide effective consumer financial protection on its own, there are potential synergies between these four pillars (and other measures), which can have a multiplier effect on the effectiveness of individual components, enhancing the overall efficiency of the policy framework.

## Derivatives

---

**Retail derivatives: what we know, what we don't know, and regulatory challenges**, by Alex Erskine, *JASSA*, Issue 4, pp. 55-61.

This paper reviews what is known about retail investor participation in derivative products, including capital guaranteed/protected investments, CFDs and ETFs as well as futures, options and warrants. It highlights trends, information gaps, regulatory issues raised and the role of gatekeepers in promoting confident and informed retail investors. The paper suggests that there will be new or exacerbated challenges ahead with retail derivatives.

## Emerging market equities

---

**Rebalancing to Asia**, by Christina Yap and Kerry Series, *JASSA*, Issue 1, pp. 22-28.

With emerging market equities favourably positioned to benefit from strong regional growth dynamics and ongoing regulatory reforms, our findings indicate that international equity portfolios are underallocated to emerging markets, and that portfolios are underallocated to Asia. This suggests that investors should review their Strategic Asset Allocation when positioning for future developments in capital markets.

## Equity markets

---

**Australian equity warrants: are retail investors getting a fair go?**, by Ben Hunt and Chris Terry, *JASSA*, Issue 4, pp. 48–54.

The ASX has two functionally similar markets for contingent equity contracts – a warrants market principally serving retail investors and an ETO market that may be used by retail and professional traders. Using pricing and volatility comparisons, this study finds that warrants are generally overpriced and are significantly dearer than their ETO equivalents. This paper recommends that short selling be allowed in the warrants market in order to reduce the pricing differentials and end the systematic exploitation of retail warrant investors by warrant issuers.

## Energy

---

**Picking winners: understanding the future cost of electricity generation in Australia**, by Jason West F Fin, *JASSA*, Issue 1, pp. 15–21.

With liberalised electricity markets, investment in Australia's future energy mix will be greatly dependent on the expected generation cost of alternative energy sources. Based on analysis using a levelised cost of energy approach to directly compare alternative technologies, fossil fuels continue to remain competitive relative to nuclear, hydro and wind generation sources over the long term.

## Ethical investment

---

**Retail investors and ethical investment**, by Howard Pender and Marie Brocchetto, *JASSA*, Issue 3, pp. 26–31.

Ethical and responsible investment markets have experienced phenomenal growth around the world in recent years and were relatively unaffected by the global financial crisis. This paper provides an overview of the framework for, and key issues involved in, ethical investing at the retail level in Australia. Ethical investment in Australia primarily involves screened portfolios, with limited activity occurring in community finance and shareholder advocacy.

## Financial planning

---

**'I can't get no satisfaction ... or can I?' a study of satisfaction with financial planning and client well-being**, by Kym Irving SA Fin, Gerry Gallery, Natalie Gallery and Cameron Newton, *JASSA*, Issue 2, pp. 36–44.

As industry and policy makers strive to professionalise financial planning and enhance the quality of advice, it is important to understand how financial advice contributes to consumer well-being. The findings of this study indicate financial planning advice has positive effects, with clients feeling more in control of their finances, more prepared for contingencies and putting more effort into their financial affairs. The results also indicate that respondent clients' appraisals of their financial situation have a bearing on a number of other areas of their life and well-being.

## Financial reform

---

**Regulating complex financial products: lessons from legal innovation internationally**, by Justin O'Brien F Fin, *JASSA*, Issue 2, pp. 22–27.

This paper examines the legal and policy implications of the implosion of the securitisation market internationally and argues that comprehensive reform cannot be left to the courts. The paper highlights the limitations of the current legal framework by evaluating the US settlement reached by Goldman Sachs following SEC proceedings against it. Reforms based on proceedings such as this divert attention from the key normative values of permissibility, responsibility and legitimacy – critical features of liberal democracy on which contemporary capitalism rest.

## Financial reporting

---

**Deteriorating profits of brokerage firms post-IFRS: empirical evidence**, by Önder Kaymaz and Özgür Kaymaz, *JASSA*, Issue 1, pp. 29–38.

Empirical evidence from a study of a large number of brokerage firms in Turkey highlights the extent to which their profitability has declined and the determinants of profits have changed following the introduction of IFRS-based financial reporting in early 2005. This study examines some of the possible links between these events.

## Finsia news and views – Book reviews

---

**Book review:** *The house of Rothschild: the world's banker*, by Niall Ferguson. Reviewed by Scott Donald SF Fin, *JASSA*, Issue 1, pp. 39–40.

(Two vols, Penguin, 2000) *The House of Rothschild* is a fascinating study of a fascinating family. For readers weaned on Michael Lewis (*Liar's Poker*) and the like, it may prove tiring. It contains no 'get-rich-quick' hints and, at times, becomes bogged down in detail. But it offers an

altogether different perspective on subjects ordinarily the province of social and political historians; the Napoleonic era, the Industrial Revolution, the revolutions of 1848 and the 1870s, Bismarck in Germany and the re-unification of Italy, the Whigs and the Tories.

## Finsia news and views – From the Editorial Board

---

**From the Chair of the Editorial Board**, by Scott Donald SF Fin, *JASSA*, Issue 1, pp. 4-5.

As this issue of *JASSA* goes to press, policy and structural adjustments are still occurring in many economies around the world as they seek to regain a firm footing after the global financial crisis (GFC). Some of the adjustments underway in financial markets are reflected in this issue of the journal.

**From the Chair of the Editorial Board**, by Scott Donald SF Fin, *JASSA*, Issue 2, pp. 4-5.

Almost three years after the emergence of the global financial crisis, financial services professionals and policy makers continue to grapple with the after-effects of the crisis. Financial markets continue to be affected by uncertainty about the strength of the global recovery and debate persists about the existence of a 'patchwork' or 'two-speed' economy domestically. The current issue of *JASSA* addresses some of the key top-of-mind issues for regulators, investors and industry professionals in the face of these ongoing challenges.

**From the Chair of the Editorial Board**, by Scott Donald SF Fin, *JASSA*, Issue 3, p. 4.

This issue of *JASSA* includes important new research insights for practitioners on currency management and bank sustainability disclosure. It also contains a series of papers from the 16th Melbourne Money and Finance Conference.

**From the Chair of the Editorial Board**, by Scott Donald SF Fin, *JASSA*, Issue 4, p. 5.

With financial markets again facing heightened volatility and uncertainty, this issue of *JASSA* examines the market risk premium arising from the global financial crisis and the key causes of the current European debt crisis.

## Finsia news and views – JASSA Prize

---

**Announcing the 2010 JASSA Awards**, *JASSA*, Issue 1, pp. 6-7.

The 2010 *JASSA* Prize winners are **Scott Bennett** SA Fin and **Vivekananda Lal Sondhi** of Russell Investments for their article, 'Active Money – providing additional insights into portfolio risk', published in Issue 4, 2010. There were also two Merit awards for 2010. The first award went to **Bart Frijns** and **Alireza Tourani-Rad** F Fin, Auckland University of Technology, and **Christian Tallau**, Georg-August-Universität Göttingen, for their article, 'Australian Implied Volatility Index', published in Issue 1, 2010. The second award went to **Jiri Svec** and **Maurice Peat** F Fin, University of Sydney, for their article, 'Systematic risk, CDS spread and market integration: an empirical investigation', published in Issue 3, 2010.

## Finsia news and views – Webmaster

---

**Webmaster recommends**, *JASSA*, Issue 1, pp. 41-43. Financial crisis, cyber threat, equity market intelligence and better banking.

**Webmaster recommends**, *JASSA*, Issue 2, pp. 46-48. Australian Hansard, consumer finance, financial markets, environment, trade and development, employment and the Internet.

**Webmaster recommends**, *JASSA*, Issue 3, p. 48. ETFs and options, mortgage resources and tools and corporate governance.

**Webmaster recommends**, *JASSA*, Issue 4, pp. 69-71. Financial markets, consumer finance and frontier thinking.

## Foreign exchange markets

---

**Monthly seasonality in currency returns: 1972-2010**, by Bin Li, Benjamin Liu, Robert Bianchi F Fin and Jen Je Su, *JASSA*, Issue 3, pp. 6-11.

This study examines the monthly seasonality of foreign exchange (FX) returns for eight major currencies (against the US dollar) from 1972 to 2010. It finds that five currencies exhibit significantly higher returns in the month of December and a significant reversal in January. Previous research has focused largely on the daily patterns within FX returns. With global FX daily spot transactions reaching US\$4 trillion dollars, these findings have important practical implications for currency hedgers, arbitrageurs and speculators.

## Investor protection

---

**Rethinking investor protection**, by Martin Wheatley, *JASSA*, Issue 2, pp. 6-10.

Using the rear-view mirror alone in regulating the market means that the market will always get ahead of regulations. As product complexity is growing at an ever faster pace, investor protection work calls for the exercise of foresight, and the power to act pre-emptively. However, we must be careful that the new power to intervene does not distort the incentives or create moral hazard.

## Longevity risk

---

**The development of a life annuity market in Australia: an analysis of supplier risks and their mitigation**, by John Evans F Fin and Michael Sherris F Fin, *JASSA*, Issue 2, pp. 11-15.

The significant accumulation of superannuation assets must be converted into income to finance the development of a life annuity market in Australia focusing on the risk management for potential suppliers of long-term guaranteed annuity products. It also examines the role of government in this market, particularly in hedging for the major risks involved.

## Market risk premium

---

**Adjusting the market risk premium to reflect the global financial crisis**, by Steven Bishop F Fin, Michael Fitzsimmons SF Fin and Bob Officer SF Fin, *JASSA*, Issue 1, pp. 8-14.

Because of the substantial increase in stock market risk arising from the global financial crisis, it is not appropriate to use a constant market risk premium (MRP) when estimating the cost of equity. This is particularly so when estimates of the weighted average cost of capital include the current high risk premiums on debt but this is not reflected in the equity MRP. We propose a method for adjusting the MRP to reflect unusual risk situations.

**Response to 'Adjusting the market risk premium to reflect the global financial crisis'**, by Martin Hall F Fin, *JASSA*, Issue 4, pp. 11-14.

**'Adjusting the market risk premium to reflect the global financial crisis' – a rejoinder**, by Steven Bishop F Fin, Michael Fitzsimmons SF Fin and Bob Officer SF Fin, *JASSA*, Issue 4, pp. 15-16.

## Melbourne Money and Finance Conference

---

**Introduction to the Conference Papers**, by Kevin Davis SF Fin, *JASSA*, Issue 3, p. 19.

The conference papers selected for this issue of the journal focus on a range of important superannuation and taxation

issues, highlighting key areas where further reform may be necessary, both within Australasia and internationally.

**Introduction to the Conference Papers**, by Kevin Davis SF Fin, *JASSA*, Issue 4, pp. 18-19.

The conference papers in this issue of the journal focus on a number of important regulatory issues in the banking and consumer finance space, many of which were highlighted by the global financial crisis. The papers canvass key options for regulators seeking to strengthen the financial policy framework, addressing concerns in areas such as financial literacy, product regulation, advice, information gaps and disclosure.

**Papers from the Melbourne Money & Finance Conference 2011**, *JASSA*, Issue 3, pp. 18-47.

**Papers from the Melbourne Money & Finance Conference 2011**, *JASSA*, Issue 4, pp. 20-61.

## Payments system

---

**Australian consumer payment behaviour and preferences**, by Sophia Chong, John Bagnall and Kylie Smith, *JASSA*, Issue 4, pp. 20-29.

Based on a 2010 study of consumer payment patterns, this paper examines how payment methods, including cash, are currently being used in Australia and how that use has changed over time. It also provides qualitative evidence of consumers' preferences regarding different payment methods and highlights some potential areas for improvement in the payments system, as perceived by consumers.

## Product innovation

---

**Post GFC regulation – product innovation, ensuring customer suitability and problem resolution**, by Nick Hossack, *JASSA*, Issue 4, pp. 36-41.

Post-GFC, the Australian Government has moved in a more interventionist regulatory direction but, in comparison with other countries, it has gone beyond the 'regulatory plumbing' to intervening more directly in financial markets. This new approach lacks any obvious conceptual underpinning. Without this, financial regulation swings with the vagaries of politics, creating uncertainty, which ultimately affects access, cost, innovation and productivity.

## Savings

---

**Household saving and investing for life-cycle events: government incentives and insurance bonds**, by Kevin Davis SF Fin, Ross Higgins and Deborah Ralston SF Fin, *JASSA*, Issue 3, pp. 32–37.

Individuals face difficulties in developing and executing optimal lifetime savings and investment plans, product complexity continues to grow, and there are increasing demands on government to support individuals' financial needs. Within this context, this paper examines the rationale for government policies aimed at influencing household savings and investment decisions — focusing on the financing of life-cycle events and the design of suitable financial products to achieve desired outcomes.

## Self-managed superannuation funds (SMSFs)

---

**SMSFs: can we do better?**, by Tom Valentine, *JASSA*, Issue 3, pp. 20–25.

Self-managed superannuation funds (SMSFs), also called DIY superannuation funds, are larger than any other single component of the superannuation industry. Their growth has been fostered by the significant tax concessions which they share with other superannuation vehicles. It is, therefore, legitimate to ask whether this arrangement generates benefits sufficient to justify the concessions or whether, as some commentators argue, it is simply a tax avoidance scheme for the wealthy.

## Superannuation

---

**Post-retirement policy — a view**, by Ross Clare, *JASSA*, Issue 3, pp. 43–47.

Much of the recent focus on superannuation policy outcomes and settings has related to the accumulation phase, and considerable work remains to be done regarding the post-retirement phase. Although the Henry and Cooper reports raised a number of important postretirement issues, their recommendations provided only a partial response to the challenges involved. This paper outlines these challenges and provides potential policy options to address them.

## Superannuation funds

---

**Voluntary disclosure, trustee governance and background in Australian superannuation funds**, by Monica Guo Sze Tan and Marie-Anne Cam, *JASSA*, Issue 2, pp. 28–35.

Despite the significant role of superannuation funds in maintaining the sustainability of national retirement schemes, little is known about their governance structure. Our research indicates that very few Australian superannuation funds voluntarily disclose information about their main controlling body — the board of trustees. The current low level of disclosure by boards of trustees, including information about trustees, raises questions about the selection and review of trustees, and their accountability to fund members.

## Sustainability disclosures

---

**An examination of the sustainability disclosures of ANZ, NAB and Westpac**, by Paul N.C. Tiong and R.N. Anantharaman, *JASSA*, Issue 3, pp. 12–16.

This research study examines the sustainability disclosures of the three Australian banks which prepared their sustainability reports in compliance with the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines and Financial Services Sector Supplement. This initiative became obligatory on 1 January 2010 for organisations that wish to achieve the highest level of disclosure. The results indicate that although the three banks achieved the highest level of disclosure, there were several areas that needed improvement.

## Switching costs

---

**How bank switching in NZ differs by product: lessons for Australia**, by Claire Matthews F Fin, *JASSA*, Issue 4, pp. 30–35.

A recent national study explored attitudes and behaviour around bank switching in New Zealand. Using that data, this paper examines the influence of the number and type of products held by bank customers on their attitudes towards switching costs and switching. It finds that some products, particularly electronic payments, increase the perception of the hassle of switching. This suggests that the focus of regulatory action needs to be on making it easier to move electronic payments.

## Tax incentives

---

**Tax distortions and retail investors**, by Gordon D. Mackenzie F Fin, *JASSA*, Issue 3, pp. 38-42.

While tax distortions are traditionally measured using marginal tax rates, or real effective tax rates (Henry Review Panel), empirical studies have identified six margins where tax affects investment decisions. Measuring selected Australian savings vehicles against those margins highlights tax distortions affecting retail investor behaviour. These findings have significance for tax policy makers and financial institutions, and for the current policy debate about the standards of tax knowledge mandated for financial planners and the exemption from financial advice licensing for tax professionals.

## Volatility

---

**Using volatility to enhance momentum strategies**, by Graham Bornholt and Mirela Malin SA Fin, *JASSA*, Issue 2, pp. 16-21.

A simple modification to the popular momentum strategy applied to international market indices produces highly profitable results in emerging market indices. High-volatility recent winners outperform low-volatility recent losers on an annualised basis by 17.4 per cent, with the strategy's long portfolio driving the superior performance. In contrast, applying the momentum/volatility strategy to developed market indices produces small but consistent improvements over the standard momentum approach.

# AUTHOR INDEX

**Bishop, Steven F Fin** (with Michael Fitzsimmons SF Fin and Bob Officer SF Fin), 'Adjusting the market risk premium to reflect the global financial crisis', Issue 1, pp. 8-14.

**Bishop, Steven F Fin** (with Michael Fitzsimmons SF Fin and Bob Officer SF Fin), 'Adjusting the market risk premium to reflect the global financial crisis' — a rejoinder, Issue 4, pp. 15-16.

**Bornholt, Graham** (with Mirela Malin SA Fin), Using volatility to enhance momentum strategies, Issue 2, pp. 16-21.

**Chong, Sophia** (with John Bagnall and Kylie Smith), Australian consumer payment behaviour and preferences, Issue 4, pp. 20-29.

**Clare, Ross**, Post-retirement policy — a view, Issue 3, pp. 43-47.

**Davis, Kevin SF Fin** (with Ross Higgins and Deborah Ralston SF Fin), Household saving and investing for life-cycle events: government incentives and insurance bonds, Issue 3, pp. 32-37.

**Eatwell, Lord**, 2008 — Banking crisis, 2011 — sovereign debt crisis: two sides of the same coin?, Issue 4, pp. 6-10.

**Erskine, Alex**, Retail derivatives: what we know, what we don't know, and regulatory challenges, Issue 4, pp. 55-61.

**Evans, John F Fin** (with Michael Sherris F Fin), The development of a life annuity market in Australia: an analysis of supplier risks and their mitigation, Issue 2, pp. 11-15.

**Hall, Martin F Fin**, Response to 'Adjusting the market risk premium to reflect the global financial crisis', Issue 4, pp. 11-14.

**Hossack, Nick**, Post GFC regulation — product innovation, ensuring customer suitability and problem resolution, Issue 4, pp. 36-41.

**Hunt, Ben** (with Chris Terry), Australian equity warrants: are retail investors getting a fair go? Issue 4, pp. 48-50.

**Irving, Kym SA Fin** (with Gerry Gallery, Natalie Gallery and Cameron Newton), 'I can't get no satisfaction ... or can I?': a study of satisfaction with financial planning and client well-being, Issue 2, pp. 36-44.

**Kaymaz, Önder** (with Özgür Kaymaz), Deteriorating profits of brokerage firms post-IFRS: empirical evidence, Issue 1, pp. 29-38.

**Li, Bin** (with Benjamin Liu, Robert Bianchi F Fin and Jen Je Su), Monthly seasonality in currency returns: 1972-2010, Issue 3, pp. 6-11.

**Mackenzie, Gordon D. F Fin**, Tax distortions and retail investors, Issue 3, pp. 38-42.

**Matthews, Claire F Fin**, How bank switching in NZ differs by product: lessons for Australia, Issue 4, pp. 30-35.

**O'Brien, Justin F Fin**, Regulating complex financial products: lessons from legal innovation internationally, Issue 2, pp. 22-27.

**Pender, Howard** (with Marie Brocchetto), Retail investors and ethical investment, Issue 3, pp. 26-31.

**Sandlant, Richard**, Consumer financial protection: future directions, Issue 4, pp. 42-47.

**Tan, Monica Guo Sze** (with Marie-Anne Cam), Voluntary disclosure, trustee governance and background in Australian superannuation funds, by Issue 2, pp. 28-35.

**Tiong, Paul N.C.** (with R.N. Anantharaman), An examination of the sustainability disclosures of ANZ, NAB and Westpac, Issue 3, pp. 12-16.

**Valentine, Tom**, SMSFs: can we do better? Issue 3, pp. 20-25.

**West, Jason F Fin**, Picking winners: understanding the future cost of electricity generation in Australia, Issue 1, pp. 15-21.

**Wheatley, Martin**, Rethinking investor protection, Issue 2, pp. 6-10.

**Yap, Christina** (with Kerry Series), Rebalancing to Asia, Issue 1, pp. 22-28.