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From the Chair of the Editorial Board

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Rethinking investor protection

MARTIN WHEATLEY

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.

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The development of a life annuity market in Australia: an analysis of supplier risks and their mitigation

JOHN EVANS F Fin and
MICHAEL SHERRIS F Fin

The significant accumulation of superannuation assets must be converted into income to finance the retirement needs of individuals. This paper considers 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.

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Using volatility to enhance momentum strategies

GRAHAM BORNHOLT and
MIRELA MALIN SA Fin

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.

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Regulating complex financial products: lessons from legal innovation internationally

JUSTIN O'BRIEN F Fin

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 rests.

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Voluntary disclosure, trustee governance and background in Australian superannuation funds

MONICA GUO SZE TAN
and MARIE-ANNE CAM

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.

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'I can't get no satisfaction ... or can I?': a study of satisfaction with financial planning and client well-being

KYM IRVING SA Fin,
GERRY GALLERY,
NATALIE GALLERY and
CAMERON NEWTON

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.

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Update on Australian Hansard, consumer finance, financial markets, environment, trade and development, employment and the Internet.