

FROM THE CHAIR OF THE EDITORIAL BOARD



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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.

Martin Wheatley, who is due to become CEO of the UK's Financial Conduct Authority on 1 September, highlights the need for regulators to rethink investor protection in an environment of rapidly growing product complexity. Noting that a rear-view mirror approach to market regulation will mean that the market will always get ahead of regulation, he indicates that investor protection work calls for the exercise of foresight, and the power to act pre-emptively. He indicates, however, that the interventionist approach will be a challenge and a novelty, and that regulators will need to ensure that this new power to intervene does not distort the incentives or create moral hazard.

The paper by John Evans F Fin and Michael Sherris F Fin examines the impediments to the development of a life annuity market in Australia including the major risks associated with the issuing of lifetime annuities and the lack of markets to hedge these risks. Evans and Sherris note that the management of these risks is complex and that the lack of developed risk transfer mechanisms is a concern that needs to be addressed. Indicating that there are three broad solutions to developing a sustainable annuity market for retirees on a cost-efficient basis, the authors conclude that there are strong arguments for government support for a longevity bond market including the issue by government of survivor or longevity bonds.

Research by Graham Bornholt and Mirela Malin SA Fin examines whether volatility considerations can be used to improve on the profitability of the standard momentum approach to investing in equities markets. With the momentum effect continuing to be a major unresolved puzzle of capital markets, sustaining almost two decades of research, this paper highlights that a simple modification to the popular momentum strategy applied to international market indices produces highly profitable results in emerging market indices.

Justin O'Brien F Fin 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. His paper highlights the limitations of the current legal framework by evaluating the US settlement reached by Goldman Sachs following SEC proceedings against it. O'Brien suggests that the reform agenda must address, comprehensively and directly, the ethical deficit at the heart of global finance and that this must be legislatively determined.

The paper by Monica Guo Sze Tan and Marie-Anne Cam addresses the important issue that despite the significant role of superannuation funds in maintaining the sustainability of national retirement schemes, little is known about their governance structure. Their research indicates that very few Australian superannuation funds voluntarily disclose information about their main controlling body — the board of trustees. The authors find that more highly qualified trustees are related to better levels of voluntary disclosure of their background profile, and that independent trustees and trustees who have a higher number of outside directorships have a strong positive effect on levels of voluntary disclosure.

And, finally, with the financial planning sector in Australia and elsewhere moving towards professionalisation, Kym Irving SA Fin, Gerry Gallery, Natalie Gallery and Cameron Newton report the findings of their study which seeks to understand how financial advice contributes to consumer well-being. Their results indicate that the process of financial planning is potentially supportive of individuals' well-being at a number of levels, not just the financial, and that this occurs when clients feel engaged with planners who are professional and client-focused.

The papers in this issue of JASSA take a deep-dive into some of the key issues in applied finance currently facing the industry, and the insights that they provide will undoubtedly lay the groundwork for further debate and research in these areas. I would encourage you to contribute to a future issue of the journal, to help us continue to encourage and share important new learnings within the industry.

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 ■

JASSA articles

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