FROM THE
Managing Editor

KEVIN DAVIS SF Fin, Professor of Finance, University of Melbourne
Research Director, Australian Centre for Financial Studies and Professor of Finance, Monash University

This issue of *JASSA* commences with a submitted paper examining the behaviour of New Zealand investors and how the New Zealand culture affects investor criteria in early stage ventures. This is followed by a special section containing papers from the 10–11 July 2017 Melbourne Money and Finance Conference, which focused on Evolutionary Trends in the Australian Financial Sector.

The papers in the special section of the journal address key developments and challenges in the insurance market, the securitisation market and Australian debt capital markets more broadly, and whether complexity has worked in banking regulations. The conference was organised by the Australian Centre for Financial Studies and Monash University, and was sponsored by the Reserve Bank of Australia, Australian Prudential Regulation Authority and FINSIA. While not subject to the usual double-blind process, each of these papers was reviewed by a member of the Editorial Board and by me prior to inclusion.

First, a submitted paper by Hattaf Ansari, David Tripe SF Fin and William Wilson compares investor criteria of early stage ventures in New Zealand with those in the US, identifying a lack of information as a primary reason for a lack of standardisation in the investment process in New Zealand. Overall, the findings reveal significant differences between the New Zealand venture capital market and developed markets, such as the US, with New Zealand investors having a relatively short-term focus and valuing different factors in their investment criteria. The research also shows that New Zealand investors are more accepting of an informal approach and are more willing to invest in ventures in which they have little experience. These differences are likely due to the relatively young age and small size of the New Zealand market. The findings also suggest entrepreneurs would be wise to tailor their pitch for funding to the group of investors they are targeting.

In the special section of this issue of *JASSA*, Mike Thomas examines challenges to the insurance business model arising as technology is changing the nature of risk and the way risk services are priced, and spawning competition at parts of the insurance value chain where none previously existed. Thomas indicates that insurers are being forced to innovate to meet these challenges to their business models. He says technology has also given rise to new risks such as cloud risk and cyber threats, as well as ethical concerns about the collection and use of individuals' data by insurance companies. However, in an increasingly connected world, more consumers are accepting loss of privacy in return for lower premiums. Thomas also speculates on the form that the insurance model will take in the future, suggesting that regulation will have a bearing on which insurance business models thrive.

Next, Chris Dalton provides a detailed analysis of the Australian securitisation market 10 years on from the global financial crisis. He indicates that this market has rebuilt itself following the impact of the global financial crisis that commenced in late 2007 and continued until 2009. The volume of mortgage- and asset-backed securities denominated in Australian dollars has largely returned to the levels that prevailed in pre-crisis 2006 and 2007. However, issuance in non-Australian dollars is only a shadow of pre-crisis volumes largely due to the increased cost and regulatory changes that make the use of cross-currency swaps uneconomic for issuers. Dalton notes that costs associated with securitisation are expected to increase significantly because of the increases in the regulatory capital, but, notwithstanding these challenges, the outlook for this market is buoyant and securitisation will remain a useful part of most authorised deposit-taking institutions' funding plans.

My paper looks at the Basel Committee's approach to prudential regulation of bank risk, the recent apparent shift towards less complex regulation, and the reasons for this. The paper provides an overview of the calls for alternative approaches to regulation from some prominent experts who generally dismiss the merits of the 'risk-sensitive', complex, rules-based Basel approach. The paper also speculates on the future of financial regulation in light of ongoing debate about the optimal regulatory structure and degree of complexity. I suggest that while much of the current debate is framed in terms of complexity versus simplicity, a more important issue in the future may be the relative importance of Pillar 1 versus Pillar 2 in the regulatory approach.

Finally, the paper by Steve Lambert examines the three main themes that are expected to shape the future growth and development of domestic debt capital markets (including syndicated loan and bond markets). These themes are: the continued rise in the importance of Asian investors; the growing appetite of self-managed superannuation funds and non-institutional investors for investing in the domestic bond market; and increased innovation. Lambert expects that foreign banks based in Australia and offshore will continue to show active interest in participating in Australian syndication in the future. He notes that this, in combination with the increased role of fund managers as syndicate participants, raises the question of how the role of Australian banks may change, particularly given ongoing regulatory change and increased prudential requirements (and their subsequent effects in terms of increased funding and capital costs).

I am very grateful to our contributors, throughout my time as Managing Editor, for highlighting the critical applied finance issues that we all need to address as practitioners, policy makers and academics. We trust that our readers have found these papers very thought-provoking and insightful. It has been an honour to guide the journal over the past six years and I look forward to reading many more stimulating and challenging issues of the journal in the future.