The approach of the 21st century provides a convenient platform from which financial analysts and professional investors can reflect on the 20th. A backwards look at the financial services industry gives a breathtaking view of growth and change on a scale almost unbelievable.

Where do we go from here? No-one can doubt that change will continue unabated as new markets emerge, as technology continues to advance, as professional skills increase and as internationalisation of financial services proceeds. The question is how effectively the industry can keep pace with the challenges.

The EFFAS Congress in Barcelona on 25-27 September will illuminate a number of the issues facing regulators, investors and other practitioners everywhere, including the effects of economic and monetary union in Europe and other global trends. Much that emerges from the congress is likely to guide responses to future change.

Australia – and, indirectly, the Securities Institute of Australia – has its chance to contribute to the deliberations in Barcelona. Dr Les Balzer ASIA, of Lend Lease Investment Management, has been invited by the EFFAS organising committee to present a paper titled “Is Variance Dead? Measuring Investment Portfolio Risk”. The paper addresses the importance of investment objectives, the effects of asymmetric assets and desirable features of risk measures, and reviews the traditional measure of investment risk and its problems.

What Barcelona is about to get, the Securities Institute has already sampled. Balzer delivered this paper to SIA members in Sydney and Melbourne recently as part of the Continuing Professional Development (CPD) program. It’s nice to come first.

Lesson 1: Learn now, look ahead
Meeting the demands of change in the investment and finance industry requires skill, intelligence, foresight – and education. It was forward-looking members of the Institute who realised decades ago that those who were to follow them would need formal, structured training if their credentials were to gain respect. Because of that foresight, the Securities Institute became the vehicle for the Australian investment community’s most highly regarded education system.

Securities Institute Education, which virtually took on a life of its own with last year’s restructuring of the Institute, now has the maturity to be able to respond quickly to the needs of the industry. And it’s a continuous process. In second semester 1996, three new subjects were added to the Graduate Diploma course: Applied Valuation and Analysis, Asset Allocation and Advanced Derivatives. In future years the Institute will continue the growth of its coverage and will introduce further new subjects including: Government Sector Finance, Advanced Corporate and Structured Finance, and Advanced Risk Management.

The addition of these courses, together with last year’s introduction of streaming, means that the Graduate Diploma course can be tailored even more flexibly to meet the needs of the industry and individuals for more specialist and advanced tuition.

New senior vice-president
Wayne Lonergan FSIA has been elected senior vice-president of the Securities Institute of Australia. He replaces Keith Langley FSIA in this role. Keith has recently retired from National Council after two years of service.
Lonergan, a partner with Coopers & Lybrand, Sydney, is a well known and popular member of the Institute. He has been prominent in the Institute’s policy activities and committee work.

The learning curve gets steeper
If you believe what you read in the popular financial press, you might think there was a time when you could go some distance in the financial services industry with a little luck, a lot of chutzpah and not much sleep. The best of them still don’t get much sleep but these days they need a lot more in the way of measurable skills and qualifications.

In this age of intense competition for acceptance and advancement in the industry, the numbers in Securities Institute Education say it all. The increase in the number of students studying at the Institute in second semester reflects the industry’s focus on well trained staff. New student numbers in the open-entry Certificate Course increased by 14% while overall student numbers for the year rose to some 10,400.

Picking arguments
Senator Brian Gibson wants to know whether the courts are the best mechanism for the adjudication of takeover squabbles. He has raised the question of whether it might be better handled by an enhanced Corporations and Securities Panel. The Securities Institute believes it’s a good question.

To encourage the debate, the Institute has initiated a series of discussions on takeover legislation with key industry advisers. The ground covered has included whether the Eggleston principles are still applicable to the regulation of takeovers, takeover regulatory models in other countries and the role of the Corporations and Securities Panel.

A proper education
Looked at one way, a “Proper Authority holder” could sound a bit like the John Cleese depiction of an accountant. But from another perspective, the label means someone whose judgment you can trust in matters of financial advice. So what stands behind it is important.

Market research by Securities Institute Education indicated that there is room for further specialised education for degree-qualified people who wish to become, or currently are, Proper Authority holders working in retail financial advising. The Institute is considering a proposal to meet the needs of this group by introducing a post-graduate financial planning course in 1997.

The course would consolidate students’ understanding of investment markets, as well as providing them with a knowledge and understanding of specific issues with which a competent financial planner must deal. The Institute is particularly concerned that the course meets the needs of industry practitioners and is in line with the ASC’s competency requirements. The Institute has worked closely with the ASC to identify relevant competencies for the industry.

Investment Management ‘97
Following the outstanding success of the investment management conference which the Institute jointly presented with the Australian Investment Managers Association in May, plans are already afoot for Investment Management 97, which will be held in Sydney on 2-3 June 1997. This activity is part of the Institute’s commitment to providing the best practical Continuing Professional Development (CPD) program to its members. A summary of the CPD program is provided on the reverse side of the address sheet accompanying JASSA.

Accounting standards
The Accounting Standards Subcommittee of the SIA has considered a number of exposure drafts issued by the International Accounting Standards Committee (IASC) and Australian Accounting Standards Board (AASB). The subcommittee intends to comment on ED67 (AASB) Information to be disclosed in Financial Reports, ED71 (AASB) Accounting for Investments in Associates by the Equity Method, E51 (IASC) Reporting Financial Information by Segment and E52 (IASC) Earnings Per Share.

Keeping it simple – and safe
The Corporations Law Simplification Task Force has made recommendations concerning the Trade Practices Act that are in line with the stance of the Institute. We have argued consistently that the Corporations Law should take precedence over the Trade Practices Act so that parties would have access, where appropriate, to due diligence defences.

We have emphasised our concerns about personal liability and damages claims that could be brought against directors, advisers and others under the Trade Practices Act. Under the Corporations Law, these parties have a defence if they have acted with proper due diligence. This defence is not available under the Trade Practices Act.