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From the Chair of
the Editorial Board

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International Perspective:
2008 — Banking
crisis, 2011 — sovereign
debt crisis: two sides
of the same coin?
LORD EATWELL
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.

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Response to
‘Adjusting the
market risk premium
to reflect the global
financial crisis’
MARTIN HALL F FIN

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‘Adjusting the market risk
premium to reflect the
global financial crisis’ — a
rejoinder
STEVEN BISHOP F FIN,
MICHAEL FITZSIMMONS
SF FIN and BOB OFFICER
SF FIN

Papers from the
Melbourne Money &
Finance Conference
2011
Finsia acknowledges the
contribution of the
papers from the 16th
Melbourne Money and
Finance Conference to
this issue of JASSA. The
conference — Retail and
Household Finance:
Current Issues — was held
in July 2011 by the
Australian Centre for
Financial Studies.

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Introduction to the
Conference Papers
Australian consumer payment behaviour and preferences
SOPHIA CHONG, JOHN BAGNALL and KYLIE SMITH

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.

How bank switching in NZ differs by product: lessons for Australia
CLAIRE MATTHEWS FIN

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.

Post GFC regulation — product innovation, ensuring customer suitability and problem resolution
NICK HOSSACK

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.

Consumer financial protection: future directions
RICHARD SANDLANT

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.

Australian equity warrants: are retail investors getting a fair go?
BENJAMIN HUNT and CHRIS TERRY

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.

Retail derivatives: what we know, what we don’t know, and regulatory challenges
ALEX ERSKINE

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.

Webmaster recommends
Financial markets, consumer finance and frontier thinking