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From the
Managing Editor

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An assessment of the social
desirability of high-frequency
trading
STEPHEN E SATCHELL
While much has been written on
the vast topic of high-frequency
trading (HFT), a great deal of the
evidence has been contaminated
by group self-interest. Furthermore,
what constitutes a ‘good’ or a
‘bad’ is not clearly discussed. This
paper presents an assessment of
the costs and benefits of HFT and
_considers the more philosophical
question as to what good or bad
might mean here.

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Is Australia HFT-friendly?
CAROLE COMERTON-FORDE
Stephen Satchell’s paper ‘An
assessment of the social
desirability of high-frequency
trading’, in this issue of JASSA,
examines the costs and benefits,
and highlights some empirical
evidence on the impact of HFT on
market quality and welfare.
Building on Satchell’s paper, this
paper provides a perspective on
HFT in the Australian market and
identifies the factors influencing
its attractiveness to HFT players.
It also compares the US and
Australian markets in terms of
these factors to indicate the
growth prospects for HFT activity
in Australia.

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Momentum returns to S&P/ASX
100 constituents
BRUCE VANSTONE,
TOBIAS HAHN and GAVIN FINNIE
With mixed evidence to date on
the performance of momentum
strategies in Australia, this paper
examines returns to momentum
strategies for constituent
companies within the S&P/ASX
100, focusing on practical,
realisable investment strategies.
We find that momentum is both
present and obtainable, and has
been a persistent feature of the
S&P/ASX 100 since its inception,
including throughout the global
financial crisis.

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Papers from the Melbourne
Money and Finance Conference
2012
Finsia acknowledges the
contribution of the papers from
the 17th Melbourne Money and
Finance Conference to this issue
of JASSA. The conference —
Recent Developments in Financial
Regulation: An Assessment — was
held in July 2012 by the Australian
Centre for Financial Studies.

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Financial regulation in Australia
since the GFC
IAN BECKETT
Post GFC standard-setting work
has focused on financial stability
and prudential supervision. In
many respects, the impact of
post-financial crisis global
regulatory developments on
Australia’s framework of financial
regulation has been evolutionary
rather than revolutionary.
Generally, we have not seen calls
for the type of major changes that
are being implemented in some
other jurisdictions. While our
existing framework is likely to
undergo further refinement over
time, we already have many of the
key attributes identified by the
Financial Stability Board.
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Financial regulation and A$ liquid assets
ALEXANDRA HEATH, MARK MANNING and GREG MORAN
This paper examines the existing and prospective demand for Australian dollar-denominated high-quality liquid assets and considers the supply of assets that are available to meet these various needs. It also canvases the options available to private market participants and policymakers, respectively, to alleviate any possible adverse implications for the smooth operation of financial markets.

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Liquidity buffers of Australian-owned ADIs
JOEL GRANT
Liquidity risk has many characteristics prompting the need to manage the exposure via a liquidity buffer. The objective of this paper is to build on the scarce empirical evidence surrounding the determinants of authorised deposit-taking institutions (ADIs)’ liquidity buffers. Of particular interest is the question of how macro-economic and ADI-specific factors influence Australian-owned ADIs’ holdings of liquid assets.

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Disclosure of superannuation fund holdings: what would be best?
ALEX ERSKINE and CLARE MARLIN
The Stronger Super and other reforms present an opportunity to improve the disclosure of fund holdings, which is becoming more pressing as savings for retirement accumulated in defined contribution superannuation funds grow and the number of members approaching retirement age increases. In an increasingly global industry, Australian practice should also reflect the practices of its international peers. This paper explores the potential benefits and challenges of disclosing portfolio holdings to superannuation investors.

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The Future of Financial Advice and MySuper
HAZEL BATEMAN and GEOFFREY KINGSTON
This paper summarises and appraises federal legislation passed in 2012 under the headings of The Future of Financial Advice (FoFA) and MySuper. FoFA reforms, which follow a review of the industry by a Joint Parliamentary Committee, aim to improve financial advice and seek to ban conflicted advice. MySuper reforms, based on recommendations made by the Cooper Review, aim to address a lack of engagement with superannuation by 60 per cent of workers and to ensure that default superannuation accounts are simple, comparable and affordable.

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The usefulness of risk profile questionnaires in financial advising
TOM VALENTINE
With extensive research indicating that investors do not have consistent and rational attitudes to risk, this paper seeks to determine whether risk profile questionnaires lead to more rational investment decisions being made by clients. Analysis of the results of a risk profile questionnaire used by a financial planning practice suggests that investors are unwilling to bear short-term risk and, therefore, a more prescriptive approach may be necessary.