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From the Managing Editor

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Hastie Group Limited: Did the annual reports provide any warning signals?
ANDREW McROBERT SF Fin
Whenever Australia experiences a significant corporate collapse, the question is asked: why weren’t we warned? Notwithstanding the best efforts of the brokers’ analysts, it is clear that many such collapses come without warning. In hindsight, it is often very apparent that, for several years before, there were plenty of warning signals in the annual accounts. It appears that brokers are so dedicated to looking for ‘winners’ that they often neglect to identify potential losers.

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Pitfalls in adjusting merger ratios for cash payout
HUNG CHU and WAYNE LONERGAN SF Fin
For merging entities, this paper identifies the technically correct adjustment to the merger ratio when some part of the consideration is cash rather than shares in the merged entity. It also highlights the problems arising from adopting an alternative short-cut adjustment method.

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Good corporate governance: What matters most to directors?
CHRISTOFER ADRIAN, SUE WRIGHT and ALAN KILGORE
Over the past decade, corporate governance codes have been strengthened in many countries in response to large and high-profile corporate collapses. This paper examines directors’ views on the relative importance of corporate governance mechanisms or attributes. The results of this study provide feedback to regulators which may help to inform any potential future amendments of corporate governance codes in Australia.

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Papers from the Melbourne Money & Finance Conference 2013
Finsia acknowledges the contribution of the papers from the 18th Melbourne Money and Finance Conference to this issue of JASSA. The conference — Financial Sector Evolution: Prospect and Determinants — was held in July 2013 by the Australian Centre for Financial Studies.

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Is the Australian financial sector too big?
RODNEY MADDOCK
The Australian financial sector has grown rapidly in recent decades and now looks big by global standards. This paper suggests that most of the growth has been the result of outward shifts in the demand for financial services driven by household preferences, the availability of a wider range of financial tools, and active government policy. Despite the increase in demand, margins for many financial services have fallen sharply, most notably in areas where better technology has been brought to bear.
Shadow banking: Australian and international experience around times of financial stress and regulatory reform
CARL SCHWARTZ and TOM CARR

This paper examines how the share of ‘shadow bank’-based financing has evolved in Australia and a number of other countries. It focuses on developments around the recent crisis and, for Australia, around the late 1980s/early 1990s period of financial upheaval and regulatory reform. Australia’s past experience suggests that the financial crisis-related shock to risk attitudes and global regulatory focus on shadow banking will remain considerable near-term headwinds for aggregate shadow banking activity. Nonetheless, regulators should remain focused on fast-growing components and their linkages to other parts of the financial system, particularly given the potential for financing patterns to change in response to the wave of global financial reforms.

What is the difference between macroprudence and macroprudential supervision?
CHARLES LITRELL

APRA’s statutory mission includes the requirement to balance safety with competition, efficiency, and contestability in our regulated industries, and also to promote financial system stability. This paper explores some emerging international and Australian themes in safety and stability, in the context of systemic effects.

Consumer lending: implications of new comprehensive credit reporting
STEVE JOHNSON

In March 2014, legislation will come into effect allowing credit providers such as banks and other lenders to share positive information about consumers through a credit bureau. The Australian transition from negative reporting to comprehensive reporting is largely an unprecedented and unique approach which will create challenges for government, regulators and the industry.

How banks’ responses to Basel III affect superannuation funds
BRAD CARR

The responses by the banking sector to the Basel III reforms will present both potential challenges and opportunities for Australian superannuation funds due to the significant interactions between these segments of the financial services industry. These regulatory changes will create an added layer of investment complexity, and new risk management and liquidity considerations for super funds, particularly against the backdrop of other prevailing market trends.