Australian Securities & Investments Commission

Australian Financial Counselling & Credit Reform Association (AFCCRA) Speech

REGULATORY ISSUES ARISING FROM THE FINANCIAL CRISIS FOR ASIC AND FOR INVESTORS AND FINANCIAL CONSUMERS

Good morning and welcome.

It is a pleasure to speak to you, representatives from dispute resolution schemes, consumer groups and financial counselling organisations that are really at the coalface when it comes to the issues that consumers are facing. I would like to say from the outset that we at ASIC recognise and value the significant role that you all play. Thank you also for keeping ASIC informed about people's real life experiences and problems with financial services and products.

My topic today is **Regulatory Issues arising from the Financial Crisis for ASIC and for retail investors and financial consumers**. As we all know, the sub-prime crisis burgeoned into the GFC (a globally recognised acronym) making the last 12 months one of the most challenging periods for all of us. And while things are improving, which is pleasing, we still have a way to go.

At the recent Securities and Derivatives Industry Association (SDIA) conference, I spoke on the regulatory issues arising out of the GFC for the capital markets. The audience, largely brokers and investment bankers, naturally had more interest in the capital markets and on the issues which had emerged (e.g. short selling) and how ASIC was approaching them.

Our work on the capital markets is one of ASIC's main priorities.

Another is to protect retail investors and financial consumers. My focus today will be very much on this priority. I will do that by making 5 points which I hope will:

- give you an understanding of the issues which have emerged, and
- how we are approaching them.

Hopefully this will assist you in assessing the possible implications of our work for the areas you will cover in the next few days such as external dispute resolution, financial literacy and the issues for financial counselling arising out of the financial crisis.

Before I go to my 5 points, let me briefly explain what I mean by retail investors and financial consumers.

Increasingly, there has been a ‘financialisation’ of daily life. More and more of our activities are being funded through participation in financial markets and more of the risks associated with our long term financial health are being transferred from employers and governments to households and consumers. A good example is superannuation having moved from defined benefits to defined contribution or accumulation accounts, making us all more involved in the performance of those funds. Today, almost all of us are retail investors and financial consumers.

In the past, when ASIC has talked to you, our focus has been on those traditionally described as consumers, for example young people borrowing to purchase a car, purchasing insurance products, or people over committing on credit cards. Today I want to talk about these consumers, but also want to discuss the broader constituency of retail investors. So, when I talk about retail investors and financial consumers:

- I am talking about everyone who has a superannuation policy, who, as we shift from defined benefits to defined contribution or accumulation accounts, need to understand their risk profile, and the right investment option within the fund for them;

- I am talking about pre retirees and retirees who are looking at how to maximise their retirement savings and often, for the first time in their life, looking at making investing decisions;

- I am talking about Australia’s 390,000 Self Managed or DYI funds with a total value over $300 billion;

- I am talking about the investors in failed investments such as Westpoint, Fincorp and ACR who were so often older people, particularly women, who had come into their one and only ever lump sum of money—whether from becoming widowed, a divorce settlement, a workers’ comp payout or a lump sum retirement benefit—and who put all of their eggs in one very rotten basket;

- I am talking about the average Australian male (who receives around a $140,000 payout) and the average Australian woman (who receives around $65,000 payout) who find themselves vulnerable to ‘get rich quick’ type products in attempts to fund their retirement;

- I am even talking about the many, many Australians who have their money in term deposits (where over $500 billion of Australian’s savings are kept).

All of these people have an interest in the health of Australia’s financial markets and in the safety and quality of the regulatory regime in place to protect them.

You will see, from these examples, that our work on protecting retail investors and financial consumers covers a significant proportion of the Australian adult population.

Let me now turn to my 5 points.

My first point, which is the first point I made at the SDIA conference, is that Australia has so far fared better in the financial crisis than most other countries. This is both in terms of the capital markets and on the impact on retail investors and financial consumers.

Key indicators of the better performance in Australia are:

- Australia's banks and financial institutions have not had the degree of Government support provided overseas.

- Australia has avoided a technical recession as real GDP in Australia grew by 0.4 percent in the March 2009 quarter. For example, total employment in May 2009 was slightly higher (up 0.3%) than a year earlier. By contrast, for the USA, non-farm employment in May 2009 was lower than at any time since November 2004 (55 months earlier). May unemployment was 1.5 percentage points worse for Australia compared to May 2008, 2.1 points worse for the European Union (EU27) and 3.9 points worse for the USA. Lastly, headline retail sales in Australia in May this year were 7.1% higher than a year earlier, for the European Union (EU27), they were 2.4% lower and for the USA, 9.8% lower.

- And more recently, signs remain positive with the stock market continuing its rally in the June 2009 quarter (All ordinaries index rose by 10.4 % in the June 2009 quarter).

There is no single reason for this better performance. It is probably the result of a combination of the economic momentum arising from the resources boom, the astute conduct of macroeconomic policies by successive governments, the sound position and performance of Australia's main banks, the flow of household incomes into superannuation savings, the strength of the institutional and regulatory framework put in place and supported and improved by successive Governments, and—of course—a dose of luck.

That's not to say, however, that there has not been pain. There has been pain for investors and particularly retail investors and financial consumers. By way of example:

- major company collapses (ABC, Allco, Babcock & Brown, Great Southern, Timbercorp) have resulted in loss of value of around $23b (calculated from peak capitalisation of each entity).

- 23 debenture issues have become insolvent with $3.1b on issue including $1.8b for unlisted and unrated (largely for retail investors).

- we have seen the freezing of mortgage trusts and other funds.

- we have seen losses from entities such as Storm Financial and Opes Prime.

So while we have fared better, nevertheless there has been significant destruction of wealth and, with that, impact on confidence. Our collective challenge is to rebuild that confidence.

ASIC is very much focused on working to rebuild confidence in the integrity of our markets (our capital markets work) and in rebuilding retail investors and financial consumer confidence. Rebuilding of retail investor and financial consumer confidence is important in getting retail investors back into the market (important for liquidity) and in getting financial consumers transacting with confidence (help boost recovery for the real economy).

My second point is that a significant feature of the collapses which have been part of this wealth destruction has been flawed business models: flawed in the sense that they could not withstand a downturn. Too many businesses and a very large proportion of the failures to date were built on business models that could only prosper if asset prices continually rose and debt markets remained open and liquid.

That's not to say the flawed models may not have been accompanied by wrongdoing (breaches of the Corporations Act). We are clearly looking and in many cases investigating possible wrongdoing. Nevertheless, to date, analysis of these collapses or near collapses is giving a strong sense that at the centre there will often be a flawed business model.

Let me mention examples to illustrate:

- Extensive use of margin loans with loan to value ratios (LVR's) that just could not sustain the market downturn. A good example is Storm Financial. There, for example, margin lending was extended to a 'whole balance sheet' (i.e. against all of an investor's assets) with additional leverage against unrealised gains as the market rose.

- Extending products used in the institutional sector into the retail sector as Opes Prime did. Opes operated a securities lending business. From the clients' perspective, the arrangement with Opes had the same commercial effect as a margin loan, that is the clients accessed cash, using their securities as collateral.

  The flaw in the business model was that Opes was not well capitalised and as a result when a number of its clients faced significant losses in the market downturn, it was not able to cover the shortfall. A business model built for a bull market with little thought for a downturn.

- Highly leveraged models: a range of other highly leveraged models (Allco, Babcock & Brown) which could not withhold the deficiency brought about by asset falls.

These collapses have led to losses and it is proper to ask the question, could more have been done to prevent these?

More specifically, could ASIC have prevented these business models or put an end to them earlier?

Now, the answer to this specific question, in the context of the Corporations Act and ASIC's powers, is clearly 'no'.

As an audience such as this will readily understand, under our system, responsibility for flawed business models lies with management and with their Boards. It's part of the 'free enterprise' system. Nevertheless, in the broader community and parts of the media, there is a misunderstanding and, at times, a perception that ASIC is, in effect, a ‘guarantor of last resort’ of investor risk (particularly where retail investors may be involved).

Let me therefore expand on my answer on why ASIC is not in the position to prevent the failure of business models:

First a little history … the implementation of significant features of the Campbell Report by the Hawke-Keating Government had far reaching implications for the banking system in Australia, such as removal of interest rate and lending controls and the floating of the Australian dollar.

In 1996 the Wallis inquiry was set up to examine the deregulation which had followed the Campbell Report. The Wallis Inquiry produced a report that made a series of recommendations concerning the operation of the financial markets including what was to become known as the ‘twin peaks policy’. The Howard–Costello Government implemented significant aspects of this ‘twin peaks policy’.

The first peak, APRA, regulates ADI’s, important systemic institutions, which Government believe need to have their business models prudentially regulated.

The second peak, ASIC, regulates securities and investments. Let me say a little more on this second peak. Unlike intermediaries (banks and insurance companies) the policy (reflected in the Wallis Report) was that financial markets did not need prudential regulation.

As was said by commentators at the time, at the centre of the Wallis Report was the view that efficiency of the capital markets would be enhanced by the absence of capital backing regulation and these markets only needed disclosure and transparency and enforcement of proper market conduct for their operation (e.g. the development of the securitization markets is a good example of the working of that policy). They did not need prudential standards.

This policy behind this second peak is reflected in the Corporations Act and in ASIC’s role and powers. The US certainly applied this policy which economists, I think, call the Efficient Markets Theory.

Our Corporations Act is self-executing. That is, it is left to the market participants to comply with the law. Rules are around disclosure and preventing market abuse. ASIC, unlike APRA, is an oversight and enforcement body. We are not a prudential authority. Several things flow from this difference:

- Inevitably ASIC will come in after a collapse has occurred. We are there, as an oversight body, to see if the law was complied with and, as such, we will arrive ‘at the scene of the accident’ (i.e. after the accident to see who caused it!).

- Our powers to act ahead of time are limited. For example, we do not have power to regulate capital adequacy or to prohibit certain business models.

ASIC was simply not designed or equipped to regulate the financial markets to, for example, ensure capital adequacy. Indeed, the underpinning policy behind the legislation (Corporations Act) does not do that.

This is why the answer to the question of whether ASIC could have prevented these flawed business models is clearly ‘no’.

Now you will be thinking, we can probably accept that these collapses or near collapses are a feature of the current policy settings. Nevertheless, is ASIC enforcing market conduct and disclosure rules as intended or required to do by the Corporations Act? Could ASIC have done more to minimize the damage?

This brings me to my third point which is that while collapses or near collapses were essentially business model failures, ASIC is acting decisively in exercising its powers to regulate market conduct and improve disclosure and fulfilling its mandate on regulating market conduct and improving disclosure. It is part of the work we are doing to rebuild and maintain confidence in the integrity of our markets.

Following a strategic review in 2007, ASIC set up 12 stakeholder teams (by and large based on industry groupings). The thinking behind this restructure is that it facilitates ASIC getting closer to the market to better understand the specific sectors. This in turn improves the ability of our teams to work with entities to identify potential issues early (the benefit translating into better consumer protection). Each stakeholder team is led at the Senior Executive Level and has around 30 front line staff supported by Shared Services staff across ASIC. Our real economy teams provide additional support (e.g. complaints and breach reporting).

Let me illustrate the work we do to protect retail investors and financial consumers by looking at a number of examples of work done by 5 of our stakeholder teams that are directly relevant to retail investors and financial consumers.

Our **Investment Managers team** is led by Senior Executive Leader Pamela Hanrahan.

The Investment Managers team has been active in relation to **mortgage funds** and **unlisted property trusts**. The team has been focused on improved PDS and ongoing disclosure (i.e. benchmark disclosure to improve information to investors). They have, along with the freezing of mortgage funds, worked with trustees on hardship relief (i.e. enable withdrawal subject to a cap on grounds of hardship).

The team is involved in improving disclosure and conduct around the Managed Investment Schemes (some 5,000 of these exist). More recently their work has focused on the failed Great Southern and Timbercorp Managed Investment Schemes.

Going forward the team is establishing protocols to identify high risk individual firms within certain sectors for closer surveillance.

Our **Superannuation Team**, led by Senior Executive Leader Louise duPre-Alba, has been working to build confidence in our superannuation industry.

Two examples to illustrate their work:

Simple Super Advice: The Super Team has recently played an integral role in the release of a regulatory guide that facilitates the provision of personal advice from the funds to their members in relation to the member's existing interest in a fund. This means that, when members get their periodic statement (this year negative returns of around 13% are reported in the media) they will be able to contact their fund to receive factual, general or personal advice.

Super risk disclosure project: The team is also working with industry to improve the quality and consistency of super risk disclosure. A comprehensive program of industry consultation has been completed and consultants reports are being completed. The next step is considering options for improvement for ASIC Commission consideration. Part of the project involves considering consistency in labeling, as this is critical to investors' understanding of the risks associated with their super investment.

The work of our **Consumers and Retail Investors** team, led by Senior Executive Leader Delia Rickard, is another of our stakeholder teams. Let me mention two pieces of work now and also comment on the investor and consumer education work they perform.

Investor/Consumer resources: The team has developed a number of important new resources to assist financial consumers and retail investors. A most recent example; greater disclosure and understanding of the pitfalls in reverse mortgages. This educational approach adds to our earlier work with industry on product design issues such as the importance of no negative equity guarantees.

The team has also developed and piloted our Investing Between the Flags seminars on investing basics through Centrelink's Financial Information Service and is developing an accompanying publication.

The team's work in developing these resources is very much influenced by the findings of behavioral economics and the need to fully understand why people do and don't do things in relation to money. Consumer testing is critical, as we want to ensure what seems like a smart idea in the office is really going to be effective in the real world.

External Dispute Resolution improvements: As I'm sure most of you in this room are aware, the team has significantly expanded access to Australia's free and independent external dispute resolution schemes. From 1 January 2010 schemes will be able to hear complaints up to $500,000 and provide increased levels of redress (from 1 January 2012) of at least $280,000. These reforms will ensure that many more consumers and retail investors will be able to bring their claims to EDR schemes, thus avoiding expensive litigation.

Our **Financial Advisers team**, led by Senior Executive Leader Deborah Koromilas, has been working to improve consumer confidence in financial advice. We want consumers to be accessing quality financial advice as this promotes rational and informed financial choices which in turn drives broader confidence in the integrity of our financial markets.

Quality of advice project: The team has launched a comprehensive project designed to improve the quality of advice in Australia. The project involves developing benchmarks, obtaining industry data, and considering key impacts on the quality of advice.

Surveillance activities: The team is also active in monitoring licensees. A simple example: in one matter a large licensee reported inappropriate advice for 4 clients. The licensee was then required to conduct a full review of all clients of a particular planner which resulted in the subsequent identification and remediation of a further 112 clients who had received inappropriate advice.

Going forward this team is also establishing protocols to identify high risk individual firms for closer surveillance.

Our **Deposit Takers Credit and Insurance Providers** team, led by Senior Executive Leader Greg Kirk, has also been doing important work to assist consumers.

Assisting borrowers in financial hardship: The team conducted an inquiry into how lenders and brokers deal with borrowers in financial hardship. Our findings showed that practices are inconsistent and range from good to poor. This work was used to inform the development of a set of principles announced by the Treasurer that are aimed at assisting borrowers. Industry has agreed to comply with the principles and ASIC will monitor the implementation.

Term deposits review: The team is currently conducting a review of the marketing and disclosure of short term deposit products, following the publication of an investor and consumer guide. A health check will be completed—looking at issues such as automatic rollovers etc—and the team will report back in the coming months.

You can see from these brief examples how our stakeholder teams are:

- engaged in a range of initiatives which are aimed at improving disclosure and market conduct, and

- using the regulatory regime to better protect retail investors and consumers.

Deterrence

These stakeholder teams are also supported by strong deterrence or enforcement work from our 8 deterrence teams. Four of these support the stakeholder teams I have mentioned. Again, this shows the focus ASIC has on protecting retail investors and consumers.

A good example is the work we do to close illegal managed investment schemes. Over the last 3 financial years ASIC has acted against 179 managed investment schemes or companies for illegally raising funds involving around 7,330 investors and $401 million.

In addition, we have now shifted our focus to get money back for investors involved in failed schemes.

Westpoint: Since November 2007, ASIC has commenced 16 civil actions seeking to recover funds for investors. These include claims against the directors of Westpoint mezzanine companies, auditors of the Westpoint Group, and financial planners. These are substantial actions seeking to recover some $329m for the investors.

ASIC was successful in obtaining court orders for a global mediation of all Federal Court actions commenced by ASIC for compensation arising from the failure of the Westpoint group. This mediation is on foot at present. ASIC considers that this is in the public interest and is the most efficient way to seek to settle the matters so as to expedite returns to investors and minimise legal costs.

Opes Prime: Opes is another example where ASIC is focusing on recovering money for investors.

ASIC, together with the administrators of Opes, initiated a mediation process with relevant parties with the objective of recovering compensation for investors without the need for costly litigation and multiple actions.

Following the mediation process, the parties agreed to a settlement that proposed that a scheme of arrangement be put to Opes' creditors and the court. The scheme has been approved by the creditors and if approved by the Court, it is anticipated that the scheme will provide creditors with dividends of around 37c in the dollar by Christmas 2009.

As I outlined at the recent Parliamentary Joint Committee, ASIC is investigating and assessing recovery action in Storm Financial.

So you can see, our retail investors and financial consumer priority involves extensive resources and a significant commitment by ASIC.

My fourth point is that in addition to protecting retail investors and financial consumers within the regulatory framework which ASIC has, it also invests in investor and consumer education.

We recognise that if we can better equip retail investors, and therefore financial consumers, they will be less likely to fall victim to misconduct or invest in flawed business models.

An important part of our work to protect retail investors and consumers is capacity building. Empowering people with enough knowledge to be able to make confident choices. This doesn't mean expecting consumers and investors to know everything about the myriad of complex financial products on the market these days but it does mean helping them to realise when they need to find out more, how and where to find out more, the importance of shopping around and the importance of not buying products you don't understand etc.

As many of you would know, ASIC took on responsibility for leading the federal government's financial literacy work from 1 July last year. It is a responsibility we have been pleased to be given. In the time since then we have done considerable work looking at what Australians do and don't know and do around financial issues and why.

As a result of this work we are approaching our new responsibilities through 4 separate streams of work:

- We are focussing on **delivering financial literacy programs through existing educational pathways**—in particular through the schools where financial literacy education is now a requirement for all Australian school children from Kindergarten to year 10; through higher education—particularly through the VET sector; through employer and union sponsored programs and through community based programs run by the community sector. All of this work is being done in partnership with others.

  On the subject of schools, I should also make you aware that a new national curriculum is presently being developed. ASIC and the Australian Government Financial Literacy Board are concerned to ensure that financial literacy has an explicit home in the new curriculum for if it doesn't, all of the advances of recent years will be lost. We would encourage all of you who share our concerns to make your views known to the Australian Curriculum Assessment Reporting Authority (ACARA).

- The second arm involves making sure that Australians have easy **access to the information and tools** they need to make good financial choices. We do this through our FIDO website which receives around 1.5 million visits per year; our publications program; public seminars such as those conducted for us by Centrelink and a range of other mechanisms.

  Another particular focus for ASIC is our Indigenous financial literacy work. This takes many forms, with one of the most important discussions occurring through face to face meetings run by our Indigenous Outreach team. We are also:

  – working with remote Indigenous schools to develop best practice teaching modules that are culturally appropriate;
  – running the 'Money Talks'' series of radio programs that we produced with the National Indigenous Radio Services, and
  – producing a series of Indigenous publications (including Moola talk).

- The third arm to our financial literacy program is looking beyond education for **solutions that promote financial well being**.

  A particularly important part of this stream of work is our new consumer/investor website that we are working on. It is being designed to take people on a journey from engagement, through to knowledge and personal goal setting and then providing personalised guidance and ongoing support and encouragement to help people follow through on achieving the goals they set themselves. We believe the site will have a very important role to play in meeting at least some of the needs of the 75% or so of the population that don't currently use a financial planner.

  In fact, it is because of the new website that ASIC has sponsored Gordon Bell's visit to Australia. Gordon, as many of you may know, runs a not-for-profit debt counselling service in the UK that is backed up by telephone access to a counsellor. Many of us are keen to explore this concept further to see whether it is suitable for the Australian context and, if so, whether ASIC's new website would be an appropriate home for the online tool.

- Finally, our financial literacy work is leading us to **work ever more closely with other sectors.** If we are to achieve broad-based behavioural change then the message needs to come from government, from teachers, from the media, employers, community workers and so on. To promote the necessary partnerships, ASIC now uses its national video facilities to host a monthly financial literacy Community of Practice at lunch time on the last Friday of each month. We are getting between 80 and 90 people from a range of different sectors along to these sessions, designed to promote knowledge sharing, best practice and networking. If anyone here is interested in attending these you would be most welcome.

  We are also putting more and more effort into measurement and evaluation since these programs are not cheap and thus we really do need to know what is working and delivering results and what isn't.

We see our education and financial literacy work as an important priority.

My fifth point is that in addition to the work we are doing in protecting retail investors and financial consumers with the existing regulatory framework, we are also involved in policy initiatives (with Treasury and Government) which are aimed at improving the regulatory system for the future.

These potential reforms are occurring at a domestic and international level.

On the domestic front we have seen policy changes in:

- ***Margin lending***:
  As I mentioned earlier when discussing the Storm business model, the current crisis has raised issues in relation to the regulation of margin lending. In response, the Government has proposed to regulate margin lending under the Corporations Act. Consumers using margin lending will receive the same protections as consumers of other financial products. Essentially this means that they will be much better informed about the features and risks associated with these products, and advice about these products will be subject to a suitability requirement.

- ***Credit***:
  The Government is moving to put consistent national regulation in place across financial services, which involves transferring credit responsibilities from the states to the Commonwealth. Under the new laws ASIC will be responsible for registration and licensing of lenders and intermediaries, as well as surveillance and compliance (including in relation to the new responsible lending requirements).

  Responsible lending is a new and important initiative. The financial provider and any intermediary, such as a broker, will be required to conduct appropriate inquiries and do an assessment to ensure the contract is not unsuitable for the consumer involved. Suitability depends on the consumer's ability to comply with the contract without substantial hardship and whether the contract meets the consumer's needs. We will be looking at responsible lending very carefully as it unfolds to ensure that it delivers.

  It is also important to note that ASIC will be well placed to carry out these new responsibilities with an additional funding of $66 million over 4 years. During the peak of demand during the licensing phase, this will translate into around 200 new full-time employees distributed across Australia.

- ***Unfair contracts:***
  The Government has accepted the recommendations of the Productivity Commission concerning unfair contracts and will introduce national unfair contract term provisions. The provisions that relate to financial products and services will be incorporated into the ASIC Act.

There are 2 important inquiries which may lead to regulatory changes. The Parliamentary Joint Committee on Corporations and Financial Services is currently inquiring into:

- The issues associated with recent financial products and service provider collapses, such as Storm, Opes Prime and other similar collapses, and

- Agribusiness MIS in light of the recent collapses of Timbercorp and Great Southern.

The terms of reference for these reviews are broad and include analysing difficult issues such as:

- whether disclosure is adequate to protect consumers. Issues which are emerging are whether there need to be products that are off limits, whether a duty of suitability is needed.

- availability and quality of advice and remuneration practices.

Internationally there are a range of issues as well:

In the area of securities and investments there is work going on for specific reforms (principally the work of IOSCO). IOSCO's work has focused on regulation of areas which are key to restoring confidence:

- credit rating agencies
- short selling
- OTC markets and securitisation
- hedge funds.

IOSCO has a Taskforce in each of these areas that are working to develop guidance for regulators and governments in the form of high level principles.

IOSCO has also commenced work on a project that is looking at suitability standards—whether they need strengthening, and whether guidance or principles in this area would be of benefit.

Wallis

Earlier I mentioned the Wallis Inquiry as providing the current policy underpinning for the Corporations Act and ASIC's work—essentially the efficient markets they supported by conduct and disclosure regulation. As the current reform agenda proceeds, the balance reached by Wallis is likely to be revisited. Is the balance correct? Should more be done to protect retail investors and consumers?

The answers to these questions need to be assessed against the benefits which flow from the Efficient Markets Theory. Clearly regulation can protect retail investors and consumers. The other side is that it may add to cost of capital. Low cost of capital is crucial to our financial institutions and corporates as they recapitalise to compete in global markets.

In relation to these issues, ASIC's role is to provide objective information and data from our experience to Treasury and Government and to Parliamentary Inquiries. In the end these are policy matters for Government. ASIC sees its role as assisting and, as necessary, advising Government.

Conclusion

Let me summarise and conclude:

The 5 points which I have made will, I hope, have provided you with a greater understanding of ASIC's role and approach in protecting retail investors and financial consumers.

Key in carrying out those tasks and responsibilities:

- is the work of our stakeholder teams
- the work of our deterrence teams
- the work we are doing in financial literacy

Importantly, in all our work we partnering with other interest and stakeholder groups.

Our role extends to providing input on policy reforms as well and in assisting the debate of the balance between market efficiency (letting the markets operate) and protecting investors and consumers. In our system, that debate is important for maintaining low cost of capital for our financial institutions and corporates.

At the same time, the recent collapses and wealth destruction may well require a move to greater protection of retail investors and financial consumers. These are policy matters for the Government.

Finally, I hope you enjoy the conference and I hope what I have said will be of some assistance to you.

Thank you