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Season's Greetings from Ann and Michael

Dear members and friends,

We have come to that time of the year when we wonder where it has gone and look forward to a short break. It is also time for a reflection on the year past.

A year of such uncertainty and volatility in the investment markets has exposed many failures of governance practices, particularly the lack of separation of the role of the Board Chair and CEO in the USA. In Australia, it is accepted practise that the role of the Chair and CEO should not be exercised by the same person. This issue was highlighted as the priority issue for discussion in any review of the US regulatory system at a recent ICGN forum in Delaware (www.icgn.org).

Governance failures have also occurred in Australia particularly relating to transparency and the role of directors. Once we have completed our full analysis of the AGM season we will finalise our engagement priorities for 2009.

In 2008 we spoke to over 80 board chairman or independent director representatives.

The government white paper on the Carbon Pollution Reduction Scheme was released this week <http://www.climatechange.gov.au/whitepaper/index.html>.

We are currently composing the proposals with our response to the Green Paper and will hold further discussion with the government early in 2009. Our work on environmental and social issues will be further assisted by the appointment of Innovest as our adviser.

All of us at ACSI wish you a peaceful and enjoyable festive season and we look forward to working with you in 2009.

Regards,



Ann Byrne and Michael O'Sullivan

AGM Summary

Thank you to all who attended ACSI's 2007-2008 Annual General Meeting. In addition to the ordinary business of the meeting, the meeting featured two guest speakers:

Professor Kevin Davis

Commonwealth Bank Chair of Finance, University of Melbourne and Director, Melbourne Centre for Financial Studies.

David Coogan

Partner, PricewaterhouseCoopers

The highlight of the meeting was Prof Davis' analysis of the financial crisis which included an examination of the causes of the crisis, a discussion of some of the resulting changes in financial regulation and market practices. Prof Davis' presentation also considered 'government crisis management responses' and the potential effects these responses will have on the financial sector over the long term.

A copy of Prof Davis' speech is available on the www.acsi.org.au. It is recommended reading for those interested in the responses of the market, and policymakers, to the financial crisis. Prof Davis' speech was thought provoking and contained a detailed analysis of some of the current and future, responses to the financial crisis.

Shareholder Voting Summary

With the year coming to an end it is worth looking back on what has been a significant proxy voting season in Australia.

In September ACSI identified two major issues for consideration in the main proxy voting season:

- A 'de-risking' of executive pay and the potential for executives to be paid bonuses in cases where real value was not delivered to shareholders
- A focus on the role of boards and non-executive directors. The starting point of this work was the responsibility of directors, collectively and individually, to exercise independent oversight over company management and ultimately, to represent the interests of shareholders.

In this proxy voting season ACSI members and other active institutional investors successfully highlighted these issues and the voting results in a number of ASX200 companies are evidence of this increased shareholder scrutiny.

Clear messages have been sent on executive remuneration and the role of non-executive directors. The remuneration practices of companies including Valad Property Group, Boral, Asciano, Paperlinx, Wesfarmers, Transurban and United Group have all been called in to question. All of these companies recorded high 'against' votes when their respective remuneration reports were put to shareholders. Practices which contributed to large 'against' votes included increases in executive salaries where companies have experienced sustained poor performance, unexplained and substantial increases in the fixed pay of executives and poor disclosure of executive remuneration arrangements.

Shareholders also increased their focus of the performance of company directors. This is evident from several votes on the election, and re-election of directors in a number of ASX200 companies. There have been historically high votes of 'no confidence' for several ASX200 directors – the main catalyst for these votes has been the past performance of directors on the boards of companies including ABC Learning, Allico Finance Group and Centro Retail Group.

The corporate governance messages from this voting season were clear and super funds who actively voted their shares have played a major part in this process. Whilst voting encourages improved corporate governance practices, we recognise that voting is not an end in itself and we will use the results of this proxy season in our continued company engagement work – it is vital that the corporate governance expectations which informed this season's proxy voting results are communicated to the relevant companies so that they are acted upon in a constructive manner.

Executive Pay – a burning issue

The public's interest in the pay practices of Australian companies has been heightened in the current environment. In bull market conditions, the size of CEO and executive pay packets is immediately compared against the company's share price performance.


For a number of years, ACSI has called for a range of reforms on how pay is determined, disclosed and linked to shareholder interests.

On the issue of improved disclosure of remuneration practices, we acknowledge that since the introduction of a non-binding vote on pay in 2005, companies have generally improved the way they outline their approach on pay and how this links to performance.

There is a view that increased disclosure requirements have 'ratcheted' up pay levels, especially since the introduction of changes in the Corporations Act a few years ago requiring the disclosure of pay of the top five executives.

Companies and their advisers - the remuneration consultants, have however always been privy to this information and passed this onto company directors and executives.

ACSI has been calling for the closure of several legal and regulatory loopholes that allow companies to avoid shareholder approval for share incentive schemes. One key area of this work is allowing shareholders to vote on executive termination benefits. The current thresholds are set at levels which effectively disenfranchise shareholders when the majority of termination benefits are awarded.



This year we witnessed the Oxiana (now Oz Minerals) board ignore the majority of shareholders when they voted against the termination payments to Owen Hegarty – this payment included cash payments for share incentives which had not vested or even been granted. Despite these facts the board of OZ Minerals proceeded to pay Hegarty \$8.75 million. This insult to shareholders has been exacerbated by the company's atrocious performance following the payment.

The AGM season has drawn much focus on the integrity of disclosures and accounts, in order to provide shareholders with a reasonable understanding of the position the company and its future prospects. Clearly some companies have been affected by their debt exposure.

Most companies in the ASX200 have had their share price slashed as a consequence of negative conditions in the marketplace. In some instances this has occurred irrespective of how well a company has been run or how it has been functioning from a business perspective.

A reasonably constructed CEO remuneration package should, irrespective of whether it applies in a bull or bear market, be structured to motivate executives to strive for sustainable performance.

Whilst the overall size of an executive's pay packet draws much focus, the mix between 'at risk' short term incentives and long term incentives remains important. Many companies have received the censure of shareholders where there has been a shift away from long term share incentives into short term bonuses and payments to executives that are predicated on opaque hurdles.

Such payments raise the ire of shareholders, especially where they appear to 'de-risk' incentive pay. For many years, ACSI has asserted that there needs to be a better balance struck between long-term and short-term performance. Bonuses should have reasonable vesting provisions in place, preferably with a significant share incentive component to better align the interests of executives with those of shareholders.

Legislation on short-selling

The Corporations Amendment (Short Selling) Bill 2008 involves the following key aspects:

- Legislative ban on market short selling
- Clarification and expansion of ASIC's powers with respect to the monitoring of short selling activity
- Introduction of enhanced disclosure requirements with respect to permitted short selling under the Act. More specifically requiring brokers to specifically enquire with their client whether a sale is a covered short sale when a client places an order and a direct obligation on market operators to publicly disclose short selling information they obtain from brokers.

In ACSI submissions to Treasury, ACSI indicated its support of improved transparency of short selling practices and enhanced disclosure of short selling activities in order to raise investor confidence and improve market efficiency. ACSI is working closely with the industry on implementation issues.

ESG Update

Investor action on climate change

ACSI has become a signatory to the Poznan Communiqué, which is a communiqué from 140 companies to world leaders setting out what they believe should be the key elements of an international deal on climate change. The initiative includes some of the biggest companies and brands from around the world, including Australia, China, Europe, Japan, the Middle East, South America, the United States and Canada. The Poznan Communiqué was developed by The Prince of Wales's Corporate Leaders Group on Climate Change (which is managed by The University of Cambridge Programme for Industry) and its launch coincided with the start of the second week of the UN climate negotiations which took place in Poznań, Poland recently.

The communiqué says that "climate change poses global social, environmental and economic risks and demands a transformational change in how we manage our global economy" and that "we must deliver deep and rapid cuts in greenhouse gas emissions". It also states that "any credible comprehensive agreement must include mechanisms to reduce tropical deforestation" as the continuing destruction of these ecosystems accounts for up to a fifth of annual greenhouse gas emissions. This follows on from the joint submission that ACSI made in September with AIST on the Federal Government's Carbon Pollution Reduction Scheme green paper. In their submission, ACSI and AIST argued that climate change is one of the risk factors that their members consider in the selection of investments and therefore ACSI and AIST support early and effective action by the Australian Government in tackling climate change on an economy-wide basis.

ACSI has also become a signatory of the Investor Statement on a Global Agreement on Climate Change. This agreement has been produced jointly by the Institutional Investors Group on Climate Change (IIGCC), the Investor Network on Climate Risk (INCR) and the Investor Group on Climate Change (IGCC).

The agreement sets out the investor perspective on climate change and the key elements of a global agreement that will drive the financial flows necessary to address climate change.

The agreement to date has been signed by 135 investment institutions with assets exceeding \$6 trillion. A copy of the statement can be found at <http://www.iigcc.org/docs/PDF/Public/11NovemberInvestorPolicyStatement.pdf>

"Pension for the Planet"

Hugh Whelan from *Responsible Investor* has reported that HRH Prince Charles is planning a "pension fund for the planet".

The article reports that Prince Charles has been considering ideas such as an international agency to raise funds by offering 15-year rainforest bonds with competitive returns, as part of the Prince's Rainforests Project. The bonds would be guaranteed by developed nations and the interest and principal could be repaid from a share of income from future carbon markets, potentially including rainforests, by prior agreement with rainforest-nation governments.

The Prince has been talking to pension funds and insurance companies that form the P8 group of institutional investors and the Prince believes that there is appetite amongst institutional investors for quality, long-term investments that could help in the fight against climate change.

The article also reported that the World Bank also recently announced that it was in discussion with a group of the world's biggest public sector pension funds about ways to structure joint investment products that could channel billions of dollars into the fight against climate change.

The full article from *Responsible Investor* can be found at: <http://www.responsible-investor.com/home/article/charles/>

Report on companies' management of ESG risks

EIRIS, an independent research organisation which conducts environmental, social and governance (ESG) research on publicly listed companies, has released a report looking at the risk management and disclosure practices by the companies on the FTSE All World Developed Index.

The report found that:

- 80% of companies in the FTSE All World Developed index face significant unmanaged ESG risks
- Only 10% of very high and high impact companies have adopted a good response to climate change

- Less than 10% of high risk companies have adopted good practices to manage human rights and labour standards in the supply chain
- Only 10% of high risk companies manage their bribery risks to a good standard.

As well as highlighting areas of significant unmitigated ESG risk, the research found that disclosure levels are generally not good enough for investors to be clear about the risks they face, or what companies are doing to manage their risks.

The full report can be accessed at:

<http://www.eiris.org/files/research%20publications/stateofrespbusinesssep08.pdf>

PRI merges with the Enhanced Analytics Initiative

The Principles for Responsible Investment (PRI) and the Enhanced Analytics Initiative (EAI) have merged under the PRI name to internationalise the call for better investment research on ESG issues. As a consequence of the merger, asset owner and asset manager signatories to the PRI will soon have access to a database of environmental, social and governance reports produced by sell-side brokerage research houses. HESTA and VicSuper are in contact with the UNPRI on how to best support the new initiative and increase the level of ESG research in Australia.

Further information can be found on the PRI website: www.unpri.org

Investors and water risks

Water scarcity is becoming the subject of increasing focus for investors.

The European Sustainable Investment Forum (Eurosif) has released a report highlighting water scarcity and uneven distribution of water; drinking water and sanitation; water pollution; and climate change as the four critical issues currently facing water-dependent industries. The agricultural sector alone accounts for two-thirds of water use worldwide and the food and beverage, energy, mining and forestry sectors are also particularly exposed to water-related risks. The report can be accessed at:

http://www.eurosif.org/media/files/water_theme_report

Earlier this year, JP Morgan, in collaboration with the World Resources Institute, released "Watching Water: A guide to evaluating corporate risks in a thirsty world", which offers investors a framework for evaluating the impact of water scarcity and water pollution on sectors and companies. The report can be found at:

<http://www.wri.org/publication/watching-water>

A group of investors collaborating through the Principles for Responsible Investment has sent letters to 100 of the world's major companies asking them to join the "CEO Water Mandate". Launched in July 2007, the CEO Water Mandate is a public-private initiative of the UN Global Compact designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. More information on the CEO Water Mandate can be found at:

http://www.unglobalcompact.org/Issues/Environment/CEO_Water_Mandate/index.html

ACSI Re-branding

ACSI has reached an exciting chapter in its existence. We are now in our 7th year of operations and have grown from an original workforce of two persons to now seven staff in total.

Our recognition as an important advisory service for the super industry will hopefully continue to increase our member base in the future and subsequently raise our external profile. To reflect this, ACSI is currently undergoing a re-branding.

This will primarily include the launch of a new company logo and website. These changes will now provide us with the opportunity to not only update our external website, but also introduce a number of enhancements within the site to benefit our members.

A member's logon site will be created specifically to meet the needs of our members and to ensure we achieve this, some of our members will be invited to provide their suggestions and feedback during the planning stages. Any further enhancements you may have regarding the site can be implemented after the initial roll-out.

Launch of the new look site is expected during February of 2009 and permanent use of the new branding will also commence from this time.

International Corporate Governance Network

In a recent statement on the Financial Crisis ICGN said "shareholders can play a leadership role in helping resolve the financial crisis, providing they are given sufficient rights to do so." The ICGN called on the leaders involved to include strengthened corporate governance as part of a package of measures aimed at restoring confidence to markets.

"Stronger rights will enable shareholders to hold boards more firmly to account for the longer term consequences of their actions", the statement says. This is important because more effective boards are vital to prevent a recurrence of the crisis. As owners of companies, shareholders are well placed to push the boards of banks and other financial institutions to deliver effective risk management and avoid perverse incentives in compensation plans. In turn, shareholders must be willing to fulfill their shareholder responsibilities or risk losing their share ownership rights and the ability to influence the governance of the companies in which they invest.

A key element of the governance package should be steps to secure fair and transparent markets in which large speculative positions cannot be built up in obscurity, the statement says. Taken together, steps to enhance corporate governance and transparency would reduce the need for heavy-handed regulation which could further hurt the work economy by stunting entrepreneurialism and encouraging protectionism.

"This is a real opportunity for governance," said Peter Montagnon, ICGN Chairman. "The ICGN has campaigned vigorously for shareholder rights. In particular we have sought an ability to appoint and dismiss directors in the US and to have a say on remuneration.

The argument for these rights is now stronger than ever, but the ICGN also firmly believes that institutional shareholders should use them responsibly to secure long term value for those whose savings they invest."

A full statement on the Global Financial Crisis is available at <http://www.icgn.org>

The Financial Sector Post-Crisis

Kevin Davis, Commonwealth Bank Chair of Finance for the University of Melbourne and a Director for the Melbourne Centre for Financial Studies, provided his take on the recent financial crisis during November's AGM. Please find a copy of his presentation below:

To understand what the financial sector might look like once the current financial crisis has passed, it is valuable to identify causes of the crisis which will prompt future changes in financial regulation and market practices. It is also important to consider how the myriad of government crisis management responses will play out over the longer term.

The crisis can (at risk of oversimplification) be attributed to four major factors. The first is the growth of financial products and practices which involved high leverage and were sustainable only under conditions of increasing asset prices and investor confidence.

Sub prime mortgage lending in the US is the obvious example which triggered the crisis, but the problem was more pervasive due to the second factor of uncontrolled (and not well recognized) liquidity creation.

Financial engineering has prompted the growth of liquidity creation techniques based around collateralized lending (such as repos, securities lending, margin lending), where active securities markets for the collateral meant that lenders did not themselves feel exposed to significant liquidity or counterparty risk. Although asset price inflation was high Central Banks, focused on consumer price inflation targets and real sector activity, did not respond by attempting to restrict liquidity and "pricking the bubble".

A third factor was the growth of the, largely unregulated, "shadow banking" sector, involving investment banks, hedge funds, SIVs, conduits etc., and the construction of complex financial instruments and techniques which saw risk spread throughout the global financial sector and significant interdependencies created. Finally, there was an absence of public information about the level and distribution of risk in the financial system. Inability to assess the risk positions of potential counterparties meant that a crisis induced response for many institutions was simply to cease extending credit.



Indeed, one analyst (Gorton, 2008) links the onset of the sub prime crisis to the introduction of the ABX indices in 2006 which provided the first aggregate, market based, estimates of sub prime linked securities values.¹ While concerns about US house prices and sub prime mortgage defaults were also emerging, the indices enabled market participants to express, and trade on, views about the implications for CDOs, whose values were ultimately linked to US house prices via intricate relationships involving complex securitizations of sub prime mortgage.

Closer to home, the lack of public information has been seen in the absence of reliable public data about short selling and securities lending.² Given the role these techniques play in linking equities and funding markets, both market participants and policy makers have been flying blind in making important decisions where knowledge about aggregate positions taken by other participants is valuable information.

Crisis induced responses by Governments have focused primarily on offsetting the immediate effects of the crisis rather than addressing the underlying causal factors.

Second, there have been actions to unfreeze and/or restore liquidity to asset markets and financial institutions, via widening of acceptable collateral in Central Bank repurchase agreements, and Government purchases of particular types of assets (including mortgage backed securities).

Central Banks have also increased aggregate liquidity through their open market operations to cater for the fear induced increase in demand for liquidity and to lower official interest rates to offset adverse effects on the real economy arising from higher credit spreads on private sector lending.

A third response has been the “bail out” of systemically important non-bank financial institutions such as investment banks in the US. The interdependencies within the financial system have been reflected in their roles as prime brokers for hedge funds, significant counterparties in derivatives transactions, and providers of credit through collateralized lending techniques. Ultimately, the disruption to asset markets from disorderly failure was deemed (with the aid of hindsight from the Lehman example) to be unacceptable.

A fourth response has been the introduction of new, temporary, regulations on financial markets and institutions. Particularly notable here has been the introduction of bans on short selling of (some or all) equities on national stock exchanges, driven by concerns about destabilizing speculation.

These responses (and the crisis itself) have had significant short term, and potentially lasting, impacts on the competitive position of various financial institutions. Nonbank investment vehicles (finance companies, managed funds etc) have suffered outflows, partly due to nervous investors being attracted to Government guaranteed deposits, but also reflecting the desire to avoid further losses on risky investments in such a bear market environment. Hedge funds (and others) using trading strategies based on taking short positions have found their business models undermined by bans on short selling.


Looking ahead, a number of changes in the financial sector and in policy approaches can be anticipated.

First: some likely policy and regulatory changes. It is likely that Central Banks will be tasked with focusing also on asset price inflation as a policy goal, rather than the previous, failed, approach of attempting to ensure a “soft landing” from the bursting of speculative bubbles. Also, to have greater effects on financial markets, new instruments of policy will be needed.

“Macro-prudential” policy can be anticipated, in which capital requirements of prudentially regulated institutions are varied depending on economic and financial conditions. This may also include changes to allowable provisioning for losses, involving building up of loss reserves in good times and consequent smoothing of reported profits. Combined with concerns about the impact of mark to market (or model) accounting requirements on financial institutions in this period of market disruption, recently agreed international accounting standards will be subject to scrutiny.

¹ Gary Gorton, “The Subprime Panic” *NBER Working Paper* 14398, October 2008, <http://www.nber.org/papers/w14398>.

² Similarly, there is little reliable public information on the size of trading in over-the-counter Contracts for Difference (CFDs), which some commentators suggest lead to over 20 per cent of stock market trading volume through hedging by CFD providers.



Deposit insurance arrangements and the scope of prudential regulation will be subject to review.

A “safety haven” for unsophisticated investors is required, but recent events have reinforced the perception of “too big/too important to fail”, extending perceived protection to a vastly expanded range of financial products and institutions. Paradoxically, investment banking activities are being increasingly linked with traditional banking, worsening this problem. While holding company structures can notionally separate different types of activities, the potential for allowing failure of one part of the structure (such as the investment banking arm) while maintaining confidence in the rest (including commercial banking) seems limited.

The recently introduced Basel II capital accord will also need further review. Although some of the regulatory failings exposed by the sub prime crisis can be traced to inadequacies in the original Basel accord (such as allowing banks to provide 364 day liquidity facilities to their SIVs and conduits without capital requirement implications), there are many new banking practices not well covered by the accord.

Indeed, the foundations of the new accord have been severely shaken. Bank internal risk models have not performed well – raising questions about the merits of relying on them for determination of capital requirements as done in the advanced approach of Basel II.

Similarly, the credibility of ratings agencies has suffered, also raising questions about the fundamental role of ratings in determining capital requirements under the standardized approach of Basel II.

Whether the “shadow banking sector” is likely to be subject to regulation is an unknown. But it is almost certain that it will be subject to greater reporting requirements to ensure that in future policy makers and market participants will have better information on which to base decisions. Balancing the requirements between protecting commercially valuable private information and generating socially valuable aggregate information is challenging – but enforcing information disclosure should be relatively simple by linking it to AFS licensing requirements.³

Greater information is also available when financial claims are traded in organized exchanges rather than over-the counter markets involving bilateral trades where only the participants are aware of prices and quantities. Reporting requirements for OTC trades (by AFS

licensees) can rectify that, but it may be expected that organized exchanges will experience growth.

A further rationale for the growth of organized exchanges arises from the inherent faults in the business models of a variety of unlisted investment vehicles. Unlisted property and mortgage trusts claim to offer investors liquidity, via redemption facilities, but hold illiquid assets which can lead to a need to freeze redemptions when substantial outflows occur.


Similarly, investors in finance company debentures and a range of other investments rely on the issuer/manager determination of exit prices prior to maturity. Not only do investors face the risk of unfavourable pricing in those circumstances, but there is no mechanism for aggregation and expression of public information about the value of the underlying assets – as occurs (albeit imperfectly) when securities are traded on an organized exchange.

At the same time, organized exchanges appear to be subject to excessive short term trading and potentially destabilizing speculation, reflecting the dramatically reduced trading costs due to modern technology. While it is desirable for valuable private information about economic fundamentals to be incorporated into asset prices by the actions of traders, modern asset markets have, arguably, become much like casinos.

Much trading appears to be based on perceptions of likely short term changes in market psychology or mood or on profit opportunities arising from liquidity needs forcing other participants to unwind current positions (such as short selling based on perceptions that price points leading to margin calls will be reached).

Reflecting these concerns, there may be renewed interest in some variant of the “Tobin Tax”, a proposal by Nobel prize-winning economist James Tobin originally suggested for application to foreign exchange markets. The proposal (often described as “throwing sand in the wheels”) envisages some small tax rate on asset transactions which penalizes, and thus inhibits, short term trading, but has little effect on long term position taking.

³ It is noticeable that US hedge funds are required to report on portfolios (albeit with a lag) whereas Australian funds do not currently face any such requirement.



Increased attention is also likely to be given to the inherent agency problems in the financial sector. The sub prime crisis reflects, at least in part, the lack of accountability and wrong incentives for mortgage originators and securitisers who were not exposed to the risk associated with mortgages and structured products created and on-sold.⁴

Many investors were sold products with unsuitable risk characteristics by financial product sellers and financial advisers with remuneration structures linked to sales volume, which generated conflicts of interest.

Focusing solely on the sellers of financial products, however, only addresses part of the problem. There is a fundamental disjuncture between the sophistication of financial products created and the competence of both investors and borrowers to fully understand the risk and return (or cost) characteristics. And the lack of financial sophistication applies at both retail and wholesale level! Finding mechanisms for inducing (or preventing) the financially unsophisticated from allowing greed to outweigh common sense is indeed challenging. Compulsion, prohibitions, specification of default options, taxes and subsidies, are tactics which warrant attention (and some of which have been used in dealing with retirement financing).

Going forward, the financial system is bound to be a more subdued place for at least a few years. The excesses of financial engineering will not return for a while, although relatively simple financial innovations, such as basic securitization techniques, should eventually recover. But even here, there is the potential for improvements on the basic model such as use of the "covered bond" approach common in Europe, where the securities issued remain a liability of the bank originating the mortgages. And quickly winding down the role of governments in purchasing mortgage backed securities (at prices that cannot be assessed as appropriate for the risk involved, given the current absence of a private market) is an important agenda item.

But probably the major dilemma lies in the likelihood of increased concentration and inter-linkages in the financial sector. Major banking groups dominate not just banking, but also funds management, financial advising and planning, and securities businesses. Most of the other participants in the financial sector are dependent upon them for at least some services crucial to their business. Payments services, prime brokerage, and stand by liquidity facilities are some examples.

In these circumstances, as has so recently been demonstrated, Governments are simply not able to adopt a *caveat emptor* posture and allow such institutions to fail. And permitting a relatively small number of such institutions to dominate the entire financial sector brings with it the problems of concentration of power, inadequate competition, and excessive profits.

There is no hard evidence that a concentrated banking sector is more conducive to financial stability. And there is no good evidence as to whether a concentrated banking sector leads to adequate or inadequate competition in financial services. Finding the appropriate regulatory structure and framework for the financial sector which generates financial stability, adequate competition, and promotes value adding financial innovation is the challenge that lies ahead.

⁴ While it has transpired that many financial institutions retained some exposures to the financial products they created, complexity of those institutions and resulting agency, governance and communications problems suggest that it is not clear that senior decision makers were aware of the full extent of that risk bearing.

Upcoming Events

ACSI Annual Conference

Date: Friday 29 May 2009
Time: All day event
Venue: Sofitel Hotel Melbourne

Further details regarding the conference theme and speakers to follow in the new year.

ICGN Conference

Date: 13-15 July 2009
Venue: The Hilton Hotel, Sydney

Further details on the conference can be found on the ICGN website via the link below:
<http://www.icgn.org/conferences/2009/>

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